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WEALTH KNOWLEDGE

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UK's total pension liabilities surge by £1trn since 2010

The total liability of the UK's pension system increased by £1 trillion in the five years to 2015, according to figures from the Office for National Statistics (ONS).

The statistics reveal the total pensions bill across the UK grew from £6.6 trillion to £7.6 trillion over this five-year period.

This includes the state pension, public sector pensions, company pensions and private pensions.

Most of the total (£5.3 trillion) is made up of government pensions, which are almost all unfunded – and at £4 trillion, state pensions made up the largest part of this figure.

The ONS calculated the government's £5.3 trillion liability to be equivalent to 279% of GDP.

The remaining £2.3 trillion was not the responsibility of central or local government, and consisted mostly of workplace pension entitlements.

Only a third of the total is already funded, leading some pensions experts to express concern over how the rest will be paid for.

Steve Webb, director of policy at Royal London, warned that "tomorrow's workers" will have to pick up the bill for the remainder of these liabilities.

Webb said:

"The numbers in the report are truly mindboggling.

"If we are to have a meaningful debate about how we pay for an ageing population and about fairness between generations, figures like these need to be published on a regular basis and should inform policy-making."

Contact us to discuss your pension savings.

Cash ISA rates show signs of recovery

Interest rates on cash ISAs are finally starting to increase after years of low rates, a report by data provider Moneyfacts claims.

The report showed that average rates for instant access ISAs went up from 0.68% in December 2017 to 0.78% in February 2018.

Long-term fixed-rate ISAs also increased from 1.38% to 1.46% over the same time.

Low interest rates since the recession struck in 2008 have seen ISAs lose popularity among savers due to the miserly returns on offer.

In the 2016/17 tax year, the number of savers who opened cash ISAs decreased by 16% on the previous year.

However, potentially rising interest rates could improve prospects for ISA savers in the future.

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While the Bank of England held the interest rate at 0.5% in both February and March 2018, it hinted that rates may need to rise "somewhat earlier and by a somewhat greater extent" than previously anticipated.

Charlotte Nelson, finance expert at Moneyfacts, said:

"ISA savers will be disappointed to find that while we have seen an upturn in rates, ISA returns have yet to recover from the base rate cut in 2016.

"Yet with multiple base rate rises now on the horizon, it is important that savers think about using their ISA allowance."

The annual ISA allowance for 2018/19 remains unchanged from 2017/18, at £20,000 a year.

Get in touch to discuss your savings strategy.

Gig work helps over-55s ease into retirement

Workers aged 55 and over are increasingly opting for the flexibility of working in the gig economy as they transition into retirement.

Analysing a survey by YouGov of more than 4,200 adults, Zurich UK found that 36% of gig workers aged 55 and over chose this type of work to help them ease into retirement.

The same percentage cited flexibility and being able to choose the work they take on as the main attraction.

Some individuals plan to continue this style of work beyond state pension age, with more than 10% of all gig workers expecting to keep working up to the age of 75.

A separate survey by the Department for Work and Pensions revealed the employment rate for people aged 50 to 64 is on the rise, increasing from 55.4% to 69.6% in the past 30 years.

Chris Atkinson, head of direct at Zurich UK, said:

"Not everyone wants to jump straight from working full-time into retirement, whether that stems from reluctance to stop a familiar routine or an enjoyable job – or simply because it will mean waving goodbye to a salary.

"As such, gig work is clearly a popular choice for near-retirees, allowing them to keep a form of money coming in without working the traditional nine to five."

However, the insecure nature of gig work means that it comes with its drawbacks, as many workers reported in the YouGov survey.

The main disadvantage, according to 44% of survey respondents, was a lack of workplace benefits such as income protection, holiday and sick pay.

Meanwhile, 34% said their biggest problem with gig work was not knowing where their next paycheque would come from and 27% said it was not having a workplace pension.

Atkinson added:

"As the world of work continues to change at a rapid rate, it shouldn't come at the expense of financial protection.

"It's incredibly important that gig workers are aware of the benefits of protection in the first place and this is where information, guidance and advice play a key role – at all ages."

Speak to us about your retirement planning.

Savings rates slashed on Growth and Income Bonds

National Savings & Investments (NS&I) has reduced the interest rate it pays on Guaranteed Growth and Income Bonds for new customers.

Interest on the three-year Growth Bond has been reduced from 2.2% to 1.95%, while interest was also lowered from 2.15% to 1.9% for the three-year Income Bond with effect from 6 March 2018.

However, the rate on the one-year version of both bonds has remained unchanged.

Guaranteed Growth and Guaranteed Income Bond accounts can be opened online, and offer a guaranteed return on a minimum investment of £500 and a maximum of £1 million.

According to NS&I, the bonds had been popular since their launch in December 2017, and this high demand has led to the decision to reduce interest rates.

The changes will only apply to new customers, so those who already hold a three-year Growth or Income Bond that was opened before the rates changed will not be affected.

Anyone with an existing three-year Growth Bond will still have the option to rollover their investment for another three years, keeping the old rate of 2.2%.

Maturing 65+ Guaranteed Growth Bonds, known as Pensioner Bonds, can also be reinvested into Growth Bonds at the previous rate.

Jill Waters, retail director at NS&I, said:

"It is always a difficult decision to reduce rates but these changes will allow us to manage demand in order to achieve our net financing target, while continuing to deliver positive value to taxpayers.

"The new rates present a fair offer, and customers continue to benefit from a high holding limit and 100% security on all deposits."

Talk to us about your savings options.

Important information

The way in which tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to change in the future. Pension and ISA eligibility depend on individual circumstances.

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