INSIGHT

ISSUE 5 2022

TOP PENSION TIPS IF YOU'RE ABOUT TO RETIRE

Understanding your options and putting a plan in place

PLANNING FOR EARLY RETIREMENT

What are the financial consequences to stopping work in your 50s?

IS FREEDOM TODAY HURTING FREEDOM TOMORROW?

Tax-free cash allowances putting some retirements at risk

PREPARING FOR THE UNEXPECTED
Protection should be a core part of your financial pla

PROTECT YOURSELF FROM PENSION SCAMS
Understanding the warning signs to keep your money safe

MINIMUM PENSION AGE TO INCREASE
Age change to when people can start taking pension savings

Insight 2022 Introduction

Welcome to the latest edition of *Insight*. We spend our working lives building towards retirement. The changes made to UK pensions in 2015 mean that we all have more choices available on how to fund our lifestyle in 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, on page 08 we look at why 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.

Early retirement may be the ultimate dream for some, but the coronavirus (COVID-19) pandemic made it the only option for many. On page 04 we consider how retiring early can give you that change of lifestyle you've been craving, open doors to new experiences and potentially improve your health. But there are financial consequences to stopping work in your 50s.

On page 06 we look at a new study that has identified Britain's future pensioners are putting their retirement future at risk by withdrawing cash from their pension pots while still in the accumulation phase. The findings were that some people are confusing their pension pots for savings accounts, which may have a detrimental impact on their retirement.

Being online more means criminals have a greater opportunity to approach unsuspecting victims with their scams. Online scams can have a devastating financial and emotional impact on victims. Pension scammers are bombarding the public with scam calls, texts and emails and it can be easy to fall victim to such a scam. Turn to page 10 to read the full article.

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

CREATE A SECURE FINANCIAL FUTURE FOR YOURSELF AND YOUR FAMILY

Whether it's planning for retirement, protecting your family or passing on your wealth, we can help. We look at the bigger picture to ensure all your financial needs and aspirations are fully taken on board and acted upon. To discuss how MGP can help you plan for life's journey, please contact us. We look forward to hearing from you.

www.mgpeb.co.uk/financial_guides
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Contents

03 PREPARING FOR THE UNEXPECTED
Protection should be a core part of your financial plan

04 PLANNING FOR EARLY RETIREMENT
What are the financial consequences of stopping work in your 50s?

06 IS FREEDOM TODAY HURTING FREEDOM TOMORROW?
Tax-free cash allowances putting some retirements at risk

08 TOP PENSION TIPS IF YOU'RE ABOUT TO RETIRE
Understanding your options and putting a plan in place

10 PROTECT YOURSELF FROM PENSION SCAMS
Understanding the warning signs to keep your money safe

11 MINIMUM PENSION AGE TO INCREASE
Age change to when people can start taking pension savings

12 TIME TO BRING YOUR PENSIONS TOGETHER?
3.6 million Britons have lost track of their pension savings

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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 financia 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 financial y 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 definitio during the policy term and they survive a specified number of days. It's designed to help support you and your family financial y 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.

Planning for early retirement

What are the financial consequences of stopping work in your 50s?

EARLY RETIREMENT MAY BE THE ULTIMATE DREAM FOR SOME, BUT THE CORONAVIRUS (COVID-19) PANDEMIC MADE IT THE ONLY OPTION FOR MANY. FIGURES FROM THE OFFICE FOR NATIONAL STATISTICS SHOW THAT OVER-50S HAD THE HIGHEST REDUNDANCY RATE BETWEEN DECEMBER 2020 AND FEBRUARY 2021[1].

Retiring early can give you that change of lifestyle you've been craving, open doors to new experiences and potentially improve your health. But there are financial consequences to stopping work in your 50s.

WHAT IS THE FINANCIAL IMPACT OF EARLY RETIREMENT?

Traditionally, people retired between the ages of 60 and 65, but there's no set age that you need to give up work. In fact, anyone with a pension pot can access it from age 55 – although this is set to rise to age 57 from 2028.

Retiring early requires some careful planning. It can put significant pressure on your funds as your new income is likely to be less than your pre-retirement earnings. You might have various sources of income for your retirement ranging from your personal and/or workplace pension, the State Pension, investments and other savings. Reviewing your financial situation and determining how much money you need to live a comfortable life in retirement is an important first step.

Something to bear in mind: if you're aged over 55, your State Pension won't be paid until you reach age 67. If you stop working before then, you could be relying on income from your private pension savings for more than a decade.

It's also worth bearing in mind the impact of inflation. Prices have steadily increased over the past decade, for example, holidays, luxury goods and even basic necessities have become more expensive. So if you're looking at a retirement of 25 years or more, you could see the purchasing power of your pension income decrease due to rising prices.

HOW TO ASSESS YOUR FINANCIAL SITUATION

Understanding your individual financial situation can make a big difference when it comes to making decisions around your retirement savings. Fully assessing your personal finances can help give you a clearer picture of whether early retirement is feasible.

HERE'S A CHECKLIST OF WHAT YOU SHOULD CONSIDER:

1. HOW DO YOU PLAN FOR A VARIED RETIREMENT?

If you're planning to retire early, think about what type of lifestyle you want to enjoy in later life. This will then help you determine what you're saving towards. You might plan to travel, embark on a journey of further education or simply spend more time with loved ones – whatever you decide to do, you're going to have demands on your retirement income.

When you're reviewing your financial plans, it could be worth looking at those first early years of retirement as something separate. For example, including more in the budget for multiple holidays a year, or dinners out and trips to the theatre. Then take a look at how your lifestyle may modify as you slow down in later life. There may be fewer trips and holidays to take, but there could be increased care costs.

Taking early retirement means that you almost have to plan for two different retirements. One that caters to the immediate future, where you're likely to still be very active. And one where a slower pace of life comes into play. Each will have a different focus and therefore different demands on your money.

2. HOW MANY YEARS DO YOU EXPECT TO BE RETIRED?

There are obviously no guarantees on how long any of us will live, but when it comes to retirement planning, you'll need to make an informed guess.

It's worth considering family history, as well as factors such as your gender and geographical region. If you expect to live to around 85, but plan to retire at 55, you'll need to save enough to support yourself for 30 years – but don't forget, you may live a lot longer than you expect, and you're likely to want leave something for your loved ones.

3. HOW MUCH WILL YOUR STATE PENSION BE?

In order to understand your income requirements in later life, you'll need to know

when you can collect your State Pension and how much it's likely to be.

The State Pension age is under review and is gradually being pushed back so it's in line with life expectancy. Other factors, such as your gender and the year you were born, make State Pension ages vary.

Currently, the maximum State Pension is £179.60 per week, or £9,350 a year[2]. However, you'll need to have made, or be credited with, 35 years of National Insurance contributions to qualify for the full amount[3].

4. HOW MUCH DO YOU HAVE IN YOUR PRIVATE PENSION POT?

As the State Pension is not really enough to live on, the likelihood is that workplace or private pensions will make up a significant part of your retirement income.

When you retire, you can use some or all of your pension savings to buy an annuity, which then pays you a regular retirement income for either a set period, or for life. Alternatively, you can keep your savings in your pension pot and 'drawdown' only what you need, as and when you need it. You must have a defined contribution pension to be able to do this (your workplace pension provider will be able to inform you on whether you do).

The first step, before making a decision, would be to track down all of your pension pots and ask for a pension forecast. Estimate how much you can achieve via a drawdown, an annuity, or a combination of both. And remember, the value of any investments can fall as well as rise and isn't guaranteed.

5. HOW CAN YOU ENSURE YOUR PENSION POT WILL LAST?

Having an understanding of your retirement income and outgoings can help you to plan for the future. Perhaps you've reviewed your finances and realised you can retire early, or you might decide to wait a few more years to help you boost your pension pot that bit more.

The key thing to understand is that your retirement is completely personal, and the amount you will need will depend on your specific circumstances and expectations. If you're in any doubt about the financial impact of early retirement, you should obtain professional financial advice.

WHAT DOORS AND POSSIBILITIES WILL YOUR RETIREMENT OPEN FOR YOU?

Life is short and unpredictable. If you would like to retire early and explore a life away from work, you'll need to put a carefully considered plan in place. Retirement can open many doors and possibilities. You may be thinking about seeing the world or starting your own business. To discuss how we could help you, please contact us for further information.

Source data:
[1] Living longer: older workers during the coronavirus (COVID-19) pandemic. Data source, Office for National Statistics, May 2021.
[2] Having more for retirement. Data source, GOV.UK, August 2021.
[3] The new State Pension. Data source, GOV. UK, August 2021.

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.

Is freedom today hurting freedom tomorrow?

Tax-free cash allowances putting some retirements at risk

A NEW STUDY HAS IDENTIFIED THAT BRITAIN'S FUTURE PENSIONERS ARE PUTTING THEIR RETIREMENT FUTURE AT RISK BY WITHDRAWING CASH FROM THEIR PENSION POTS WHILE STILL IN THE ACCUMULATION PHASE[1]. THE FINDINGS WERE THAT SOME PEOPLE ARE CONFUSING THEIR PENSION POTS FOR SAVINGS ACCOUNTS, WHICH MAY HAVE A DETRIMENTAL IMPACT ON THEIR RETIREMENT.

Rather than its original intention of incentivising saving, tax-free cash allowances appear to have the opposite effect in practice – encouraging members of pension schemes to spend more before they retire and take their tax-free cash savings while they still have other sources of cash savings. This is a potentially very damaging situation for whole generations of future retirees.

The study highlighted that 76% of savers do not intend to use their tax-free cash for retirement income, with nearly a third (28%) accessing their pension pots while still in 'accumulation' phase and female pensions savers being over 10% more likely to sacrifice returns by taking cash at 55.

TAX-FREE CASH

Nearly three-quarters of those who access their tax-free cash believe that the main purpose of their pension is to provide an income for life. However, 76% of respondents do not intend to use their tax-free cash to provide them with an income in retirement.

Over 50% of those who had withdrawn their lump sum said they did not need to take as much at that time and of those who decided to withdraw a lump sum, the most popular choice of what to do with it (27%) was to spend it on home repairs and improvements.

POTENTIAL FOR GROWTH

The tax-free aspect of taking a special lump sum at the age of 55 is a clear driver behind this behaviour. Nearly half (46%) would not have withdrawn their cash if it had not been tax-free. This is also implied by the timing of withdrawals.

Among those polled who have withdrawn from their pension, more than a quarter (26%) did this as soon as possible at the age of 55 exactly, with many unaware of the potential for growth had they kept their money invested for longer.

TAKING THE LUMP SUM

Over half who had withdrawn their lump sum said they did not really need as much right away and that they could have taken less. Meanwhile nearly one-third (29%) said that they could have used other savings instead of taking the lump sum out of their pension.

This highlights that the decision of when to take cash from pension pots – and how much to take – is not often based on financial planning. While minimising tax is often the driver of 'tax-free withdrawals', in many cases it can actually lead to less tax-efficient outcomes for members.

ACCUMULATION STAGE

Those who withdraw while still in the accumulation stage of their pension – which is the majority as mentioned above – compromise their 'Money Purchase Annual Allowance' (MPAA), which reduces the annual amount they can pay in to their pension each year, tax-free, from £40,000 to £4,000. This can have major tax implications for those still planning to put funds back into their pension pots.

Those with less in their pension are more susceptible to these trends. More than two-thirds (68%) of those who have taken tax-free cash from a larger pension pot (of over £250,000) have a plan so that their cash withdrawal provides them with an income in retirement.

BONUS OR A WINDFALL

This compares to only 13% of those with less than £10,000 in their pension – two-thirds (65%) of whom haven't yet worked out what monthly income they will need in retirement. Over half (53%) of those with pots of less than £10,000 agreed with the statement that tax-free cash is 'there to spend, like a bonus or a windfall' compared to less than a third (30%) of those with pots of over £250,000.

INVEST FOR BETTER RETURNS

But even among more financially well-off savers, there is an aversion to keeping their tax-free cash invested in their pension. While nearly half (48%) of those with pots of over £250,000 say they believe their lump sum is something to 'invest elsewhere, for better returns', those with pots of over £250,000 are three times more likely to keep their tax-free lump sum in cash rather than invest it (54% in cash savings versus 18% in a Stocks & Shares ISA or other investments).

Women are also more at risk from the side effects of tax-free cash. Female pensions savers are more likely to withdraw earlier (33% of women versus 22% men at age 55) and to put their tax-free cash in a savings account, current account or Cash ISA to keep for a rainy day (29% women versus 19% men), leaving them vulnerable to accepting a low cash interest rate instead of an investment return in their pension for longer. ■

YOUR RETIREMENT – WE'RE HERE TO HELP

Pensions can be complex with so many considerations, including your family circumstances, pension rules and tax regulations. Whatever your situation, and however you want to enjoy retirement, we can help you. To find out more – speak to us to review your options.

Source data:

[1] Research was conducted for Legal & General in August 2021, surveying 1,526 members of defined contribution (DC) pension schemes in the UK, aged 50 years and older.

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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.

The 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 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?

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.

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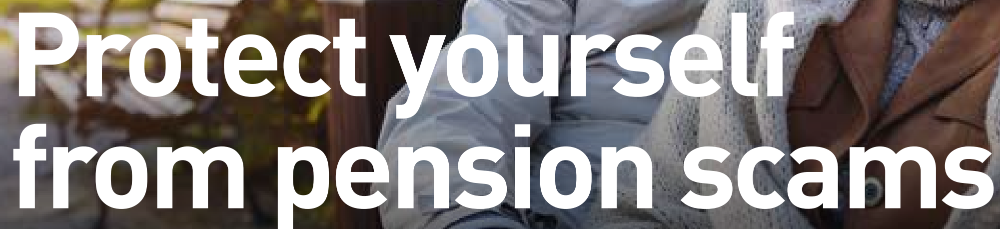

Protect yourself from pension scams

Understanding the warning signs to keep your money safe

BEING ONLINE MORE MEANS CRIMINALS HAVE A GREATER OPPORTUNITY TO APPROACH UNSUSPECTING VICTIMS WITH THEIR SCAMS. ONLINE SCAMS CAN HAVE A DEVASTATING FINANCIAL AND EMOTIONAL IMPACT ON VICTIMS.

Pension scammers are bombarding the public with scam calls, texts and emails and it can be easy to fall victim to such a scam.

Anyone thinking about making an investment should always do their research first, visit the Financial Conduct Authority's (FCA) website and double check every detail before handing over any money or personal details.

HOW AND WHERE FRAUD CAN OCCUR

One of the best defences is to understand how and where fraud can occur. People should be wary of unexpected contact that comes out of the blue, such as cold calls, letters or emails, and they should be sceptical of unusually high or unrealistic returns. If an offer looks too good to be true, it probably is.

People should also be wary if they come under pressure to quickly withdraw money from a pension or complete a transfer. The best option for people considering transferring a pension or withdrawing money as they retire is to speak to a qualified professional financial adviser.

UNSOLICITED EMAILS, TEXTS, TELEPHONE CALLS

14% (7.6 million) of adults in a recent survey say they have received unsolicited emails, texts or telephone calls from people encouraging them to transfer or release money from their pension[1]. Nearly half (47%, or 25 million) say pension scams are hard to spot, but only a third (32%) say they know how to report a scam.

Currently, 27% (14 million) adults are worried that they may unwittingly fall prey to a pension scam, because scams are sophisticated these days.

HOW TO MINIMISE THE RISK OF PENSION SCAMS

Pension scams can be hard to spot. Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing.

SO WHAT SHOULD YOU DO IF YOU HAVE CONCERNS AND RECEIVE AN UNSOLICITED CONTACT?

- Hang up if you have concerns straight away. If you receive a cold call, the safest thing to do is to hang up, as chances are it's a scam.
- Make sure you're aware of the warning signs. This includes unsolicited approaches by phone, text, email or even at your door.
- Can you call the firm back? If you're forced to make a quick decision this is a sign of a potential scam. Contact details on their website may only be mobile numbers, which is another red flag.
- Understand the salesperson. Check whether the caller, or their firm, are licensed to sell. Check the FCA register of regulated companies, or the FCA warning list.
- Make sure you ask questions. Most scammers don't want you to investigate their 'offers' so be sure to do your own research and look into the company, including their financial statements.
- And remember, if it sounds too good to be true – it probably is. Fraudsters like to offer low-risk investments with a high return.

SPOT THE WARNING SIGNS AND KEEP YOUR PENSION SAFE

If you receive unsolicited cold calls, texts and emails from an individual or firm about your pension they are unlikely to be legitimate. It doesn't matter how financially savvy you are, pension scams can be hard to spot so it pays to obtain professional financial advice from an FCA registered firm. To find out more, please contact us.

Source data:

[1] https://www.lv.com/about-us/press/14m-britons-fear-falling-victim-to-pension-scams

Minimum pension age to increase

Age change to when people can start taking pension savings

THE GOVERNMENT HAS CONFIRMED THAT IT PLANS TO INCREASE THE MINIMUM PENSION AGE AT WHICH BENEFITS UNDER REGISTERED PENSION SCHEMES CAN GENERALLY BE ACCESSED, WITHOUT A TAX PENALTY, FROM AGE 55 TO AGE 57 COMMENCING 6 APRIL 2028.

The Treasury is consulting on how best to apply its decision to increase the age when people can start taking their private pension savings. The Normal Minimum Pension Age (NMPA) will increase in line with increases to the State Pension age.

UNQUALIFIED BENEFITS RIGHT

Members who currently have an 'unqualified right' to access their benefits under a registered pension scheme before age 57 and members of the armed forces, firefighters or police pension schemes will be permitted to retain their existing minimum pension age.

The government is planning to introduce a protection regime which would mean that an individual member of any registered pension scheme (occupational or non-occupational) who has an unqualified right – for example, without needing the consent of their employer or the trustees – under the scheme rules at the date of the consultation to take pension benefits at an age below 57 will be protected from the increase in 2028.

PROTECTED PENSION AGE

A member's protected pension age will be the age from which they currently have the right to take their benefits. The protected pension age will be specific to an individual as a member of a particular scheme. So an individual could have a protected pension age in one scheme where they have a right to take pension benefits at an age below 57, but for schemes where no such right exists the new NMPA of 57 will apply from 2028.

It will also apply to all the member's benefits under the relevant scheme, not just those benefits built up before April 2028. Individuals with an existing protected pension age under the 2006 or 2010 regimes will see no change in their current protections.

ASSOCIATED PENSION SCHEMES

In recognition of the special position of members of the armed forces, police and fire services, the government is proposing that, where members of the associated pension schemes do not already have a protected pension age, the increase in the NMPA will not apply to them.

Individuals who do not have a protected pension age who access their pension benefits before age 57 after 5 April 2028 would be subject to unauthorised payments tax charges.

PENSION TAX RULES ON ILL-HEALTH

There will be no need for individuals or schemes to apply for a protected pension age. This is in line with the approach taken under the existing protected pension age regimes. The government is not proposing to make any changes to the current pension tax rules on ill-health as part of this NMPA increase.

Unlike the protection regime introduced in 2006, where individuals are entitled to a protected pension age in relation to the increase in NMPA from 2028, they will be able to draw benefits under their scheme even if they are still working.

SCHEME BENEFITS CRYSTALLISED

In addition, currently, if an individual wants to use their protected pension age, then all their benefits under the scheme must be taken (crystallised) on the same date. However, considering the pension flexibilities introduced in 2015, the government proposes that this requirement will not be a condition of the 2028 protected pension age regime.

This would mean, for example, that an individual with a defined contribution pension with a protected pension age of 55 would be able to allocate some of their pension to a drawdown fund, and at a later date use the remainder to purchase an annuity, without losing their protected pension age.

NORMAL MINIMUM PENSION AGE

The government's position remains that it is, in principle, appropriate for the NMPA to remain around ten years under State Pension age, although the government does not intend to link NMPA rises automatically to State Pension age increases at this time.

The announcement means that there is the potential for some people to be caught in the middle, being able to access their pension at 55 prior to April 2028, but having to wait until they turn 57 to access any untouched pension funds after this date where they don't qualify for protection.

PLANNING FOR THE RETIREMENT YOU WANT

This announcement may, in particular, have an impact on the timing for taking your pension benefits. It's never too early to be planning ahead. To discuss how we can help you plan for the retirement you want, please contact us.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028). 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 to bring your pensions together?

3.6 million Britons have lost track of their pension savings

THE MORE OLD PENSIONS YOU HAVE, THE EASIER IT IS TO END UP LOSING ONE. TRACING PENSIONS FROM YEARS AGO CAN BE A HASSLE. OVER 3.6 MILLION BRITONS ADMIT THEY HAVE NO IDEA HOW MANY PENSIONS THEY HAVE AND RISK PAYING MORE IN FEES THAN NECESSARY, ACCORDING TO NEW RESEARCH[1].

The number of workers with small pension pots of under £1,000 has surged dramatically in recent years, as auto enrolment has allowed millions of people to benefit from workplace pensions for the first time.

PAYING FEES TO MULTIPLE PROVIDERS

However, with the average employee now changing jobs 11 times[2] in their working life, people are increasingly building up many small pots and are often losing track, misplacing paperwork or forgetting about previous schemes they are invested in.

The Pensions Policy Institute (PPI) predicts the number of small pots will triple by 2035 to 27 million[3]. Although the government's Pension Dashboard will allow people to see all of their pensions in one place when it comes into effect in a few years' time, it will not solve the problem of savers paying fees to multiple providers across all their pensions.

CONSOLIDATE SMALL PENSION POTS

While savers already have the option of combining their pensions, one in ten (10%) have no idea how to do this, while 12% say it's just too much hassle. As a result, more than two-fifths (44%) say they've never bothered to track down savings from a previous employer.

Almost three-quarters (72%) of Britons now support the introduction of a new system that would automatically consolidate small pension pots as they move jobs, reinforcing strong support from the industry for the change. This would make it easier for people to manage and keep track of their retirement savings, while making the system more efficient and effective for the UK's 33 million[4] pension holders.

COMPARE THE FEATURES AND BENEFITS

Even if you have not had that many jobs, you may still have a number of different pensions to keep track of. Pensions can be confusing, but there is an alternative way to help keep on top of them. Pension consolidation may allow you to combine some or all of your defined contribution pensions in one place.

Consolidating your pensions means fewer statements to keep an eye on, along with fewer and potentially lower management charges. However, not all pension types can or should be transferred. It's important that you know and compare the features and benefits of the plan(s) you are thinking of transferring. It can be a complex decision to work out whether you would be better or worse off combining your pensions, so it's essential to obtain professional financial advice.

HELPING YOU STAY ON TRACK FOR THE FUTURE YOU WANT

Deciding whether to combine your pensions can be a complex decision and is not for everyone. Whether you want to consolidate into an existing pension you have with us, or you want to combine your existing pensions in a new pension, we are here to help. Speak to us today and make sure your plans are on track for the future you want.

Source data:

[1] The research was carried out online by Opinium across a total of 5,010 adults aged 18+. Data is weighted to be representative of the GB population. Fieldwork was carried out between 12–18 March 2021.
[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945319/s mall-pots-working-group-report.pdf
[3] https://www.pensionspolicyinstitute.org.uk/media/3545/20200723-deferred-members-final-report-for-the- website.pdf
[4] Finder, Pension Statistics 2021

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