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WEALTH KNOWLEDGE

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1 Let tax-free childcare reduce summer stress

2 Cashing-in pension pot could cost savers

3 One in four people braced to work into their 70s

4 Self-employed should have 'sidecar pension'

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Let tax-free childcare reduce summer stress

Parents whose stress levels are rising as the school holidays get under way can use tax-free childcare to send their children to regulated holiday clubs.

The HMRC reminder comes hot on the heels of a YouGov study, which found 31% of parents feel stressed trying to arrange childcare during the school break.

A similar number (30%) worried about balancing their job with childcare, while 54% admitted they look forward to the day their child goes back to school in September.

Tax-free childcare offers up to £2,000 a year towards childcare and is available to working parents of children aged 12 or under, or under-17s who are registered as disabled.

Parents must usually be earning more than £120 a week and less than £100,000 a year to be deemed eligible.

For every £8 an eligible parent saves into the account, the government adds £2 up to a value of £2,000 a year or £4,000 for parents of disabled children.

Tax-free childcare was launched in April 2017 and effectively works as a savings scheme for parents who open an online account that is used to pay for registered childcare.

Liz Truss, chief secretary to the Treasury, said:

"Organising childcare for school holidays is important for parents.

"Tax-free childcare and 30 hours' free childcare help make things easier by cutting thousands of pounds from the childcare bills of working parents.

"So I hope families across the country visit the Childcare Choices website to take advantage of the offer, and enjoy the holidays."

Talk to us about tax-free childcare.

Cashing-in pension pot could cost savers

Savers could be losing out on retirement income by withdrawing cash from their pension pots, a regulator has warned.

A report by the Financial Conduct Authority (FCA) found that some customers in drawdown could receive 37% more retirement income every year by investing in a mix of assets rather than cash.

Since the introduction of pension freedoms in April 2015, savers have been able to withdraw their pension in cash from the age of 55.

This proved a popular option, with around 1.5 million pots accessed by September 2017.

However, the FCA has warned that more guidance is needed to help consumers understand their options and make the most of their savings.

More than 60% of people who were not taking advice on a drawdown pension were not sure where their money was invested, or had only a broad idea, while 33% were holding funds entirely in cash.

The FCA has proposed that pension providers should send 'wake-up' packs to their customers from the age of 50 and every five years thereafter until benefits are taken from the pension.

This would include a clear summary and specific warnings about retirement risks.

Christopher Woolard, executive director of strategy and competition at the FCA, said:

"We know the choices introduced by the pension freedoms have been popular with many consumers.

"However, they're now required to make more complicated decisions than ever before. Many people need more support when making choices."

Speak to us about your retirement planning.

One in four people braced to work into their 70s

More than one in four people expect to be in either full-time or part-time employment at the age of 70, according to research.

Aegon polled 700 adults and found that 27% are braced to be in some form of employment when they are septuagenarians.

Male respondents (28%) were marginally more likely to be working past their 'traditional' retirement age, compared to around 25% of women.

The increasing likelihood that many people will work later in life is also reflected in several planned increases to the state pension age.

The state pension age is currently 65 for men and will increase to the same age for women in November 2018.

It is then set to increase to 66 for both men and women between December 2018 and October 2020, and to 67 between 2026 and 2028.

Almost half (46%) of those polled expect to be fit and healthy to work into their 70s, while only 1% believe they will be in sufficient health to enjoy a full retirement.

Aegon warned that while many people are optimistic about their fitness to work in the future, it's risky to have no contingency plan in the event of bad health.

Steven Cameron, pensions director at Aegon, said:

"People no longer expect to retire at as early an age as their parents, and the state pension age is not the defining 'retirement moment' at which they stop work.

"For some, working beyond the traditional retirement age will be a lifestyle choice but for others, who put off planning ahead, it could be a financial necessity to cover living costs.

"It's difficult to predict your future health, particularly into your 70s, meaning it's always best to start making some financial provision for life after work as early as possible."

Get in touch to plan your retirement.

Self-employed should have 'sidecar pension'

The self-employed should have a "sidecar pension" instead of an extension to auto-enrolment, according to the Association of Independent Professionals and the Self-Employed (IPSE).

IPSE said a new retirement saving scheme should be created to allow a sole trader to save into a fund that doubles up as a pension pot and a rainy-day fund.

Once contributions into the rainy-day fund reach a certain level, all future contributions would be solely diverted into the pension pot.

More than 4.8 million people in the UK are registered as self-employed, with only 31% of those paying into some form of personal pension.

In comparison, the number of eligible employees automatically enrolled into workplace pension schemes passed 10 million earlier this year.

Minimum contribution rates for auto-enrolment also increased to 5% in April 2018, with employees paying around 3% of their salary and employers putting in at least 2%.

IPSE's stance opposes joint calls from Royal London and Aviva, both of whom favour the extension of auto-enrolment for the self-employed through the annual tax return process.

Steve Webb, director of policy at Royal London, said:

"Using the annual tax return process to 'nudge' self-employed people into saving for their retirement could bring a breakthrough in pension coverage for the self-employed, in the same way as for employees."

However, the IPSE report said it doesn't consider auto-enrolment to be a viable savings solution for the self-employed.

Jon Lima-Matthews and Tom Purvis, co-authors of the IPSE report, added:

"There's no obvious mechanism that would automatically enrol a self-employed person into a pension scheme with inertia to keep them there, or successfully nudge them into enrolling as an active choice.

"There is therefore no obvious way to capitalise on the successful components of auto-enrolment."

Contact us to discuss your savings.