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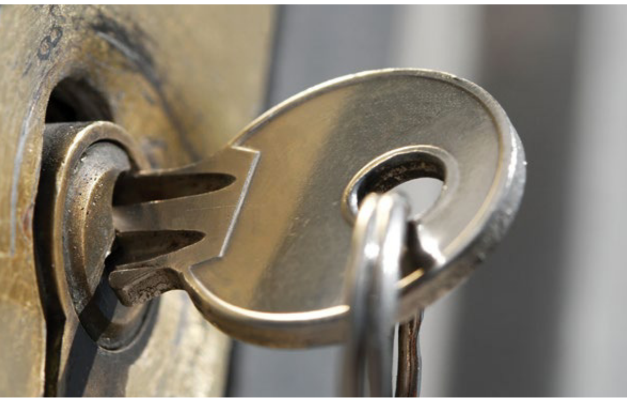
WEALTH KNOWLEDGE

MAY **2018**



False confidence in pension products among retirees

Many retirees have misconceptions about their options to provide a retirement income, a report of around 13,000 people has claimed.

A study from the Financial Conduct Authority (FCA) discovered that 80% of those who accessed their pension pots in the last two years felt they understood their retirement income options well.

Over half (54%) believed they fully comprehended their options, while 26% said they grasped their options to a certain extent.

However, the FCA found this confidence was somewhat misplaced as 41% were unaware that a single life annuity would provide a regular income for the rest of their life.

Almost a third (31%) said they had never heard of a single life annuity, while 11% falsely believed there was the risk that the value of their fund could go up or down.

As far as income drawdown is concerned, around two-thirds (63%) were oblivious that the value of their fund could fluctuate depending on how it is invested.

The findings show the importance of obtaining financial advice before deciding how you want to access your pension pot, particularly after the introduction of pension freedoms in April 2015.

Separate research by Retirement Advantage polled 1,000 over-55s and found that 50% had not received financial advice before taking their pension.

Around three in five (59%) of those said they hadn't sought advice because they believed they already knew what they were doing.

Andrew Tully, pensions director at Retirement Advantage, said: "The lack of advice and people not shopping around go hand-in-hand. Freedom and choice should not be a licence for people to receive poor value from their savings.

"Although people say they are confident enough to DIY retirement, there is a direct correlation between the number of people who receive advice and the number of people who shop around."

Get in touch to discuss retirement planning.

Most Brits are resigned to working into their mid-60s

Most workers in the UK expect to be working part-time after reaching the age of 65, according to a study.

Scottish Widows polled 3,535 people and found 51% expect to be working into their mid-60s, with 18% of those claiming it's more out of necessity than choice.

Just under half (44%) are failing to save the recommended 12% of their annual salary towards retirement.

Only 24% of respondents expect to be in a position to retire when they hit the age of 65, while 39% fear running out of money in retirement.

Robert Cochran, retirement expert at Scottish Widows, said:

"While the idea of people around the age of 60 to 65 giving up work once and for all has been disappearing in recent years, our research shows this is a necessity rather than a choice for many.

"Auto-enrolment has been a great success and the increase in minimum contributions should mean more people have valuable pension funds to live off as they approach later life.

"With life expectancy expected to continue rising, it's worthwhile remembering that saving for the future doesn't need to stop at retirement age."

Talk to us about saving for retirement.

Grandparents 'missing out on state pension boost'

Around 90,000 grandparents and family members could be missing out on the national insurance credit that boosts their state pension.

In a freedom of information request, Royal London found that only 9,486 family members claimed the credit in the year to September 2017.

While this was a significant increase on the previous year, it only represents around 10% of those who could be entitled to help, according to Royal London's estimates.

The scheme, known as the specified adult childcare credit, is available to family members who are:

- under state pension age
- looking after a child under the age of 12 while the parent goes back to work.

It allows the parent to sign over the national insurance credit they receive as part of child benefit to the family member who is caring for the child.

This could add up to £230 a year to the amount of state pension they are entitled to.

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

"It is right and proper that when grandparents sacrifice their own working life to help a family member get back to work, they should not also damage their own state pension prospects.

"We believe there are tens of thousands more grandparents who could be entitled to benefit and would encourage more of them to find out about the scheme and to make a claim."

Speak to us about planning your finances.

Childcare voucher scheme extended for six months

Childcare vouchers are still being offered by employers, after the government announced a six-month extension to the scheme.

The childcare voucher scheme was previously scheduled to close on 5 April 2018, to make way for the government's tax-free childcare scheme.

However, following problems with the rollout of tax-free childcare, the existing childcare vouchers scheme will remain open to new applicants until 5 October 2018.

Employees joining a childcare voucher scheme between now and October 2018 are able to take up to £55 a week through salary sacrifice to cover childcare costs, free of tax or national insurance.

Speaking in a parliamentary debate to confirm the extension, education secretary Damian Hinds said:

"I have heard the concerns about the timing, and I can confirm that we will be able to keep the voucher scheme open to new entrants for a further six months."

From 6 October 2018, parents will only be able to apply for the government's tax-free childcare scheme.

The scheme, which was launched in April 2017 but not fully rolled out until February 2018, 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.

Hinds added:

"Tax-free childcare will mean that more people become eligible, regardless of their employer and including the self-employed for the first time."

We can advise on childcare vouchers.