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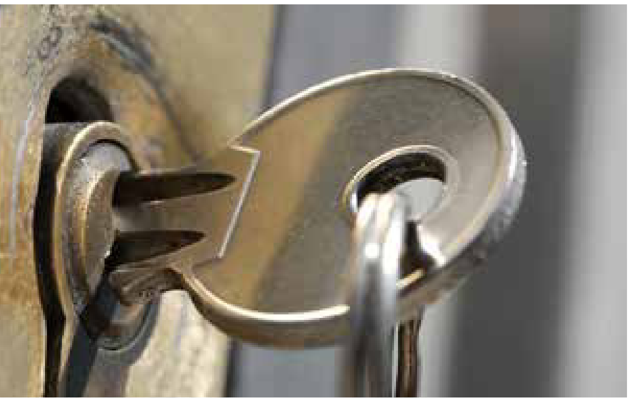
WEALTH KNOWLEDGE

MARCH 2017



Government measures distort childcare costs

A family earning the national average spends up to a third of their net income on childcare costs, according to the Institute of Economic Affairs (IEA).

The government currently spends over £7 billion on childcare benefits. The IEA claims that government subsidies, such as the free hours entitlement, have distorted prices and made childcare more expensive.

As well as pushing prices up, the IEA believes that government interventions have reduced parental choice and not produced an improvement in service quality.

Len Shackleton, editorial and research fellow at the IEA, said:

"Regulation has led to an excessive formalisation of childcare and pre-school, which has not only pushed up costs but paid scant attention to parental preferences.

"Many families may not want the structural form of pre-school that the government requires as standard."

Policy recommendations

The report makes a number of recommendations:

- abolish universal 'free hours' and directly target provision towards people that need it most
- replace tax-free childcare with a universal credit system as this would be preferable for unemployed and part-time workers
- remove staff-child ratios and mandated qualifications of carers to allow different kinds of childcare and encourage more parental choice.

Len Shackleton said:

"At a time when many families are facing a cost of living crisis, it is important the government rethinks its involvement in childcare."

Talk to our team about childcare costs today.

Self-employed face financial stress

1 in 5 self-employed households face increased financial stress, according to Scottish Widows' Centre for the Modern Family.

Of the 2,305 adults surveyed, 19% with a self-employed relative claim that their family member has more financial concerns since becoming their own boss.

20% said this person is more stressed as a direct result while 11% said their whole family is under increased stress.

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Further findings:

- 53% left traditional jobs in search for more flexibility in their working life
- 53% wanted the ability to choose their own hours
- 17% wanted to fit work around childcare responsibilities
- 46% of mothers chose self-employment to fit working hours around childcare.

Anita Frew, chair of the Centre for the Modern Family, said:

"With more and easier access to practical and financial support, individuals may feel better equipped to make their path in self-employment less stressful for themselves and their families, and bring them more of the benefits which attracted them to self-employment in the first place."

Finance for the self-employed

27% say that better financial support from the government would encourage them to become self-employed.

50% also want more practical help such as online forums and guidance.

If you're looking into self-employment, you may need finance to support you.

Some available sources to you include:

- funds from family or friends
- grants from a charity or trust
- bank loans.

Learn more about self-employment.

Savers unaware of Lifetime ISA

The Lifetime ISA launches on 6 April 2017 but 2 in 3 people still don't understand what it is, according to Aegon.

Of the 2,000 adults surveyed, 36% were unaware of the new ISA while a further 31% aged 16-34 did not understand how it works.

The Lifetime ISA will be available to those aged between 18 and 40. People can make annual contributions of up to £4,000 per year while receiving a 25% government bonus.

Funds can be used for either retirement or towards a first home.

46% of those surveyed aged 16-34 expect to open one. 32% said they would use it to save for a house deposit.

Only 26% stated an interest in using the new ISA to save for retirement.

Steven Cameron, pensions director at Aegon, said:

"The Lifetime ISA will be attractive for prospective first time buyers but for employees saving for retirement, workplace pensions almost always offer greater incentives than the Lifetime ISA 25% bonus."

Lifetime ISA vs workplace pension

There have been ongoing discussions about whether the Lifetime ISA will be useful for retirement saving compared to workplace pensions.

While considered a valuable addition, the Lifetime ISA is not a direct substitute for workplace pensions as ISA savings do not attract employer contributions.

However, the Lifetime ISA might be appropriate for those who are not eligible for auto-enrolment or individuals who are self-employed (although they can also contribute into a pension and gain tax relief).

Also, for those individuals who have used all their pension annual contribution allowance a Lifetime ISA might be appropriate.

Talk to us about your retirement strategy today.

Working to 65 could increase pension pot by half

The number of employed people over the state pension age reached 9.8 million in 2016 according to figures released by the Department for Work and Pensions (DWP).

This is an increase of over 4 million since 1996 and the average age of leaving the labour market has risen over the last 20 years.

In 2010, 25% of the working age population were aged 50 or over. The DWP estimates that this will increase to 1 in 3 by 2022.

The DWP figures also show that:

- 25% of men and a third of women reaching state pension age have not worked for 5 years or more
- over a million people aged 50-64 not in employment say they would be willing to work.

The benefits of working longer

The DWP points towards the benefits of working past 50, not only for the workers themselves but also their employers.

By retiring at 65 instead of 55, the average male earner could have £280,000 in extra income and increase their pension pot by 55%.

In 2015, employers listed the following benefits of older workers:

- 75% believed their experience is the main benefit
- 65% value their reliability
- 54% value the role older workers play as mentors
- 20% believe older workers are more productive.

Speak to our team about your retirement.