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WEALTH **KNOWLEDGE**

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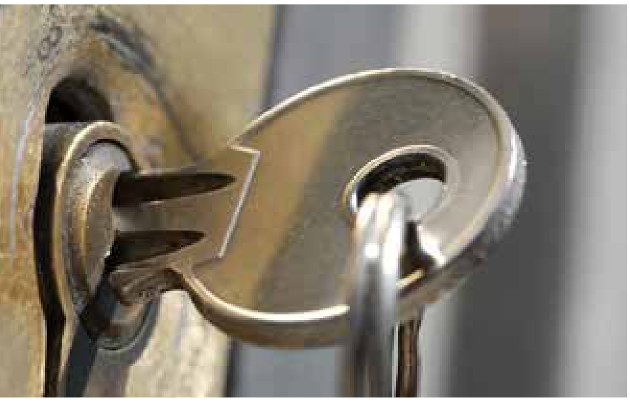

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Budget 2018 round-up: Personal allowance to rise

In his Budget speech on 29 October 2018, Chancellor Philip Hammond announced the personal allowance and higher-rate threshold will both rise in 2019.

Despite speculation before the Budget that the **personal allowance** might be frozen, it will instead increase on 6 April 2019, from £11,850 to £12,500.

The **higher-rate threshold** will rise at the same time, from £46,350 to £50,000.

These changes mean a Conservative manifesto pledge will be met a year earlier than expected.

Another headline measure announced in the Budget was the extension of relief on **stamp duty land tax** for first-time buyers of shared-ownership properties valued up to £500,000.

This relief applies retrospectively from 22 November 2017.

Pension savers will also be able to contribute more into their pension tax-free, as the **lifetime allowance** will rise from £1.03 million to £1.055m for 2019/20.

Additionally, it was confirmed that the pensions dashboard will include state pension data.

Employees are set for a pay rise from 6 April 2019, as the **national living wage** will increase by 4.9%, from £7.83 an hour to £8.21.

Contact us to discuss how these measures affect you.

Auto-enrolment contributions fall 5.5% in five years

The average amount saved by employees in workplace pensions slumped 5.5% in the five years following the introduction of auto-enrolment.

Figures from the Office for National Statistics show the typical employee/employer contribution fell from a high of 9.7% in 2012 to just 3.4% in 2017.

Workers who are aged between 22 and state pension age and earning more than £10,000 a year are automatically enrolled into a workplace pension scheme.

Eligible employees and their employers currently make a combined minimum contribution of 5%, with the worker putting in 3% and the employer contributing 2%.

This minimum contribution will rise to 8% from 6 April 2019, with eligible employees diverting 5% of their salary into their workplace pension and employers contributing 3%.

Alistair McQueen, head of savings and retirement at Aviva, said: "Millions of employees embraced auto-enrolment in the belief it will deliver a comfortable retirement, but many are on the road to living on less than the minimum wage in retirement.

"The proposed minimum saving rate of 8% of earnings from 2019 is insufficient, and we need to agree to further increases.

"Failing to do so will bring misery to millions of workers."

We can help plan your retirement.

Long-term investors reap the rewards from financial crisis

Investors who kept a cool head through the financial crisis in 2008 would be sitting on returns of 89% a decade on, according to Aegon.

Analysis from the savings provider claims £100,000* invested in a mixed investment fund of equities, gilts, cash and bonds prior to the global recession would be worth £189,000 in 2018.

Investors would have had to ride out an initial 22% loss during the first six months until March 2009, since when there has been sustained recovery.

This recovery represents annual returns of about 6.5% and average inflation of 2.3% over the same 10-year period.

Nick Dixon, investment director at Aegon, said:

"When markets start to wobble, many people's first thought is to sell but this natural instinct is typically the worst course of action.

"By staying invested you avoid selling assets at depressed prices and benefit from subsequent recovery.

"Most people will be better riding out the storm, particularly if their savings goal is decades away, typically the case with people saving for retirement."

More than a third (37%) of the 650 consumers surveyed said they think investment risks are elevated now compared to 10 years ago.

Interestingly, 53% fear another financial crash and this anxiety is affecting the amount of risk they are willing to take with existing or new investments.

Dixon added:

"There are a number of headwinds facing the global economy and markets, including rising interest rates and trade disputes, that are reflected in investor sentiment.

"However, for those with a long-term view, such issues should not be a barrier to investing.

"Accepting investment risk – including periods of loss – is necessary to achieve long-term investment returns."

Investing is always a risky strategy as there is no guarantee that the value of your investments will grow, and you could lose them altogether in the worst-case scenario.

As greater returns usually come with higher levels of risk, investors need to assess their priorities to work out how much risk they are willing to take with their investments.

*Figure based on an initial investment of £100,000 in the ABI Mixed Investment 40%-85% Shares in September 2008, excluding investment charges. Source: Aegon UK

Talk to us for investment advice.

Women 'missing out on pension income in divorce'

Many women going through a divorce are missing out on money and other assets in retirement due to their husbands' private pensions not forming part of the divorce process.

Research from Age UK claimed that while married couples typically split the value of any home they own, equal division of pension assets has been consistently left out of divorce settlements.

The charity claims one in three women aged between 55 and 70 in the UK have experienced significant implications for their retirement incomes after going through a divorce.

Two-fifths of the 1,010 women polled remain heavily dependent on their partner's income, mainly due to taking time out of work to raise children or care for elder relatives.

Three-quarters of couples do not discuss their pensions at all prior to divorce, while Age UK warned that couples have no automatic right to know their spouse's pension value at divorce.

The report also found that 68% of married couples pool at least a small amount of their income for retirement, despite women having no entitlement to the combined pension pot.

As a result, the charity is calling on the Government to introduce urgent reforms to the divorce process to ensure pension pots are split equally between spouses.

Caroline Abrahams, director at Age UK, said:

"It's unacceptable that so many women are potentially missing out on significant sums of money when they divorce, sometimes without even realising.

"Women born in the 1950s have been hurt by steep rises in the age at which they can take their state pension, and many divorced women are being disadvantaged when it comes to private pension provision, too.

"The money many divorced women are currently going without could make the difference between having to count the pennies or being comfortably off in retirement, so this has huge implications."

Speak to us about your savings.