INSIGHT

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MGP

Insight 2023 Introduction

In this issue of Insight, have you ever wondered what you need to consider as you approach retirement? Whatever your concept of what is a good pension pot, one certainty is that relying on the State Pension alone will not give you a good enough pension to live on comfortably through your retirement. After decades of working and saving, you can finally see retirement on the horizon. On page 09 we look at the eight things to consider as your retirement approaches.

Around half of UK adults (51%) have or know someone who has received a suspicious communication in the last 12 months, according to research. This equates to 27 million people across the UK. Most of these cases can be described as ‘phishing scams’ (51%), when a fraudster attempts to imitate a legitimate company or person to secure important information from the victim. On page 08 we provide ten tips to help identify and avoid financial scams.

Many people are feeling the pressure on their finances at the moment due to the backdrop of rising inflation and the cost of living soaring. In these circumstances, it can be difficult to think about your long-term finances or even contemplate saving for the future. On page 04, by sidestepping seven common mistakes, you could take your pension planning to another level and reduce the risk of falling short of money later.

A full and happy retirement is a priority for many. But no two people are alike. A 'one-size-fits-all' system cannot accurately account for everyone’s individual lifestyle choices, so it makes sense that the way you prepare for your future is likely to be different from others. On page 05 we consider the how today’s savers are facing some challenges that previous generations didn’t have to worry about.

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

LOOKING FOR A FRESH PERSPECTIVE ON WHAT’S POSSIBLE?

Financial planning may be complex, but it doesn’t have to be difficult. Whether it’s planning for your future, or growing or protecting your wealth, we’ll give you a fresh perspective on what’s possible. We hope you enjoy reading this issue and if you would like further information or want to arrange an appointment, please call 01925 765821 or email enquiries@mgpeb.co.uk.

www.mgpeb.co.uk/financial_guides
www.mgpeb.co.uk/factsheets

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Chancellor retains State Pension triple lock

State Pension is set for a record-breaking increase from April 2023

IF YOU'RE CURRENTLY RECEIVING OR HAVE BEEN LOOKING INTO THE STATE PENSION, THEN YOU'VE PROBABLY HEARD OF THE 'TRIPLE LOCK'. BUT WHAT IS IT?

The triple lock was introduced in 2010. Its purpose is to make sure that the State Pension doesn't lose value over time. The triple lock aims to protect pensioners against the impact of inflation. If the State Pension didn't change but the price of goods and services continued to increase over time, then you wouldn't be able to buy as much with it. Meaning you'd be losing money in real terms.

In the 2022 Autumn Statement, the Chancellor confirmed that the triple lock will be reinstated from 6 April 2023. This means the State Pension will rise in line with last September's inflation rate – 10.1% – in the 2023/24 tax year. Anyone receiving the State Pension will benefit from the triple lock.

To make the guarantee even more secure, it included three separate measures of inflation, hence 'triple lock'. The three-way guarantee was that each year, the State Pension would increase by the greatest of the following three measures: average earnings; prices, as measured by the Consumer Prices Index (CPI) and 2.5%. The government usually compares the three rates in September, before implementing the correct rise the following April.

The State Pension triple lock has proved to be a burden for successive governments, as it has proven costly for the taxpayer. Because of people earning much less during the lockdowns of 2020, there was a big leap in average earnings of 8% come 2021 as people returned to work. The government announced that the triple lock would be suspended for the 2022/23 tax year.

IN THE 2022 AUTUMN STATEMENT, THE CHANCELLOR CONFIRMED THAT THE TRIPLE LOCK WILL BE REINSTATED FROM 6 APRIL 2023.

WHAT WILL YOUR RETIREMENT LOOK LIKE?

It's never too early to be planning ahead. We can help you create a robust and flexible retirement plan. A plan that will consider your future expenditure and the impact of inflation, as well as making the best use of tax allowances. To find out more, please get in touch.

'Phased retirement'

Pre-retirees starting their plans but will rising living costs halt their plans?

RETIRING EARLY IS A DREAM FOR MANY PEOPLE AND IT IS ACHIEVABLE FOR PEOPLE WHO HAVE BEEN ABLE TO PLAN, SAVE INTO A PENSION OVER A LONG PERIOD AND TAKEN FINANCIAL ADVICE TO HELP THEM PLAN THEIR FINANCES. HOWEVER, IT CAN BECOME A FINANCIAL PROBLEM IF RETIREMENT IS FORCED UPON PEOPLE BEFORE THEY HAVE HAD TIME TO PREPARE.

It's estimated that to maintain your current lifestyle, you'll need around 60 – 70% of your present monthly income. The reduced outgoings are due to not having a mortgage to pay, reduced commuting spend and, hopefully, your children can now support themselves financially.

LIFESTYLE YOU WANT

But those people retiring early have less time to save into a pension fund and their fund needs to last longer. They potentially will have a reduced retirement income and run a greater risk of running out of money in retirement.

People planning for retirement should think hard about what they want to do when they eventually stop work. It is helpful to have a good idea of the lifestyle you want, how much it will cost and how you are going to pay for it.

RETIREMENT NEST EGG

Retirement might seem a lifetime away for younger people who are concentrating on their careers, buying a home or raising a family but they can take action now to secure their retirement. The simplest option is make sure you join your company pension and save as much as you can. Making additional contributions early in your career can make a huge difference to the size of your retirement nest egg.

Research[1] has found that 34% of pre-retirees[2] (those aged 55+ who are still in some form of work) have already started phasing into retirement – equating to 3.3 million[3] employees. The study reinforces the idea that retirement is no longer a line in the sand.

PERCEPTION OF LATER LIFE

The number of pre-retirees considering a gradual or phased move into full retirement shows how much the perception of later life has changed in recent years. However people choose to approach retirement, it's important they see it as something that should be actively managed, and not something they already feel they are 'in' or have 'done'.

Almost half (48%) of all employees aged 55+ expect that they will cut down the amount they work rather than completely stopping, with one in seven (14%) planning to wind down over the next year.

PHASED RETIREMENT ROUTE

Many people want to take the phased retirement route by reducing their hours, so they can keep their job but lessen their stress (37%). However, most people have revealed they are making the decision because they simply cannot afford to retire fully (44%).

On average, over half (54%) of all people who are taking a phased approach to retirement are working 15+ hours less every month, consequently earning £9,150 less every year. As a result, many expect to have to adjust their lifestyle (38%), and some even anticipate they could struggle with meeting the cost of household essentials (17%).

POTENTIAL GAP IN SALARY

Despite the intention to slow down at work, the cost of living has had an impact, with one in ten people who had begun to phase into retirement having to increase their work commitments again. In addition, two-fifths (40%) of people who anticipated gradually moving into retirement in the next five years now worry living costs might mean this plan is not possible.

For those wanting to keep their options open while also looking for ways to supplement their income, flexible products such as fixed term annuities can play an important role. They provide a guaranteed income for a set time – in some cases as little as three years, helping to bridge any potential gap in salary.

FINDING IT CHALLENGING TO NAVIGATE YOUR RETIREMENT PLANS?

With the increased pressures applied by the cost of living crisis, your money must go further than it ever has done. Ultimately, the key thing is to make sure you are making well-informed decisions about what works best for you. If you would like to discuss your situation, please contact us for more information.

Source data:

[1] Research was carried out online by Opinium Research amongst 4,000 UK adults between 14–20 October. The results are weighted to nationally representative criteria.

[2] 'Pre-retirees' refers to those aged 55+ who are still in some form of work

[3] On a nat rep survey of 4,000, 248 55+ year-old workers have already taken a phased approach to retirement (248/4,000 *52.890m = 3.3m)

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

Pension freedoms

You work, you save and then you retire

A FULL AND HAPPY RETIREMENT IS A PRIORITY FOR MANY. BUT NO TWO PEOPLE ARE ALIKE. A 'ONE-SIZE-FITS-ALL' SYSTEM CANNOT ACCURATELY ACCOUNT FOR EVERYONE'S INDIVIDUAL LIFESTYLE CHOICES, SO IT MAKES SENSE THAT THE WAY YOU PREPARE FOR YOUR FUTURE IS LIKELY TO BE DIFFERENT FROM OTHERS.

On the surface, retirement planning hasn't changed all that much over the years. You work, you save and then you retire. But while the mechanics may be the same, today's savers are facing some challenges that previous generations didn't have to worry about.

GOLDEN YEARS

First of all, life expectancy is longer, which means you'll need your money to last longer. This is compounded by the fact that more companies are moving away from defined benefit pensions – which guaranteed you a certain amount of money in your golden years – to defined contribution plans, which are more subject to market ups and downs.

So, how can you have the retirement you've always wanted? Retirement is inevitable, but that doesn't mean you have to stop living. Your retirement should be a time for enjoying your life and the things you most enjoy doing.

WORKING LIVES

However, some people are unprepared for retirement due to high debt levels at the end of their working lives or because they were not saving enough during their careers. Sometimes, people are forced into retirement through circumstances outside of their control.

Some people might choose to live off their savings entirely, while others may choose to supplement their income with rental properties. Still others might prefer to have a mix of sources for retirement incomes.

PENSION MONEY

Whatever the case, being aware of the options available today can help you prepare for your future in an effective way. With the introduction of pension freedoms, there is no onus on us to cash in our pensions at set ages, and instead we can take our pension money any way we choose. But, with this freedom also comes responsibility, and for some, uncertainty.

Some people find they don't have a clear plan for what they want from their retirement, and many underestimate how much money they will actually need when they do eventually retire. The reality is our goals are all very individual, but whatever it is you want from your retirement, it pays to plan ahead.

If you have a defined contribution pension, here are six simple tips to consider:

1. Use pay rises as an excuse to save more
2. Pay in more when a regular spend ends
3. Maximise any employer contributions
4. Invest lump sums you receive
5. Put off breaking into your pension pot
6. Be choosy about your investment choices

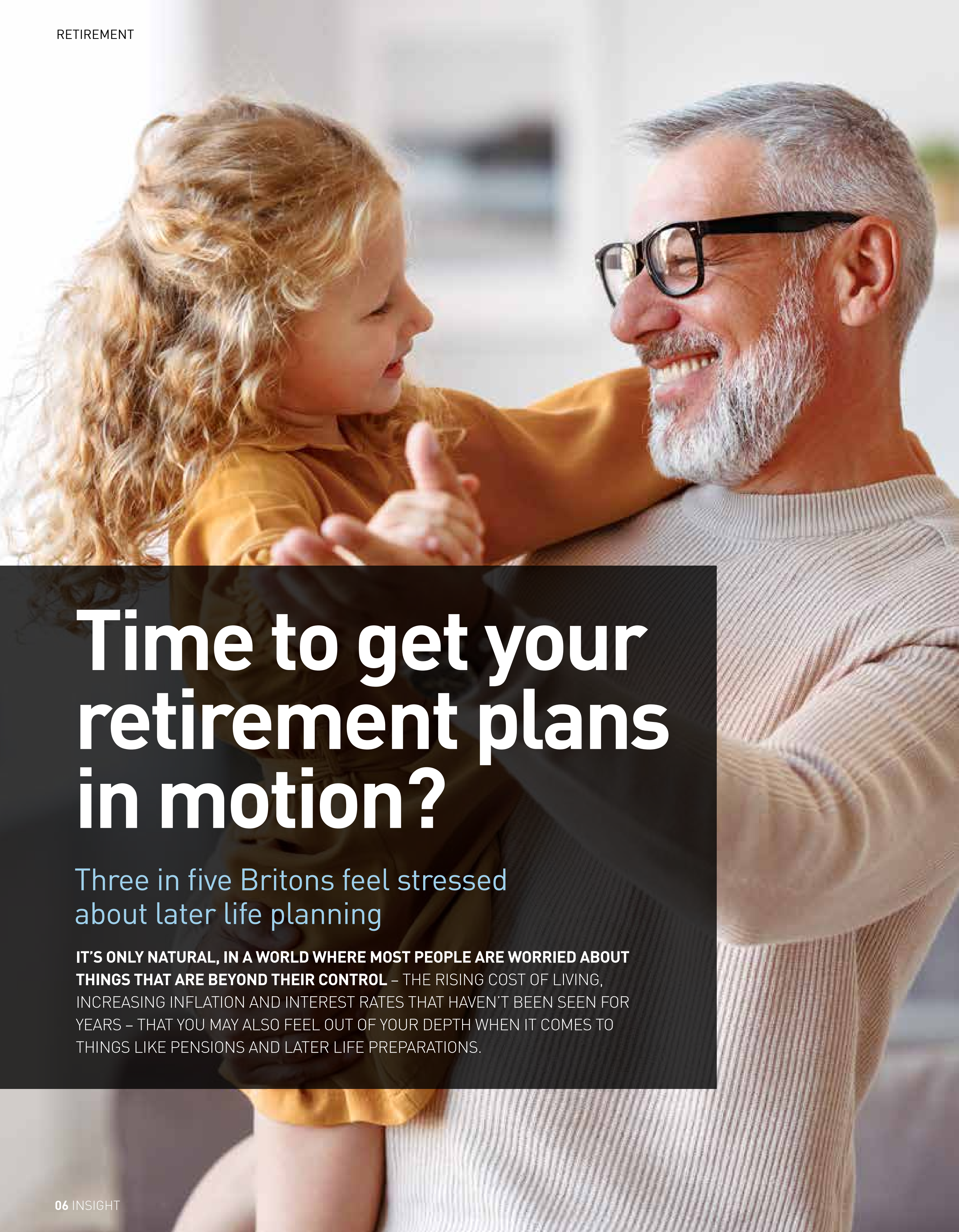
TIME TO TAKE CONTROL OF YOUR RETIREMENT PLANNING?

Planning for your financial future can help ensure that your lifestyle is what you want it to be after you retire. There's a whole lot to think about when you're planning for retirement. But where do you begin? To ensure your plans stay on track or for more information, please contact us.

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.

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.



Time to get your retirement plans in motion?

Three in five Britons feel stressed about later life planning

IT'S ONLY NATURAL, IN A WORLD WHERE MOST PEOPLE ARE WORRIED ABOUT THINGS THAT ARE BEYOND THEIR CONTROL – THE RISING COST OF LIVING, INCREASING INFLATION AND INTEREST RATES THAT HAVEN'T BEEN SEEN FOR YEARS – THAT YOU MAY ALSO FEEL OUT OF YOUR DEPTH WHEN IT COMES TO THINGS LIKE PENSIONS AND LATER LIFE PREPARATIONS.

UNSURPRISINGLY, GIVEN THE CURRENT ECONOMIC CLIMATE, ALL AGE GROUPS, WITH THE EXCEPTION OF THE OVER-55S, ADMIT TO BEING STRESSED ABOUT WHETHER OR NOT THEY WILL HAVE ENOUGH MONEY SET ASIDE AT RETIREMENT TO DO ALL THE THINGS THEY WANT TO DO.

When it comes to later life planning, more than three in five people (61%) feel stressed when they think about their retirement. This figure rises to almost three-quarters (74%) of 25–34-year-olds, new research has highlighted[1].

Unsurprisingly, given the current economic climate, all age groups, with the exception of the over-55s, admit to being stressed about: whether or not they will have enough money set aside at retirement to do all the things they want to do (71%); how long their pension pot will last (65%); whether or not they are paying enough into their pension pot (59%); and how early they need to start paying into a pension (49%).

In the majority of cases, the most anxious across all age groups are the 25–34-year-olds, with the starkest contrasts in numbers being around how early they need to start paying into a pension (70% vs 49% nat.avg), whether or not they should have more than one pension pot (70% vs 50%) or if they are paying enough into their pension savings (77% vs 59%).

However, with a little planning and simple rules of thumb, you can feel more in control of your savings and know if you are on track for the lifestyle you want in your retirement.

GIVE YOU GREATER CONTROL OVER WHEN YOU RETIRE AND WITH HOW MUCH MONEY

How long? Aim to save for your retirement at least 40 years before you want to retire. The later you leave it, the more you will need to save each month to reach your target.

How much? Try to save at least 12.5% of your salary towards your pension every month – this may seem challenging at the moment but something to aim for. And remember, this can include money from you, your employer and the government.

Final pot size? Aim to amass a pension pot of at least ten times your salary by the time you retire.

Tax relief: Take advantage of the tax relief offered by the government to boost your savings. When saving into a pension, for every £8 you save, the taxman adds an extra £2.

Employer contributions: Every employer in the UK must provide eligible employees with a workplace pension. Not only that, but they must contribute to this pension. Some employers will contribute more if you save more, helping towards the 12.5% target.

Invest wisely: By investing your money, in a pension or elsewhere, your money can grow through to your target retirement date.

Investment risk: The value of investments can go down as well as up and you may get back less than has been invested but remember that investing in a pension is a long-term investment and over time you could reap greater rewards.

Keep checking: Saving for your retirement should not be a 'set and forget' activity. Use your annual pension statement to check if you are on track for your retirement target.

Reframe your expectations: Life expectancy in retirement could be 20 years or more, so bear in mind how long your money may need to last.

Use the pension freedoms: From 2015, the pension freedoms allow more flexibility in retirement planning, but take time to understand the options before acting.

Search for lost pensions: There are close to 3m lost pensions in the UK where pension providers and clients have lost touch with each other; this equates to £26.6bn, or £9,470 per person[2]. If you think you've lost touch with a pension check with the Pension Tracing Service.

NEED A HELPING HAND WITH YOUR RETIREMENT PLANS?

Using expert advice to help plan your pension could help you to achieve greater financial freedom when you decide to stop working. Find out how we can help guide your future plans. If you would like to reassess your current financial situation and review your goals, we're here to listen.

Source data:

[1] Research was conducted by Censuswide between 06/10/22–10/10/22 from 2,001 general consumers, national representative sample. Censuswide abide by and employ members of the Market Research Society, which is based on the ESOMAR principles.

[2] https://www.pensionspolicyinstitute.org.uk/media/4185/20221027-ppi-bn134-lost-pensions-2022-whats-the-scale-and-impact.pdf

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YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

Spotting an investment scam

How scammers are getting more convincing

AROUND HALF OF UK ADULTS (51%) HAVE OR KNOW SOMEONE WHO HAS RECEIVED A SUSPICIOUS COMMUNICATION IN THE LAST 12 MONTHS, ACCORDING TO RESEARCH[1]. THIS EQUATES TO 27 MILLION PEOPLE ACROSS THE UK.

Most of these cases can be described as 'phishing scams' (51%), when a fraudster attempts to imitate a legitimate company or person to secure important information from the victim.

PENSION TRANSFERS

Crypto scams are also becoming worryingly common, with one in five reporting they or someone they know has received one in the last 12 months.

Pension transfer scam communications account for almost one in ten (8%) of contacts, while romance scams or dating scams are similar at 11%.

SCAMMER APPROACHES

Around a fifth (21%) of those who have or know someone who has been contacted say they have lost money because of approaches by scammers. However, among 18 to 34-year-olds, this increases to almost half (46%).

The average loss to scams for themselves/someone they know was around £207, with this amount almost doubling to £361 for those aged 18 to 34 years old, compared to £112 for those aged 55+.

PERFECT OPPORTUNITY

With many families struggling to make ends meet, and as the cost of living squeeze tightens, offering easy access to your pension might seem the perfect opportunity to dig yourself out of trouble. The reality is you can't access your pension savings before the age of 55, so it's very likely it will be scammers.

Follow the simple rule of thumb: if it appears too good to be true, it inevitably is. Simply walk away, hang up or delete the email or text to keep your money safe from the scammers.

- 51% of UK adults – 27million people – have received or know someone who has received a suspicious communication in the last 12 months
- Younger people are more likely to know someone who has lost money, and are aware of someone losing more than older generations
- Almost one in ten (8%) communications relate to pension transfers

10 TIPS TO HELP IDENTIFY AND AVOID FINANCIAL SCAMS

1. If you receive an offer to help you access your pension savings before age 55, for example, through 'pension loans' and 'free pension reviews'. It is only possible to access your pension before age 55 in rare situations, for example, if you are very ill.

2. Warnings that the deal is limited and you must act now. This is a pressure tactic and making any financial decisions should not be done under pressure.

3. HM Revenue & Customs (HMRC) will never contact you by email, phone or text informing you of a tax refund, so simply delete or ignore any contact made this way – HMRC will only contact you via post.

4. You are discouraged from seeking professional financial advice or talking to Pension Wise.

5. Sign up for Action Fraud Alert, a free service provided by the National Fraud Intelligence Bureau. The service alerts about new types of crime or those which are increasing in their severity. If you sign up, you will receive those alerts which are relevant to you. **https://www.actionfraud.police.uk/sign-up-for-action-fraud-alert**

6. Contact by somebody who is not on the Financial Conduct Authority (FCA) Register. The Register is a public record of all the regulated firms and individuals in the financial services industry, including pension providers and investment companies **https://register.fca.org.uk/**

7. Be very cautious around any recommendation to take a large amount of money, or your whole pension pot, in a lump sum and invest it elsewhere, for example, in overseas property, forestry, car parking or storage units. And be very wary of unsolicited offers of 'amazing investment returns'.

8. Seek advice from your professional financial adviser who will be able to explain the rules and tax implications of different options and help you make the best choices for your personal circumstances, so be very suspicious if this is discouraged.

9. There can be significant tax implications if you choose to cash in your pension in one go, so check the tax position before you make any decisions.

10. Check **www.fca.org.uk/scamsmart** for known scams and use the tools to help identify a potential scam.

Source data:

[1] Source: Research among 2,000 UK adults conducted by Opinium, with fieldwork between 12–16 August 2022.

Getting ready to retire?

Bolstering your retirement lifestyle as you approach retirement

HAVE YOU EVER WONDERED WHAT YOU NEED TO CONSIDER AS YOU APPROACH RETIREMENT? WHATEVER YOUR CONCEPT OF WHAT IS A GOOD PENSION POT, ONE CERTAINTY IS THAT RELYING ON THE STATE PENSION ALONE WILL NOT GIVE YOU A GOOD ENOUGH PENSION TO LIVE ON COMFORTABLY THROUGH YOUR RETIREMENT.

'Will I be able to retire when I want to?' 'Will I run out of money?' 'How can I guarantee the kind of retirement I want?' These are hard questions to answer unless you obtain professional financial advice and why you need to start by reviewing your finances sooner rather than later to ensure your future income will allow you to enjoy the lifestyle you want.

After decades of working and saving, you can finally see retirement on the horizon. If you plan to retire within the next five years or so, consider taking these steps today to help ensure that you have what you need to enjoy a comfortable retirement lifestyle. Taking these actions now could help bolster your retirement lifestyle as you approach your planned retirement date.

8 THINGS TO CONSIDER AS YOUR RETIREMENT APPROACHES

1. TRACK DOWN YOUR PENSIONS

It's important to track down all the different pension schemes you've previously paid into, so you can be sure you're claiming everything you're entitled to in retirement.

If you're unsure where to start, the UK government offers a pension tracking service to help you find lost pensions.

2. WHEN CAN YOU ACCESS YOUR PENSIONS?

Since April 2015, pension freedoms have given savers in defined contribution (DC) schemes greater access to their cash, allowing flexible withdrawals from the age of 55.

3. WHAT'S YOUR PENSION'S VALUE?

The easiest way to find out how much your pension is worth is to check your pension statements. Whatever type of pensions you have, you'll receive an annual pension statement from your provider.

In it they'll tell you how much your pension is currently worth and what it's expected to pay out at your retirement date.

4. GET A STATE PENSION FORECAST

You can call the Future Pension Centre and ask for a State Pension statement. Your statement will tell you how much State Pension you have built up so far based on the National Insurance contributions and credits that are on your National Insurance record at the time your statement is produced.

Contact the Future Pension Centre for questions about the State Pension or to ask for a statement. Telephone: 0800 731 0175, or from outside the UK: +44 (0)191 218 3600. Or obtain a forecast online at **https://www.gov.uk/check-state-pension**

5. GETTING INVESTMENT ADVICE

If you are close to, or at retirement, you may want to reevaluate your plans. If you have access to other savings and investments, you might want to consider using these before accessing your pension.

If you have other investments or savings, such as Individual Savings Accounts, stocks and shares, bonds, funds, property, etc, it's worth checking their value as you approach retirement age as they can support you in addition to your pension.

6. HOW WILL YOU ACCESS YOUR PENSION?

When it comes to deciding how to use your pension pot, there's no one 'right answer'. There are more pension options than ever thanks to the pension freedoms that allow savers access to every penny of their retirement savings.

Your options may include taking a regular income or lump sums and keep investing the remainder in the stock market, or cashing in the entire amount. You can also choose to swap the money for a guaranteed income via an annuity.

7. HOW IS YOUR PENSION INVESTED?

Pensions may be for the long term, but it's important regularly to review where your money is being invested. You need to keep a close eye on which funds your retirement savings are in so that you can check you're comfortable with the risks involved.

You should also keep a close eye on how much you're being charged, as fees can have a big impact on the amount you end up with at retirement.

8. THE BENEFITS OF ADVICE

Pension advice is important because pension products can be complicated, and life can be unpredictable. Professional financial advice will help you make the right decisions about your money and your future.

Retirement planning is important because it can help you avoid running out of money in retirement. You need to know how much you've got, how to access it and when you can afford to retire comfortably.

THINKING OF RETIRING SOON? WE'RE HERE TO HELP

The good news is that whatever your situation, and however you want to enjoy retirement, we can help set up bespoke arrangements that are right for your needs. To discuss your plans or for further information, please contact us.

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How to maximise the value of pension savings

Mistakes to avoid when you're aiming to build your pension pot

MANY PEOPLE ARE FEELING THE PRESSURE ON THEIR FINANCES AT THE MOMENT DUE TO THE BACKDROP OF RISING INFLATION AND THE COST OF LIVING SOARING. IN THESE CIRCUMSTANCES, IT CAN BE DIFFICULT TO THINK ABOUT YOUR LONG-TERM FINANCES OR EVEN CONTEMPLATE SAVING FOR THE FUTURE.

However, even in the current climate there are ways to maximise the value of any pension savings you do have. By sidestepping seven common mistakes, you could take your pension planning to another level and reduce the risk of falling short of money later.

SIMPLE RULES TO FOLLOW WHEN RETIREMENT PLANNING AND MISTAKES TO AVOID

DON'T TURN DOWN MONEY FROM YOUR EMPLOYER

When offered the opportunity to join a workplace pension, it's nearly always a good idea to do so. For most people, your employer must automatically enrol you in a workplace pension scheme, and you may even be offered a pension plan if you don't meet the criteria.

Workplace pension schemes are made up of your own payments (5% or more of earnings), which are deducted from your salary, in some cases before you pay tax, making it easier to save, and your employer's contribution, which at the very least, must be equivalent to 3% of your qualifying earnings. Many employers offer more than this or match any extra payments you make, so it's worth checking if you're getting the most out of this valuable benefit.

DON'T SAY 'NO' TO EXTRA MONEY FROM THE GOVERNMENT

Anyone who decides against investing in a workplace or personal pension also turns down help from the government. That's because in order to encourage people to save for retirement, the government provides a top-up called 'tax relief' to pension payments. How you receive this tax relief depends on the type of plan you have and the rate of Income Tax you pay.

But as an example, if you're a basic rate taxpayer saving into a personal pension in the current tax year, you receive 20% tax relief on your payments. So, if you pay £200 a month into your pension plan, the £40 of tax relief you receive on that payment means it will only cost you £160. Higher rate or additional rate taxpayers could claim back even more.

Some workplace pension schemes offer tax relief in a different way, such as through salary sacrifice or exchange schemes, so check with your employer if you're not sure how this works for you. And in Scotland, the tax relief details differ slightly. But in all these cases, the general point is the same: each time you defer paying into a pension plan, you miss out on an extra boost.

DON'T EXPECT THE STATE PENSION TO COVER EVERYTHING

Another common mistake is to assume that the State Pension will meet your retirement needs. However, it's important to know that the State Pension won't be available until your late 60s and may not cover all of your outgoings.

Currently, pensioners who are entitled to the full new single-tier State Pension receive £185.15 a week in 2022/23, worth £9,627.80 for the year. But remember that what you get depends on your National Insurance record, so you could get less.

Pensioners that reached State Pension age before April 2016 and receive the basic State Pension get £141.85 a week, or £7,376.20 a year.

DON'T LOSE TRACK OF YOUR PENSION PLANS

It has never been more important to keep track of all your old pensions plans. You are at most risk of having lost track of a pension if you have changed jobs multiple times, moved home often and not updated your pension providers or opted out of SERPS (the State Earnings-Related Pension Scheme) in 1980s or 1990s.

DON'T ASSUME THAT THE MINIMUM IS ENOUGH

Auto-enrolment has boosted the pension savings of millions of people but the 8% minimum payment may not get you the retirement lifestyle you want. It's important to therefore have a retirement lifestyle in mind. We can discuss with you how much money you could have in your pension pot in the future, so you can ensure that you don't find yourself in a situation whereby you have an income shortfall.

DON'T LEAVE YOUR PENSION POT UNLOVED OR NEGLECTED

You might not want to talk about your pension plan every day, but dismissing pensions as boring is a mistake, and one that becomes increasingly serious over time. While this might be difficult at the moment, steps such as topping up your payments, especially in your 20s, 30s or early 40s, can make a large difference, thanks to the snowball effect of compounding.

Knowing whether it's workplace or private, understanding how to get more 'free' payments from your employer or the government, or using it to pay less tax (such as through bonus sacrifice) could make a major difference to your long-term finances.

DON'T SUPPOSE THAT ONE PENSION PLAN IS THE SAME AS ANOTHER

A related mistake is not knowing where your pension pot is invested, whether that matches your life-stage and priorities or how to choose the right investment options. For example, if your retirement is still some years ahead, you could potentially afford to take a little more risk. Conversely, you may want to dial down the risk as you get nearer to retirement.

IT ALL STARTS WITH A FINANCIAL PLAN, TO HELP BRING YOUR GOALS TO LIFE

Do you have a dream retirement in your head? Are you on track to make it a reality? To find out more about how we can turn your dreams into reality, 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.

More Britons insure their homes than their lives

Ensure your financial security for when you might need it most

THERE ARE A NUMBER OF REASONS WHY YOU MIGHT NEED LIFE COVER AND CRITICAL ILLNESS COVER. IF YOU HAVE DEPENDENTS, THEN IT IS IMPORTANT TO MAKE SURE THAT THEY WILL BE FINANCIALLY SECURE IF SOMETHING HAPPENS TO YOU. IF YOU HAVE A MORTGAGE OR OTHER DEBTS, THEN LIFE COVER CAN HELP TO PAY THESE OFF.

Critical illness cover can provide you with a lump sum of money if you are diagnosed with a specified serious illness, which can help to cover the cost of treatment and make sure that you and your family are financially secure.

NOT SO KEEN TO INSURE OUR OWN LIVES

But, according to new research[1], only 32% of people in the UK have life insurance compared to 64% who have taken out an insurance policy to cover their homes. Showing that there is still some truth in the old adage 'An Englishman's home is his castle', it would seem some people place more importance on insuring their homes than their lives.

The figures reveal that whilst we're happy to protect our latest iPhone purchase (14%), our upcoming holiday from the unpredictability of COVID (21%) and our furry four-legged friends (19%), we're not so keen to insure our own lives to protect our loved ones.

RELUCTANT TO THINK ABOUT OUR OWN MORTALITY

Indeed, 66% of people aged over 35 do not have life insurance cover, and a further 84% do not have critical illness cover. Whilst 58% of people with pet insurance and 47% with mobile phone insurance have not taken out life insurance.

It is not unusual for people to be reluctant to think about their own mortality, especially younger people in their 30s and 40s. However, it is important for people during the accumulation phase of their lives, which is generally those under 50, to think about protecting their financial journey.

TRANSFER RISK TO AN INSURANCE PROVIDER

Taking out life insurance and critical illness cover can help to transfer risk to an insurance provider. It is a way to help protect the journey towards meeting your financial goals.

Almost a fifth of the respondents (19%) who have life insurance in place said they do not have, or they are not confident that they have, sufficient life insurance to pay off their debts and provide for their dependents should the worst happen.

PROTECT YOUR FAMILY OR OTHER LOVED ONES

Less than half (45%) of those polled say their existing life insurance policy will cover their mortgage and only a quarter (24%) say it would cover their current salary. A further 15% say it will only cover the basic cost of living for their dependents, 4% realised that their current policy covers a previous salary which is lower than their current earnings, and 20% admit they simply don't know how much their life insurance would cover.

Whether it's to protect your family or other loved ones, it is important to take professional advice and make a plan, which can be reviewed regularly, to ensure that the people that matter to you are taken care of and that your financial goals can be achieved.

MAKE SURE YOUR LOVED ONES ARE LOOKED AFTER, SHOULD THE WORST HAPPEN.

We're here to help you protect your loved ones today, so you don't have to worry about tomorrow. To discuss your plans or for further information, please contact us.

Source data:

[1] The research of 1,000 nationally representative UK adults was commissioned by Find Out Now in November 2021 on behalf of Brewin Dolphin.

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