



# ROXBURGH GROUP

## ROXSURE MONEY MATTERS

SEPTEMBER/OCTOBER 2021

### BUILD YOUR OWN FINANCIAL PLAN

Vision without action is merely a dream



#### TOP PENSION TIPS IF YOU'RE ABOUT TO RETIRE

Understanding your options and putting a plan in place

#### WHAT'S HAPPENING WITH INFLATION?

Easing of lockdowns boosts consumer confidence and unleashes pent-up demand

#### TIME FOR PENSIONS TO CONTRIBUTE TOWARDS BUILDING A BETTER WORLD

New landmark report from the United Nations on the state of climate science

151 GLASGOW ROAD  
CLYDEBANK G81 1LQ  
t 0141 952 0371  
f 0141 952 0255

19-21 AYR STREET  
TROON KA10 6EB  
t 01292 314 313  
f 01292 311 362

35 MAIN STREET  
STEWARTON KA3 5BS  
t 01560 485 333  
f 01560 485 330

INDEPENDENT FINANCIAL ADVISERS  
INSURANCE BROKERS  
PROPERTY SALES & LETTING

e [info@roxburgh-group.co.uk](mailto:info@roxburgh-group.co.uk)  
www.roxburgh-group.co.uk

Authorised And Regulated By The Financial Conduct Authority

# Inside this issue

**Welcome to our latest edition.** Inside, we look at how having a financial plan in place early on can make it easier to manage your money further down the line. It's never too early to make a financial plan. The sooner you work out your goals and start following a plan to achieve them, the more likely you are to succeed. On page 06 there are three key questions to ask yourself when building your financial plan. Don't forget: vision without action is merely a dream.

We spend our working lives building towards retirement. Choices we make today will have a big impact on the quality of our lives later on. On page 04 we explain the changes made to UK pensions in 2015 and what they mean for your choices when it comes to funding your lifestyle in retirement. The decisions surrounding when, why, and how you decide to retire will be very personal and will largely depend on your individual circumstances.

Understanding inflation is an important factor when it comes to your financial success. If you don't factor inflation in when deciding where to put your money – whether that's savings accounts or investing – you could find your wealth shrinks over the years. The easing of lockdowns has boosted consumer confidence and unleashed pent-up demand. On page 12 we look at the current causes of higher inflation.

Your pension is more than just a retirement fund, it can also contribute towards building a better world. As we have been witnessing in recent months and years, climate changes are occurring in every region and globally. A new landmark report from the United Nations on the state of climate science has highlighted modern society's continued dependence on fossil fuels. Its effects are already apparent as record droughts, wildfires and floods continue to devastate communities worldwide. Turn to page 10.

A full list of the articles featured in this issue appears opposite. ◀

## UNDERSTANDING EVERY ASPECT OF YOUR WEALTH



Whether you are clear on your financial priorities or feel you need to be pointed in the right direction, we'll work with you on your financial plans and help you to realise your wealth and lifestyle ambitions. We hope you enjoy the useful intel and articles in our latest issue, and if you require any further information or would like to start a conversation – please contact us.

# C O N T E N T S



## 03

### MAKING INHERITANCE GIFTS FROM SURPLUS INCOME

Are you making use of this useful and much under-utilised exemption?

## 08

### HOW TO TRACE MULTIPLE OLD PENSION POTS

Over time, pension schemes close, merge or become renamed

## 04

### TOP PENSION TIPS IF YOU'RE ABOUT TO RETIRE

Understanding your options and putting a plan in place

## 10

### TIME FOR PENSIONS TO CONTRIBUTE TOWARDS BUILDING A BETTER WORLD

New landmark report from the United Nations on the state of climate science

## 06

### BUILD YOUR OWN FINANCIAL PLAN

Vision without action is merely a dream

## 11

### COPING WITH LIFE-CHANGING EVENTS

Plan for tomorrow, live for today

## 07

### PREPARING FOR THE UNEXPECTED

Protection should be a core part of your financial plan

## 12

### WHAT'S HAPPENING WITH INFLATION?

Easing of lockdowns boosts consumer confidence and unleashes pent-up demand

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.



# Making inheritance gifts from surplus income

Are you making use of this useful and much under-utilised exemption?

**If you want to make inheritance gifts from surplus or excess income**, there is a useful and much under-utilised exemption that allows gifts over and above the value of £3,000 per annum to be made without these gifts forming part of your estate if you die within seven years of making them.

**T**he exemption comes under the heading of 'Normal expenditure out of surplus income'. It is a particularly valuable way of gifting part of your estate to future generations on a regular basis.

If you want to make inheritance gifts from surplus or excess income, you need to show that you intend to make regular gifts that will not affect your normal standard of living, and that will come from income rather than capital.

This form of giving is most effective for those with higher incomes relative to their cost of living, who are either looking to clear their estate or just make gifts to loved ones – especially in order to distinguish these gifts from lifetime gifts of capital that have already been made or are being contemplated.

## SO, WHAT ARE THE REQUIREMENTS?

1. The gift must form part of your normal expenditure – this can mean either a pattern of regular gifts or the intention to make regular gifts. You therefore need to record when you are making a gift out of income, by writing a letter for instance.
2. The gift is made out of income.
3. You are left with enough income to maintain your normal standard of living.

**In order to assess whether you have sufficient income to utilise this exemption and to satisfy conditions 2 and 3, you will need to:**

- ▶ Consider how much net income you receive (for example, from employment, pensions, dividends, interest, rent) after tax.
- ▶ Review what your normal expenditure amounts to – there is no actual legal definition of what

'normal expenditure' amounts to but it is based on an individual's particular circumstances. This may, of course, fluctuate from year to year.

## CONDITIONS THAT MUST BE MET

It is important to consider the conditions that must be met for gifts to qualify. The conditions of 'surplus' and 'normality' are qualitative and, without methodical planning, can leave room for doubt about the tax effects.

It's therefore important to seek professional financial advice in advance to identify any ambiguity. Inadvertently making a gift of capital could be very costly and later give rise to a 40% Inheritance Tax charge on those funds should you die within seven years.

## CARRYING FORWARD YOUR INCOME

If appropriate, you could complete this process each tax year to review how much surplus income you have for that year. You can then increase or decrease the amount you gift accordingly. There are no hard and fast rules as to when income no longer retains its status as income. However, HM Revenue & Customs tends to take the approach of being able to carry forward income for a period of two years.

It's important to keep financial records that allow you to calculate and offset expenditure against income. This will determine the amount available for gifting. Tracking the opening and closing balances on monthly bank statements is the usual starting point.

## CONTINUING TO MAKE REGULAR PAYMENTS

It's also helpful to record a Memorandum of Intent, declaring your future intention to make regular

gifts of your excess income, which can be used to anticipate a challenge to their nature. The Inheritance Tax Form 403 provides a useful record-keeping tool. Your executors will need to claim the exemption on your death, and therefore it is important to maintain thorough record keeping.

In certain situations it may be possible that a single gift could qualify so long as it can be proved upon death that there was an intention to continue with the payments. Such intention could be proved by the donor providing a signed letter to the recipient confirming their intention to continue to make regular payments.

## WISHING TO RETAIN CONTROL OF YOUR CAPITAL

This is a particularly effective means of tax planning if an individual is not dependent upon such income to maintain their current standard of living but wishes to retain control of their capital. For example, a parent could pay the premiums on a life policy for their child, make payments into trust for the benefit of their children, or pay their children's school or university fees.

The gift can be made out of general income or it could be made out of a nominated source such as property rental or specific investment income. ◀

## IS YOUR WEALTH PROTECTED FOR YOU AND YOUR FAMILY?

*i*

Estate planning is essential to make sure your wealth is protected for you and your family. By structuring your assets in a tax-efficient way, you can make sure everyone is provided for in the future. To discuss your options or any estate planning concerns you may have, please contact us.

**THIS INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF LEGISLATION. LEGISLATION AND TAX TREATMENT CAN CHANGE IN THE FUTURE. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE INHERITANCE TAX PLANNING AND TRUSTS.**

# TOP PENSION TIPS IF YOU'RE ABOUT TO RETIRE

Understanding your options and putting a plan in place

**We spend our working lives building towards retirement.** Choices we make today will have a big impact on the quality of our lives later on. If you only have a handful of years to go until you reach your retirement, it has never been more important to understand your options and put a plan in place – now could be a good time to re-evaluate your plans with us.

**T**he changes made to UK pensions in 2015 mean that we all have more choices available on how to fund our lifestyle in retirement. But decisions surrounding when, why, and how you decide to retire will be very personal and will largely depend on your individual circumstances.

These decisions will also be impacted by external factors such as the rising State Pension age, and the impact of the recent pandemic on the job market. When planning for your future, it's important to know when you can access the money in your pension pot.

If your pension is not on track to give you the income you want in retirement, you need to look at how to boost it. It's also worth remembering that taking your pension doesn't mean you need to retire.

## TAKING STOCK OF YOUR RETIREMENT PLANS

Retirement is a time to reap the rewards of years of hard work and do more of the things that you love, whether that's travelling the world or spending time with your grandchildren. But to make this a reality, you need to prepare as well as you can financially.

This isn't always easy, as pensions and retirement planning can be complex.

To help you ensure you're on the right track, ask yourself the following questions. What type of pension/s do I have? Do I have more than one pension pot? If so, where are they? When and how can I access the funds in my pension pots? What is the value of my pension pots? What benefits will they provide me with? What about any other options or guarantees?

## WILL YOU POTENTIALLY EXCEED THE PENSION LIFETIME ALLOWANCE?

If you're close to retirement, you may find you are approaching the Pension Lifetime Allowance (LTA) limit. The LTA is the most you can accrue overall within your pension plans without incurring an additional tax charge on the excess funds. The LTA test can take place at various times and all funds are tested at some point (for example, when your pension plan is accessed, if you die without having accessed it and/or on reaching age 75). The LTA has been cut over the years and is now £1,073,100 for the 2021/22 tax year.

The LTA has also been frozen at £1,073,100 until 2026, potentially exposing you to the charge

for breaching the threshold. If you breach the threshold you face a 55% LTA charge on amounts taken above this ceiling if they are withdrawn as a lump sum (with no further income tax due beyond the 55%), or a 25% LTA charge when taken as income which includes placing the funds in a drawdown plan. In addition, any income withdrawn is then taxed at usual income tax rates.

If you think you are nearing the LTA, it's important to monitor the value of your pensions, and especially the value of changes to any defined benefit (DB) pensions as these can be surprisingly large. DB pensions are valued for LTA purposes as 20 times the annual pension figure, plus the tax-free cash amount, whereas defined contribution (DC) pensions are tested against the LTA based on the fund value. There were, and are, protections that can help you avoid a tax charge by giving you a higher LTA. We can discuss whether this applies to your situation.

## WHAT DOES YOUR CURRENT AND FORECASTED WEALTH LOOK LIKE?

As you get closer to retirement, it is important to assess your current and forecasted wealth, along with your income and expenditure, to create a picture of your finances for both now and in the future.

Lifetime cash flow modelling will help ensure you don't run out of money – or die with too much – by showing whether your current investment approach is either excessively risky or unduly cautious. Retirement cash flow



**/// If you have accumulated wealth, retirement cash flow modelling will help you manage your position and make sensible decisions over the years.**

modelling can help to alleviate your concerns.

Building your individual retirement cash flow plan involves assessing your current and forecasted wealth, along with your income and expenditure, using assumed rates of investment growth, inflation and interest rates, to build a picture of your finances both now and in the future.

If you have accumulated wealth, retirement cash flow modelling will help you manage your position and make sensible decisions over the years. However, cash flow planning is arguably even more beneficial if you have longer-term personal or business objectives, as you can see how much you need to save and the returns you need to meet those defined objectives.

#### **TIME TO LOOK AT YOUR OPTIONS AVAILABLE WHEN ACCESSING YOUR PENSION?**

Once you reach age 55, you can access your defined contribution (DC) pension pot. You can take some or all of it, to use as you need, or leave it so that it has the potential to continue to grow. It's up to you how you take the benefits from your DC pension pot. You can take your benefits in a number of different ways.

You can choose to buy a guaranteed income for life (an annuity). You can take some, or all, of your pension pot as a cash lump sum, or you can leave it invested. However you decide to take your benefits, you'll normally be able to take 25% of your pension pot tax-free. The rest will be subject to Income Tax.

It's good to have choices when it comes to pensions and your retirement, but it's also important to understand all your options and any impact your

decision may have on your future security. How long your pension pot lasts will depend on the choices you make. We can help by discussing the options available to access your pension.

#### **ANNUITIES**

If you buy an annuity this will provide a guaranteed income for the rest of your life. With this option, the provider agrees to pay you an agreed regular sum until you die. With an annuity, you may receive more or less money than you put in depending on how long you live after your annuity has started.

#### **FLEXI-ACCESS DRAWDOWN**

By opting for flexi-access drawdown, you can leave your pension pot invested so that it has the potential to grow, or take lump sums or a regular income from it. Your pension pot will last until you've taken all your money out. The level of income you take and any investment growth will be key factors as to how long your pension pot will last.

#### **TAKE SOME OR ALL OF IT IN CASH**

If you take some or all of your pension pot as a cash lump sum, it's up to you how long it lasts. Once you receive your money after tax, you're completely responsible for it and can use it as you require – although remember that although 25% of the amount you take is tax-free, you'll pay Income Tax on the rest.

#### **LEAVE IT ALL FOR NOW – DEFER YOUR PENSION**

You could decide not to take your pension at your selected retirement date and leave it invested until you're ready to take your benefits. This means

your pension pot would have the potential to grow, although this is not guaranteed. It's important to ensure you don't lose any guarantees which only apply at your retirement date if you decide to leave your pension pot. ◀

#### **WOULD YOU LIKE US TO CARRY OUT A RETIREMENT PLAN REVIEW WITH YOU?**

*i*

Even if retirement isn't far away, there are ways to increase your retirement income. This applies both to your State Pension entitlement as well as to any personal or workplace pension pots you have. To find out what you can do, please contact us for more information.

**A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.**

**THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.**

# Build your own financial plan

Vision without action  
is merely a dream



**Having a financial plan in place early on can make it easier to manage your money further down the line.** It's never too early to make a financial plan. The sooner you work out your goals and start following a plan to achieve them, the more likely you are to succeed.

Here are three key questions to ask yourself when building a financial plan.

## 1. WHAT ARE MY GOALS?

Building wealth takes time and a little effort. Like any activity, be it growing a business or learning a new skill, you need to decide early on what your long-term objectives are. It's exactly the same when you are building wealth – it is important to set financial goals.

Without a goal, your efforts can become disjointed and often confusing. Being able to keep track of your progress towards achieving a goal is only possible if you set one in the first place. Being able to measure progress is extremely rewarding and will help you maintain focus.

Procrastination is something we all battle with from time to time. However, when you set goals in life, specific goals for what you want to achieve, it helps you understand that procrastination is dangerous. It is wasted time. It is another day you aren't moving closer to that goal.

Setting financial goals is essential to financial success. Once you've set your goals you can then write and follow a roadmap to realise them. It helps you stay focused and confident that you're on the right path.

**Consider the SMART principle when setting your own goals:**

**Specific** – Clearly define what each goal is and use details such as numbers where possible (quantify it).

**Measurable** – Think about a tangible way in which you can measure your progress.

**Achievable** – Are your ambitions realistic? With

planning we are often capable of more than we realise but being pragmatic is important. Discussing your goals with us will help you to balance this.

**Relevant** – Are your goals in line with your own personal values? It is useful to chat this through with somebody else to clarify your values.

**Timebound** – Think about the timeframe you are working within and whether there is any flexibility needed.

Your goals are personal and unique to you. Perhaps you want to set up your own business and follow a lifelong passion, or maybe you want financial security and to ensure you can pass a legacy on to your loved ones.

Once you've defined your goals and you're clear on your current situation, it's a good time to work out if you have enough to achieve your goals or if there's a gap. This isn't an easy task as there are often many variables to consider, such as inflation, tax and growth rates.

## 2. WHERE AM I NOW?

Cash flow planning is a concept borrowed from business and every business owner or finance director will be familiar with the term. These same principles can be applied to your personal financial planning. As we've mentioned, the starting point is to identify each one of your personal goals.

Cash flow planning is most effective when all likely future needs are taken into account too. Just focusing on immediate needs may seem more practical but focusing on one goal at a time can limit future options.

Make a list or a spreadsheet of what you have, specifying where and how much; this could include any assets such as property, cash balances,

investments, pensions, protection policies and any debts such as mortgage, credit cards or loans. Look at your income and expenditure levels.

Remember, the future is somewhere you have never been before. Cash flow planning guides and updates you on your journey. If there are delays on the way it can find another path. Combined with our professional advice, we can help you arrive at your destination more smoothly.

## 3. WHAT DO I NEED TO DO NEXT?

As we've seen with the coronavirus (COVID-19) pandemic, things can change very quickly. It goes without saying that your financial plans should not be static objects, and that you should review your plans over time and on a regular basis to ensure that you remain on track towards your goals. You also need to adapt your financial plans as your circumstances change.

Reviewing your arrangements regularly is a vital way of ensuring you meet your financial goals and ensures that all your plans are up to date in light of changes to your circumstances and the wider financial landscape.

Reviews can also prompt you to consider some of those things that sometimes get left undone – such as your Will, which might still need to be arranged or updated. Or perhaps there is a Lasting Power of Attorney that has not been progressed or a life assurance policy that should be placed under an appropriate trust. As we've all recently experienced, life has a habit of springing unpleasant surprises on us when least expected. ◀

## LET'S GET STARTED



Financial planning is the key to improving your financial wellness. Your personal plan is a roadmap to your financial success. You'll see exactly what you need to do now to make a significant difference for your future. Please get in touch to find out how we can help you reach your financial goals – we look forward to hearing from you.

# Preparing for the unexpected

Protection should be a core part of your financial plan

**When you think of financial planning, pensions and savings will spring to mind. But, whilst often overlooked,** protection should be a core part of your financial plan.

If you are worried illness or injury could leave you without enough to pay bills, there are solutions to help protect your income. While some people could rely on state benefits as a safety net if they experienced a sudden loss of income, for many the drop in income would be too severe to maintain their standard of living.

## BEING ABLE TO KEEP PAYING THE BILLS

In many situations, families rely on both partners' income to pay the monthly bills and don't think about the impact losing one income could have on their standard of living. Even though people recognise the need to take out life insurance to pay off their mortgage if they die, some may not think about how their family could continue to pay their outgoings if they became ill or were injured and unable to work for a long period of time.

If something were to happen to you, would you and your family be able to keep paying the bills? The coronavirus (COVID-19) outbreak has made many of us think more carefully about protecting ourselves and our family from financial difficulties. However, this isn't just about having savings and investments to provide for the long term – it's also about ensuring you and your loved ones are provided for should the worst happen.

## SUFFICIENT SAVINGS TO MANAGE FINANCIALLY

Have you calculated how much you and your family would need if you found yourself unable to work? This should also take account of your

savings and any other income you might have. Using a Budget Planner will enable you to work out what you're spending each month, from household bills to general living costs. Having a good idea of your overall budget will make it easier to make changes.

Not everyone will have sufficient savings to manage financially for long periods of illness – particularly if this money is earmarked for other plans like retirement or helping children with their education. That's where insurance protection comes in, and there are a variety of options that could help to cover specific costs, or replace income, should you find yourself unable to work.

## INCOME PROTECTION

Income Protection insurance can provide a regular replacement income if someone is unable to work because of an illness or injury. Typically, a policy pays out after they've been off work for six months (often called a 'deferred' or 'waiting period') and can pay a percentage of their salary until either they return to work, reach State Pension Age or die while claiming.

## CRITICAL ILLNESS COVER

Critical Illness Cover is a type of insurance that pays out a tax-free lump sum if someone is diagnosed with, or undergoes surgery for, a critical illness that meets the policy definition during the policy term and they survive a specified number of days. It's designed to help

support you and your family financially while you deal with your diagnosis – so you can focus on your recovery without worrying about how the bills will be paid.

## LIFE INSURANCE COVER

Life Insurance Cover pays out a lump sum if someone passes away during the policy term.

If you're diagnosed with a terminal illness and are not expected to live longer than 12 months, some policies will provide the sum prior to death. It's there to provide financial support for your loved ones after you're gone, whether that means helping to pay off the mortgage or maintaining their standard of living.

## PRIVATE MEDICAL INSURANCE COVER

Private Medical Insurance Cover is a type of cover that pays your private healthcare costs if someone has a treatable condition. Whether it's overnight care, outpatient treatment, diagnostic tests, scans or aftercare, you receive the specialist private treatment you need, in comfortable surroundings, when you need it. The cover is available at a range of different levels of cover at various premiums designed to meet your specific needs. ◀

## TIME TO SAFEGUARD YOUR FINANCIAL FUTURE?



The possibility of passing away prematurely, getting a serious illness or sustaining an injury isn't something we like to think about, but being prepared can help you to avoid money worries for both you and your family. To find out more, please contact us.



/// The coronavirus (COVID-19) outbreak has made many of us think more carefully about protecting ourselves and our family from financial difficulties.

# HOW TO TRACE MULTIPLE OLD PENSION POTS

---

Over time, pension schemes close, merge or become renamed

**Changed job? Moved house?** It's not always easy to keep track of a pension, especially if you've been in more than one scheme or have changed employers throughout your career. Over time, pension schemes close, merge or become renamed. So even if you remember the name of your scheme, it could now be called something else.





**/// With the disappearance of the job-for-life and with more people moving jobs several times throughout their working life and accruing multiple pension pots along the way, it can be all too easy to lose track of the pension funds built up.**

**W**ith more of us changing jobs regularly throughout our working lives, it has become harder to keep track of old company pensions.

This is particularly the case for people who have moved home and whose pension providers no longer have their correct contact details.

With the disappearance of the job-for-life and with more people moving jobs several times throughout their working life and accruing multiple pension pots along the way, it can be all too easy to lose track of the pension funds built up.

So how can you go about tracing any pension schemes you have paid into at some point in the past?

#### **GET IN TOUCH WITH FORMER EMPLOYERS**

If your forgotten pension scheme was run by a company you worked for, you should contact them first. In some cases, individuals may not have been aware they were actually paying into a pension, especially if no monthly salary deductions were being made.

Most pension schemes must send you a statement each year. These statements include an estimate of the retirement income that the pension pot might give you when you reach retirement.

First, check to see if you have any old paperwork that might have the name of your employer or pension scheme. This will give you a good starting point. If you're no longer getting these statements – perhaps because you've changed your address – to track down the pension you can contact the pension provider, your former employer if it was a workplace pension, or The Pension Tracing Service.

#### **CONTACT PENSION PROVIDERS**

Even if your pension was linked to your job, it may have been run on your employer's behalf by a pension company. In this case, you should get in touch with the provider rather than your previous employer.

The same applies if you set up your own personal or stakeholder pension, for example. The Pensions Advisory Service, which is sponsored by the Department for Work and Pensions, can also help you look for a personal pension.

You'll need to provide information about the name of your old employer or pension provider, and potentially further information such as the dates you worked at the company and your National Insurance number.

If you know which provider your pension was with, your first step is to contact them. However you contact them, you should provide as many of the following details as possible: your plan number, your date of birth, your National Insurance number and the date your pension was set up.

**By asking the following questions, you'll get a thorough overview of your pension pot:**

- Q:** What is the current value of my pension pot?
- Q:** Have I nominated a recipient for any death benefits?
- Q:** How much has been contributed into my pension pot?
- Q:** What charges do I pay for the management of my pension pot?
- Q:** How much income is the pension pot likely to pay out at my chosen retirement date?
- Q:** How is my pension pot being invested and what options are there for making changes?
- Q:** What are the charges if I wanted to transfer the pension pot to another provider?
- Q:** What are the death benefits – in other words, how much money would be paid from the pension if I died?

#### **USE THE PENSION TRACING SERVICE**

An alternative way of tracking down a lost workplace or personal pension is by using the Pension Tracing Service. This is a free government scheme which can be accessed via the government website.

Again, you will need to provide as much information as possible about yourself and the dates you were a member of any scheme.

You can phone the Pension Tracing Service on 0800 731 0193 or submit a tracing request form to the Pension Service via the GOV.UK website.

#### **STICK TO OFFICIAL SERVICES**

Be warned though, from time to time, businesses are set up to offer similar tracking services to people who have lost pensions. Although they

are not necessarily doing anything illegal and often offer assistance for free, they may try to give the impression that they are official services.

In fact, they could be trying to obtain the personal information of people who have substantial pension savings so they can persuade these individuals to make investments or pay for financial advice, for example.

To reduce the risk of losing track of a pension in future, ensure you let providers know whenever you change your home address or any other details, such as your email address. ◀

#### **READY TO START A CONVERSATION ABOUT BUILDING A SUCCESSFUL FINANCIAL FUTURE?**



We'll help you navigate through the complexities of today's financial world. The choices available can often be bewildering, which is why we are here. Our goal is to work with you to build a successful financial future, where you can live a happy, secure and prosperous life. To find out more, please contact us.

**A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.**

**THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.**

**ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS-TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.**

# Time for pensions to contribute towards **building a better world**

New landmark report from the United Nations on the state of climate science

**As we have been witnessing in recent years and months, climate changes are occurring in every region and globally.** A new landmark report from the United Nations on the state of climate science has highlighted modern society's continued dependence on fossil fuels, which is warming the world at a pace that is unprecedented in the past 2,000 years. Its effects are already apparent as record droughts, wildfires and floods devastate communities worldwide.

**P**ut simply, net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. We reach net zero when the amount we add is no more than the amount taken away. The UK became the world's first major economy to set a target of being net zero by 2050.

## GREENHOUSE GAS

The Intergovernmental Panel on Climate Change report published on 9 August emphasises there is still time to act, but it must happen immediately. Limiting climate change demands strong and sustained reductions in greenhouse gas emissions from human activities such as burning fossil fuels.

One of the main areas where change can make a significant difference to all of our futures is how and where our pension money is invested. But the facts are, if money is invested in a standard, default pension, it could be doing more harm than good.

## CLIMATE CHANGE

Your pension is more than just a retirement fund, it can also contribute towards building a better world. However, one in four pension scheme members have never even heard of net zero, while three in ten can't explain or understand the connection with their pension pots and climate change.

According to new research<sup>[1]</sup>, almost nine in ten Defined Contribution (DC) scheme members were not aware of the importance of having their pension scheme aligned with a net zero goal. But, encouragingly, members were overwhelmingly in favour of their pensions moving towards net zero when the term was explained.

## COLLECTIVE POWER

The survey also uncovered that one in four (25%) have never heard of the term 'net zero' and a

further three in ten (31%) have heard of it but could not say what it means. In fact, 70% of DC members prefer remaining invested and using their collective power to engage with companies to align their businesses with global climate change efforts, or prepare them to thrive in a low-carbon economy.

Two-thirds (64%) of all members have become more concerned about the impact of human actions on the planet following the COVID-19 crisis. Rather than deprioritising environmental issues in favour of immediate concerns, the pandemic has thrust them into sharper focus as members explicitly linked them with their current situation.

## PERFORMANCE IMPACT

Millennials are the strongest supporters of engagement, with 79% of them supporting providers' stewardship activities. Their attitude also helps to explain their change of heart towards outright divestment. While still the most radical cohort of the three generations on this issue, half of Millennial members would consider divesting if it had no performance impact, while only two in five of them would divest no matter what.

Baby Boomers are twice as likely as Millennials to want to keep pensions as diversified as possible, even if that meant investing in fossil fuels, but the proportion has dropped from 30% to 25% over the past 18 months. The research also shows that more than a fifth of 'Boomers' (22%) are now happy to divest into a greener pension regardless of performance. This follows increased coverage of climate in the mainstream media and real concern about the impact of climate change on their children and grandchildren.

## YOUNGER VIEWS

Millennial men are the most likely to want a net zero pension irrespective of the impact on

financial performance. The proportion who feel this way (40%) is double that of the group showing the least interest, female Baby Boomers (20%).

As Baby Boomers move steadily into their retirement years, the balance of power will shift as Gen X starts to hold the largest share of pension assets. Younger views will be an important factor in shaping the direction of travel over the next ten years. This new cohort can no longer be assumed to be simply chasing maximum financial returns regardless of the impact on the planet. ◀

## WHAT GOOD COULD YOUR MONEY DO?

Humanity has its work cut out to create solutions to the many complex problems of the 21st century. We help you assess the risks – and opportunities – posed by companies' and countries' performance in critical areas, such as climate change, executive remuneration, and diversity and inclusion. Please speak to us for further information – we look forward to hearing from you.

*i*

### Source data:

*[1] Survey conducted in April 2021, based on a population of 3,056 adults currently contributing to a workplace pension. Legal & General Investment Management published 14 June 2021.*

**A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS YOU HAVE A PLAN WITH A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.**

**THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.**

# Coping with life-changing events

Plan for tomorrow, live for today

**Change is the only constant in life.** It inevitably involves twists and turns, with some that are expected while others may be entirely unplanned. When this happens, it's important to feel secure with the knowledge that you have the right contingency plan in place.

**N**one of us can predict exactly what a life-changing event will be or when it will occur, and many of them will take you by surprise, whether good or bad. Here, we consider some major life events you may wish to discuss with us.

## DIVORCE AND MANAGING FINANCES

Managing your finances after divorce can sometimes feel like an impossible task, especially if the amount of money coming into your household is much less than when you were married. For some people, divorce can mean financial devastation or hardship.

You may lose half of what you have saved over the course of your adult life, and go into debt paying lawyer's fees and other expenses. Yet as messy and painful as divorce can be, it is often both necessary and ultimately a good thing – and it is possible to recover both financially and emotionally after a divorce.

When you're facing a divorce, you need to know where you stand financially. We can help you plan for a sound financial future, to give you security and peace of mind, allowing you to move forward with your life.

## THINKING ABOUT FINANCIAL PLANNING FOR LONG-TERM CARE

More people in the UK are living for longer, which is good news. However, this longevity brings certain challenges, such as how we will fund any long-term care that may be needed in the future. If you are one of the many people faced with helping a parent or another loved one find long-term care, then you are probably grappling with a lot of questions.

Among them: How can I bring this up in a way that won't upset them? How are they, or how are we, going to pay for this? What type of living situation is best?

Ageing comes with many joys and challenges. We can discuss with you the options to help cover your loved ones' care needs now and in the future.

## DEALING WITH YOUR FINANCES IN WIDOWHOOD

Coping with the death of a loved one can be extremely hard. You may be dealing with lots of different emotions, finding it hard to process them and having difficulties moving on. Losing your loved one, whether expected or sudden, can prove almost too much to bear.

But it's surprising how uninformed some spouses can be about each other's financial lives. Even in marriages that consciously attempt to integrate finances (joint bank accounts, both names on the mortgage), a lot of financial activity is specific to one spouse, for example, a credit card, retirement planning, an ownership interest in a business, investments, a car with only one name on the finance agreement.

After the death of a spouse, your financial situation will likely be a major concern. We will take the time to understand your needs and recommend solutions personally tailored to you.

## WHAT TO DO AND NOT DO WITH AN INHERITANCE

Losing someone you care about is one of the hardest experiences in life. Receiving an inheritance probably means coping with the death of a loved and cherished member of your family or a friend. The emotion associated with

bereavement often makes taking decisions about both their estate, and what you stand to inherit, difficult.

Most estates are settled within six to nine months in the UK, but it depends on the complexity of the estate. If it isn't handled appropriately, the pressure of the proceeds can be stressful, upset your relationships and complicate your finances.

During this difficult time we can help you to consider your options, assess any tax implications and decide how this inheritance could be used to provide you with financial security in the years ahead.

## THE IMPORTANCE OF FINANCIAL PLANNING

Financial planning helps you determine your short and long-term financial goals and create a balanced plan to meet those goals. The coronavirus (COVID-19) pandemic has demonstrated unequivocally that such unforeseen and unplanned-for events can wreak havoc on our personal finances.

Establishing clarity around your finances is arguably one of the most critical things you can do for your overall financial success. It is important to understand your financial needs and then create a financial plan to meet them. Tax planning, prudent spending and careful budgeting will help you keep more of your hard-earned cash.

We know you'll have different priorities for your wealth at different points in your life. Whatever your financial aims, we can help you achieve them for both you and your family. ◀

## TIME TO BRING CLARITY TO YOUR FINANCIAL AFFAIRS?

Everybody experiences life-changing events at some point, whether directly or through a loved one. To discuss how we can help you, please contact us.



# What's happening with inflation?

Easing of lockdowns boosts consumer confidence and unleashes pent-up demand

**Understanding inflation is an important factor when it comes to your financial success.** If you don't factor inflation in when deciding where to put your money – whether that's savings accounts or investing – you could find your wealth shrinks over the years.

**T**he current causes of higher inflation are largely COVID-related. The easing of lockdowns has boosted consumer confidence and unleashed pent-up demand. At the same time, bottlenecks in production and distribution are squeezing supplies – from building materials to foodstuffs. This supply and demand imbalance has forced up some prices.

The rate of inflation is the change in prices for goods and services over time. On 18 August, the Office for National Statistics reported the Consumer Prices Index measure of inflation saw a surprise slowdown in the year to July, down to the Bank of England's target of 2% from 2.5% in June.

## GROWING REALISATION

A sustained period of low inflation may have blunted some people's concerns about inflation. But there's now a growing realisation that high inflation could be around the corner, which reduces your purchasing power and what you could buy with your savings over time.

Some investors and savers may underestimate the damaging effects of inflation on their wealth. Keeping money in the bank typically earns interest, but if the interest rate is lower than inflation, money or purchasing power is effectively being lost.

## PENSION SAVERS

People on fixed incomes – such as those whose pensions aren't inflation-linked or workers on a static wage – are especially vulnerable to the effects of inflation. As living costs rise, your money doesn't go so far.

Pension savers need to think about what their savings might be worth during retirement – often a long time into the future. Inflation can make the

difference between an enjoyable retirement and a frugal, worrisome one.

## ABOVE-INFLATION RETURNS

That's why you should consider mitigating the effects of inflation by investing at least some of your money in assets that aim to offer above-inflation returns.

Arguably, we can expect inflation to settle back to lower levels once the post-pandemic surge in demand has been sated and supply chains are smoothed out. But even so, with the global economy poised for a strong rebound, most central banks are keen to get back to 'normal' monetary conditions. So rock-bottom interest rates can't last forever.

## GOOD INVESTMENT

Bonds and other assets that pay a fixed income and/or a fixed investment return are especially vulnerable to inflation. Bonds become less valuable as inflation and interest rates rise, reflected in falling bond prices and rising yields.

Conversely, shares are generally a good investment during periods of modest inflation. A company's fortunes typically track consumer demand and economic growth. If demand is strong, companies can raise prices, boosting the profits from which they pay dividends to their shareholders.

## TRACK RECORD

Besides shares, there are other assets with a track record of doing well during times of moderate inflation. These include infrastructure assets, where income streams increase as demand grows and the assets mature.

Likewise, gold and other commodities can be useful stores of value to hedge against inflation. So the good news is that it is possible to get an inflation-beating return on your savings, as there are different investment opportunities. However, these involve taking on a little more risk than with a cash savings account. ◀

## TIME TO DISCUSS MITIGATING THE IMPACT OF INFLATION ON YOUR FINANCIAL PLANS?



Inflation doesn't just affect our everyday expenses, but could also impact our savings, investments and pensions. To discuss how we can help you plan to mitigate the impact of inflation on your financial plans, please contact us – we look forward to hearing from you.

**INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE. THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.**

**PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAXATION & TRUST ADVICE.**



# BANK OF ENGLAND