

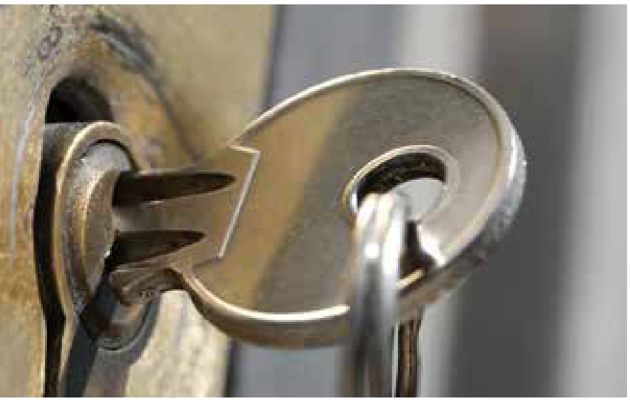
CAMPBELL & McCONNACHIE
chartered financial planners

Harbour House 1 Shore Street Lossiemouth
Moray IV31 6PD

david@campbell-mcconnachie.co.uk
01343 814000

WEALTH KNOWLEDGE

JULY 2018



www.campbell-mcconnachie.co.uk

Lack of financial protection puts households at risk

Many UK households are under-protected in the event of serious illness, Scottish Widows warns.

A survey of 5,022 UK adults found that more than a fifth (21%) of households wouldn’t survive financially if they unexpectedly lost their main income.

Only 9% of people have a critical illness policy to protect their household should they or their partner be unable to work due to long-term illness.

Meanwhile, the number of individuals taking out life insurance fell seven percentage points compared with 2017.

More than two-fifths (43%) say that if faced with this situation, they would solely rely on their savings.

However, for 35% of people, those savings would last no more than three months, and for 54% they would last no longer than a year.

Around three in ten people say they aren’t saving anything at all, so would not have any savings to fall back on, and 19% believe state benefits will be enough for them to retire on.

Almost half (48%) of those polled said they had not made a legally valid will to pass on any assets or money to their loved ones when they die.

Gary Burchett, protection director at Scottish Widows, said:

“On a societal level, we increasingly think in the short term, caring more about tangible things in our day-to-day lives.

“On a more fundamental level, we’re programmed not to think about the worst happening.

“Together, these are dangerous inclinations as people aren’t thinking about insuring their health or life until it’s too late.”

Get in touch for financial advice.

One in three underestimate wait for inheritance

More than a third of people underestimate the time it might take to receive their inheritance, according to research from Co-op Legal Services.

In a survey of 2,000 UK adults, 37% said they expect to wait between four and six months to receive their inheritance following the death of a loved one.

In reality, the process can often take much longer than this estimate, depending on a range of circumstances.

For instance, among those who had carried out probate for someone, it took an average of almost 11 months to complete the administration of the deceased’s estate.

Probate is the term often used in England and Wales to describe the legal processes involved in dealing with the property, money and possessions of a person who has died.

Co-op Legal Services claim simple cases of probate have been resolved in as little as 60 days, while the more complex cases have taken as long as eight-and-a-half years.

Gavin Holt, head of probate at Co-op Legal Services, said:

"Whether you're an executor named in a will, or the next of kin in the absence of a will, dealing with the estate of a loved one can be difficult.

"It's not something that comes around very often, and people often don't know where to begin.

"As with all legal work, it's very important to get probate right, and a lot of peace of mind can come from handing it over to an expert."

Talk to us about planning your estate.

Tenants face 'pension mountain' to maintain living standards

Tenants who are unable to afford to buy their own home will require a pension pot of £445,000 in retirement.

Analysis from Royal London claims those who will still be paying rent to a private landlord when they retire need to save a "pension mountain" to sustain their existing living standards.

This 'mountain' has grown from £150,000 in 2002/03, when interest rates were higher and life expectancy was lower, to around £260,000 in 2018/19.

The research reached its conclusion by assuming people are mortgage-free by the time they retire at 65, while also having a full state pension of just over £8,500 a year to top-up their savings.

However, for non-homeowners who will still need to pay rent in retirement, the required pension pot could increase to as much as £445,000.

This higher target could be closer to reality for younger generations, as increasing numbers of people struggle to get onto the property ladder.

Helen Morrissey, personal finance specialist at Royal London, said:

"If our retirement pot is going to support us through a longer retirement and in an era of lower interest rates, we are going to need to build a much bigger pot than in the past.

"More worrying still, we can no longer assume we will be mortgage-free homeowners in retirement.

"For those unable to get on the property ladder during their working life, a large private rental bill needs to be factored in to retirement planning."

To alleviate the problem, the report recommended improving the system for auto-enrolment into workplace pensions, by extending its coverage and increasing minimum contributions.

Although the mandatory contribution rate is set to rise to 8% in April 2019, Morrissey explained that "we cannot afford to be complacent" about current saving levels.

She added:

"This is a great start, but the government needs to act quickly to nudge people up to more realistic savings levels.

"Without this, many millions of people will face a sharp drop in living standards when they retire."

We can help plan your retirement.

Parents lending less to help homebuyers

Parents who contribute financially towards property purchases for their children are lending less, a report from Legal & General shows.

The Bank of Mum and Dad (BoMaD) is set to help fund 316,600 house purchases in 2018 – an increase of around 6% compared to 298,300 in 2017.

However, the amount that parents will contribute has decreased over the same time, suggesting many may be feeling the squeeze on their finances.

The average BoMaD contribution in 2018 is expected to be £18,000 – a reduction of 17% on the year before.

This will bring total lending down to £5.7 billion, compared to £6.5 billion in 2017.

Although the size of these contributions is reducing, a growing number of buyers are still reliant on parental help.

More than a quarter (27%) of people buying a home will get financial support from friends or family in 2018, up slightly from 25% in 2017.

Under-35s are the most likely age group to benefit from this help, with 59% receiving money from their parents towards buying a property.

However, the problem is not limited to younger generations as 20% of homebuyers aged between 45 and 55 will also receive assistance from friends or family.

Nigel Wilson, group chief executive at Legal & General, said:

"The volume of transactions depending on BoMaD funding keeps on growing, even as parents find it harder to provide as much money for the deposit.

"This is not a positive trend – nor is it sustainable or fair for our parents and young people to remain so co-dependent when it comes to housing purchases.

"We need to take action to fix the housing market and open up affordability for all."

Contact us to discuss your finances.