Perspective

MANAGING WEALTH

Our regular roundup of what you should know in the world of pensions, investments, protection and retirement planning.

WINTER 2018

Cash may not be king
Pension savers risk a significant tax bill

Financial protection
Families left in a precarious situation if the unforeseen were to happen

Looking to the future
Taking the steps now to prepare yourself for retirement

Expert financial planning and wealth management.

We deliver a truly flexible and tailored service to all our clients.

Our financial advisory offices are dedicated to smarter money management. In a complex and fast-moving financial world we deliver clarity and control to our clients.

Perspective Financial Group Limited is the parent company of 14 financial advisory firms and one discretionary fund management firm. Our offices have highly experienced advisers based in local offices and our advisory ethos is to provide you with holistic, tailored advice to achieve your financial goals and objectives.

Whether you are looking for advice on retirement planning, investment, inheritance tax planning, personal wealth or corporate planning (to name a few), our advisers will be able to provide advice you can trust.

The Financial Conduct Authority does not regulate taxation and trust advice and some aspects of corporate planning.

Winter thoughts

Julie Hepworth, our Group Regulatory Director, encourages all of us to take financial fraud seriously.

I find it a sad fact that financial fraud is increasing and inevitably some people lose considerable sums of money as a direct result.

We encourage all our clients to be extra vigilant about spotting signs of fraud and, if in any doubt, contact us for further advice.

The Golden Rule to follow when protecting your personal financial information is:

"Never disclose private information in response to communication that you're not sure is genuine"

Read the article on page 14 for further advice on spotting and reporting scams.

We constantly invest in our systems and procedures to give you, our clients, the best possible level of protection.

Thank you for your continued support and engagement with Perspective Financial Group. We remain as committed as ever to providing individually tailored advice to help you achieve your financial goals, built on our values of integrity and trust.

Welcome to our latest client newsletter

In this issue we take a look at issues around retirement including the flexibility that pension freedoms can give you, and what factors you should consider when timing your retirement.

We are regularly asked about protecting you and your family if you fall ill or die prematurely. Many people have good intentions to 'do something about this' but not everyone does. Read our article on coping with whatever life throws at you.

Unfortunately, fraud is becoming a greater issue in financial matters. It pays to be aware of how to spot possible signs and what to do if you become suspicious.

The team at Perspective (Home Counties) is always here to help you, so please contact us if we can be of assistance.

Kind regards

Gary Ross
Managing Director
Perspective (Home Counties) Ltd

Perspective MANAGING WEALTH

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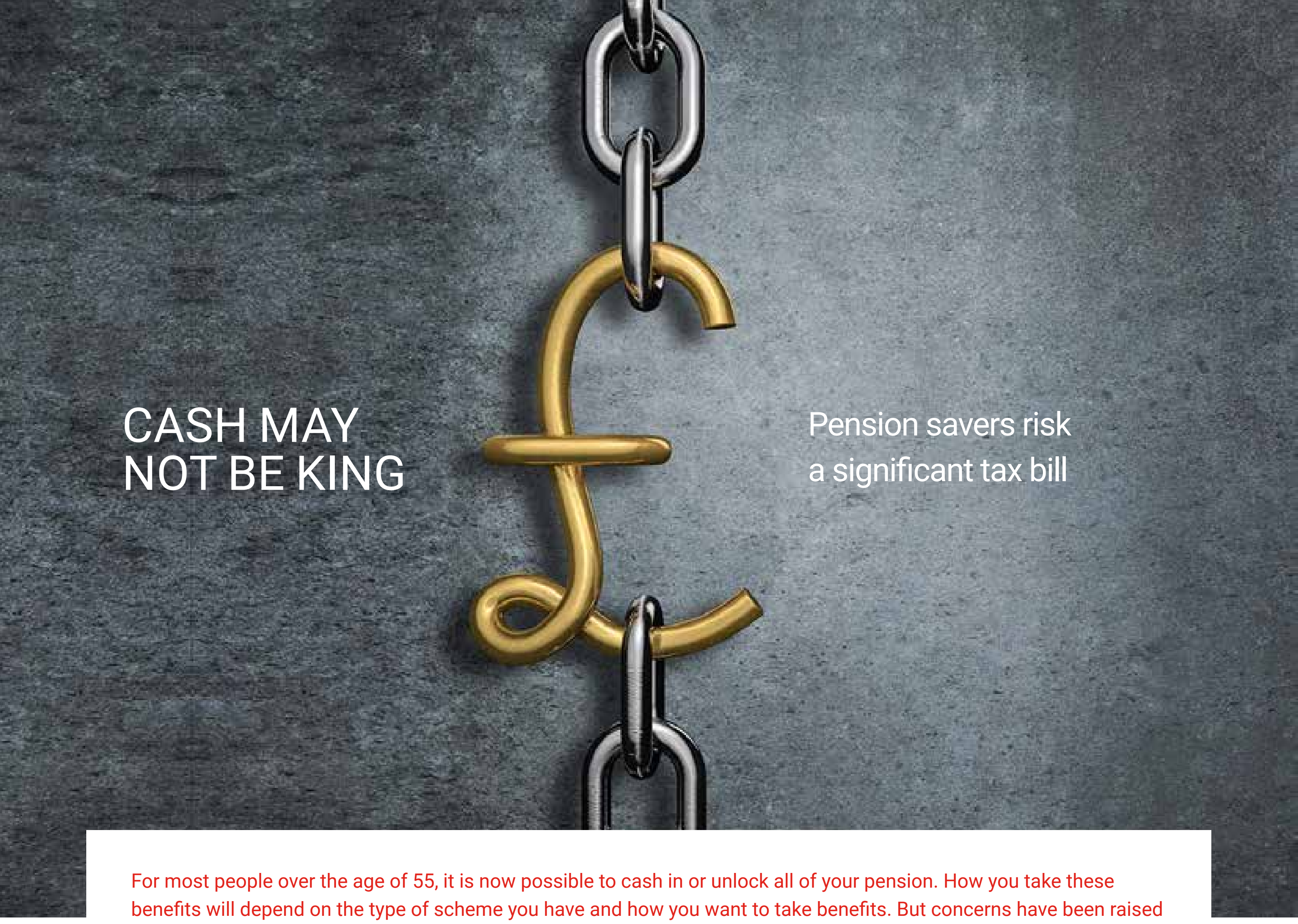


CASH MAY NOT BE KING

Pension savers risk a significant tax bill

For most people over the age of 55, it is now possible to cash in or unlock all of your pension. How you take these benefits will depend on the type of scheme you have and how you want to take benefits. But concerns have been raised that some savers may risk running out of cash if they siphon too much out of their pension pots.

There are a number of downsides to taking too much cash from your pension, especially if you are doing it earlier than expected. However, around one in ten (10%) planning to retire this year expect to withdraw their entire pension savings as one lump sum, risking a significant tax bill and an impact on their future retirement income.

The findings[1] are part of unique annual research – now in its 11th year – into the financial plans and aspirations of people planning to retire in the year ahead and shows that, in total, one in five (20%) retiring this year will risk avoidable tax bills by taking out more than the tax-free 25% limit on withdrawals.

Two thirds planning on retiring early

However, they are not necessarily spending all the cash – the main reason given by those taking all their fund in one go was to invest in other areas such as property, a saving account or an investment fund (71%). Interestingly, around two thirds (66%) of people are planning on retiring early.

Since the launch of pension freedom reforms in April 2015, more than 1.1 million people aged 55-plus have withdrawn around £15,744 billion[2] in flexible payments.

Taking advantage of pension freedoms

Government estimates[3] show that around £2.6 billion was paid in tax by people taking advantage of pension freedoms in the 2015/16 and 2016/17 tax years, with another £1.1 billion raised in the 2017/18 tax year.

The most popular use of the cash is for holidays, with 34% planning to spend the money on trips. Around (25%) will spend the money on home improvements, while one in five (20%) will gift the money to their children or grandchildren. Other popular uses include buying cars or paying off mortgages.

Source data:

[1] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.

[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/675350/Pensions_Flexibility_Jan_ 2018.pdf

[3] http://obr.uk/overview-of-the-november-2017-economic-and-fiscal-outlook/

What you need to ask yourself before cashing in your pension pot

Have you considered what the tax implications are?

At the heart of any pension transaction you undertake, tax planning is a major consideration. Only the first 25% of the amount that you drawdown from your pension pot is tax-free, and the remaining 75% is taxed as earned income.

Will your money last the duration of your retirement years?

Before taking the cash, it is crucial to think about whether you will have enough money to last the duration of your retirement. It's not a one-off decision: you should regularly review your choices throughout your retirement, as your needs evolve and income needs may change.

Will your pension scheme allow you to cash in your pension pot?

If you're convinced that cashing in your pension pot is the right move for you, you need to ensure that your pension scheme allows you to do so. If not, it means that you'll need to transfer your savings into a suitable pension scheme to be able to access your cash.

Are you aware of the companies running pension scams?

Pension savers getting scammed out of their retirement savings is a real issue. The problem is that many of these scams look perfectly legitimate so are not easy to spot. Others offer investment returns which are too good to be true. You can visit the FCA's ScamSmart website, which includes a warning list of companies operating without authorisation or running scams – www.fca.org.uk/scamsmart.

Have you sought professional financial advice about your plans?

Not seeking professional financial advice can be very risky, especially when it comes to deciding how to eventually take your pension. If you get it wrong, it could be very costly and have a considerable impact on your retirement lifestyle and standard of living. We'll make sure that the action you take is the right one for you, your family and your needs.

Don't get penalised by the tax system

Pensions freedom allows you to have the flexibility on how and when you spend your money without being penalised by the tax system, but it is worrying that some retirees may withdraw more than the tax-free lump sum limit. The risk is even greater if you're taking all of your pension fund in cash. To review your own situation, please speak to us. You can call us to arrange an appointment or ask a question – we look forward to hearing from you.

A pension is a long-term investment.

The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available.

Pensions are not normally accessible until age 55. Your pension income could also be affected by 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.

The Financial Conduct Authority does not regulate taxation advice.

FINANCIAL PROTECTION

Families left in a precarious situation if the unforeseen were to happen

We all intend that our plans will come good. But making sure that you and your family can cope if you fall ill or die prematurely is something we can too easily put to one side. In particular, a recent study identified that financial protection is something that millions of fathers in the UK, and their families, could benefit from.

More than half (58%) of men in the UK with dependent children have no life insurance, meaning that just over 4.5 million dads[1] are leaving their families in a precarious situation if the unforeseen were to happen. Worryingly, this has increased by five percentage points compared with 2017, a year-on-year increase of around 542,000 individuals[2].

Financial hardship

Despite a fifth (20%) of dads admitting their household wouldn't survive financially if they lost their income due to long-term illness, only 18% have a critical illness policy, leaving many more millions at risk of financial hardship if they were to become seriously ill.

Critical illness insurance

This doesn't usually pay out if you pass away, so it's not always suitable if you want to make sure your family are provided for after you've gone. This is where life insurance comes in.

Life insurance

This insurance usually only pays out if you pass away. It's designed to help your family maintain their lifestyle after you've gone, for example, to pay off a mortgage or other loans and provide for children's university fees.

Many insurers will offer both types of cover combined.

No savings

If they were unable to work due to serious illness, 16% of fathers say they could only pay their household bills for a minimum of three months. More than two fifths (45%) say they'd have to dip into their savings to manage financially, but 17% admit that their savings would last for a maximum of just three months, and 12% say they have no savings at all.

On top of this, many fathers are leaving themselves and their families unprepared for other aspects of illness or bereavement. 16% of them aren't sure who would take care of them if they fell ill, and more than two fifths (42%) don't have the protection of a Will, power of attorney, guardianship or trust arrangement in place for their families.

Risky position

This is an especially risky position for the two thirds (66%) of UK fathers who are the main breadwinner in the family, and it's clear that many are in lack of a 'Plan B'.

Many fathers don't consider having insurance as a necessity, with 16% of those without saying they don't see critical illness cover as a financial priority, and 20% saying they don't think they need it. The value of protection, however, is to provide long-term peace of mind about having financial security in place for your dependents.

Seek advice

Life is full of uncertainties – and while we insure cars, houses and even holiday arrangements, when it comes to ourselves and our family, often insurance is overlooked and undervalued. The simple truth is we can get too ill to carry on working or tragically die too soon, either through serious illness or accident. These events are random, and they can potentially affect us all.

Recent changes to bereavement benefits, and their continued unavailability to those in cohabiting relationships, mean that it's more important than ever for fathers to review their financial protection needs and seek advice to make sure their household is covered.

Unforeseen circumstance

The impact of losing the family breadwinner can be devastating – missed mortgage repayments, savings depleted, your home being sold, your family's standard of living eroded, with stress and worry all too evident.

Whether it is your family or other loved ones, it's essential to make sure that the people and things that matter to you are taken care of – whatever life throws at you.

Source data:

All figures, unless otherwise stated, are from Opinium Research. The survey was conducted online between 5 and 12 April 2018, with a sample of 5,022 nationally representative UK adults.

[1] Percentage of adult population that are fathers with dependents = 762/5022 = 15.17%; 15.17% of adult population of 51,767,000 = 7,854,730 million; 58% of these don't have cover so 4,545,848 million

[2] Percentage of adult population that are fathers with dependents = 735/5077 = 14.48%; 14.48% of adult population of 51,767,000 = 7,495,861 million; 53% of these don't have cover so 4,003,721. Difference of 542,127 compared with 2017

Creating a durable plan for the future

We understand that expert advice on financial matters is invaluable in creating a durable plan for the future. To discuss what's best for you and your family if the unforeseen were to happen, contact us so we can find the solution that's right for you.

Pure protection policies do not have a cash value, unless a valid claim is made.

SHOULD I STAY, OR SHOULD I GO NOW?

Key aspects that influence retirement decisions

Whatever you want to do when you retire, the better prepared you are, the more rewarding it will be. It's important to assess the key aspects that will influence your retirement, as the decisions you make can have a real impact on your savings. There are some important considerations to think about.

Timing

- Drawing savings too early is likely to result in lower returns and/or lower lifetime income
- Drawing savings later may not result in higher returns – this depends on how you invest and use your savings

Capital requirements

- Many people withdraw capital from their pension savings not because they 'need' it but because they can, and they end up just retaining it in a less tax-efficient environment
- Meeting income needs from capital could be extremely efficient – it may even be necessary

Income requirements

- There are choices to make between generating income now versus providing for your future
- You may also continue earning some income during retirement through paid work, business ventures or even lucrative hobbies
- Your income needs are likely to vary over time, and some expenses are fixed while others are variable. Most critically, long-term care can prove expensive
- Your income preferences are also key – having a known stable income source may be preferable to having a higher but less stable income
- Generating surplus income is inefficient from a tax perspective

Attitude to risk

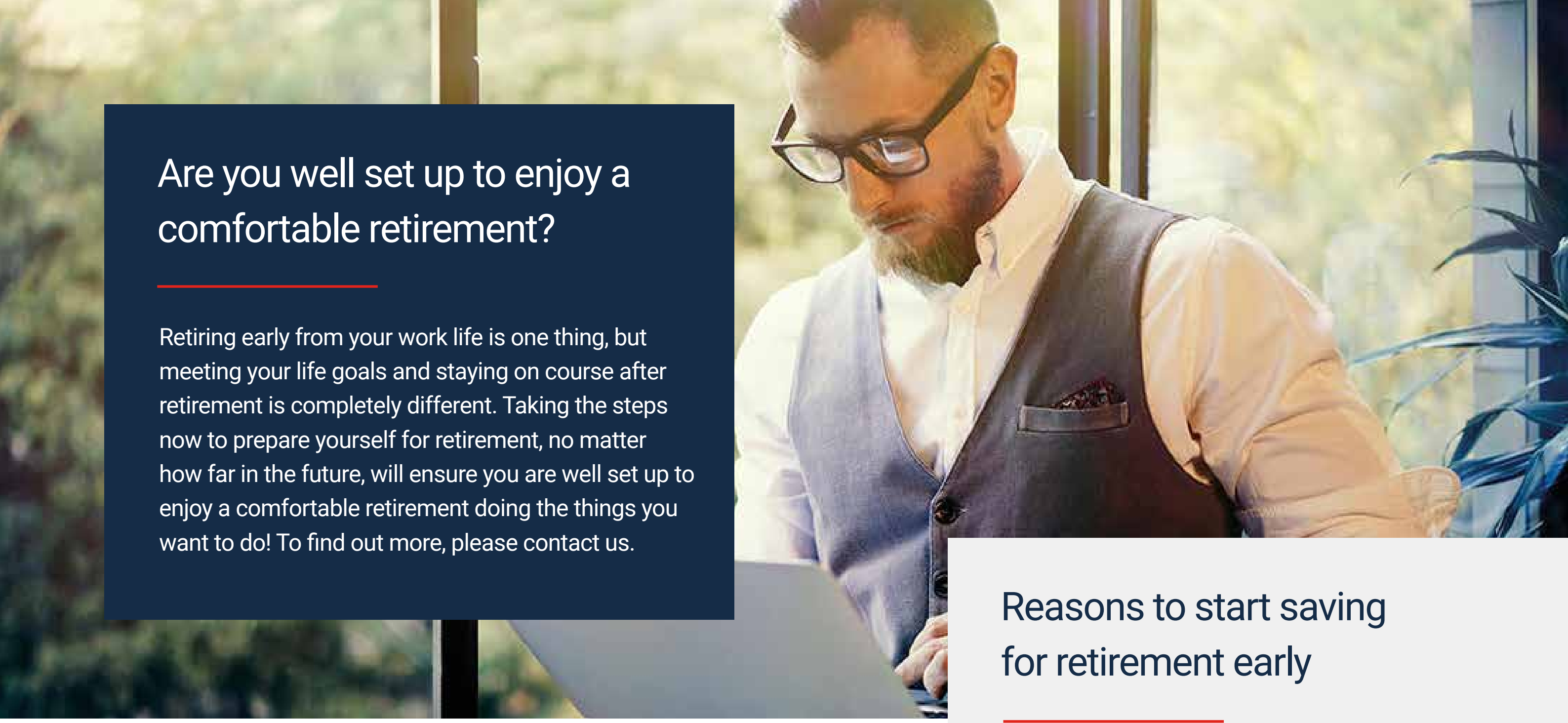
This is the trade-off between relative safety (which you may choose out of concern) and taking risk (which you may choose with an aim of achieving growth). Your attitude may also change as you accumulate wealth (because you have more to lose) and as you get older (because you have less time to recover if your investments fall in value). But risk is never completely eroded – even with cash or an annuity.

You also need to ask yourself some of the following questions:

- What is my life expectancy, and how much money will I need to achieve my retirement plans?
- How could my income and capital needs change in the future?
- Do I have an effective plan to leave a financial legacy?
- How much money would my spouse/partner need if I die before them?
- How might I protect against the effect of inflation?

Helping you plan and enjoy your future

Regardless of the life stage you have arrived at, it is important to receive expert and professional financial advice on your pension plans and requirements. Talk to us about your circumstances, wants and needs. We will then assess how close you are to achieving them based on your current plans – please get in touch for more information.



Are you well set up to enjoy a comfortable retirement?

Retiring early from your work life is one thing, but meeting your life goals and staying on course after retirement is completely different. Taking the steps now to prepare yourself for retirement, no matter how far in the future, will ensure you are well set up to enjoy a comfortable retirement doing the things you want to do! To find out more, please contact us.

LOOKING TO THE FUTURE

Taking the steps now to prepare yourself for retirement

With increasing numbers of people working past traditional retirement ages[1], stopping work can seem a long way off, especially for younger people. But it's the dream of an early retirement that keeps many people going through the daily work grind.

Fantasies of a round-the-world cruise, sundowners on a seaside terrace or writing a best-selling novel can make work endurable. The good news for many is that the dream of an early retirement is being realised [2], with nearly two thirds (60%) of those stopping work this year doing so before their expected State Pension age or company pension retirement date.

Escape the daily grind

It appears that those planning to escape the daily grind early feel the most comfortable when it comes to their financial situation in retirement – with over half (56%) saying they feel financially well prepared compared with 49% of those working towards their expected retirement date. That's reflected in the numbers taking financial advice – 68% of early retirees are seeking professional advice compared with 60% of those working until their projected retirement age.

The opportunities that retirement brings are limitless, with travelling or spending long periods abroad high on many people's wish lists. The average age of those retiring early is 57, and early retirees are planning to make the most of their free time – over a third (37%) plan to take up a new hobby or sport, 27% will start voluntary or charity work, and nearly a fifth (17%) are planning a long-term holiday or gap year.

Meeting your life goals

But early retirement also can bring with it the challenges of meeting your life goals, such as funding a child's education and their wedding, along with bearing household expenses long after you've retired because of increasing life expectancy.

To retire earlier requires planning, discipline and paying close attention to your savings and investments. But the sacrifices and extra effort are worth it to enable you to have more opportunities to spend time with the people you care about.

Source data:

[1] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemploy eetypes/articles/fivefactsaboutolderpeopleatwork/2016 -10-01

[2] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.

Reasons to start saving for retirement early

You'll prepare in a more relaxed way

Saving for 30 years instead of 10 means you can put away less money each month and reach the same target. It'll also mean you have cash left over to spend on yourself in the meantime.

Earn more thanks to compound interest

If you start saving today, you'll earn more because interest payments build up – every interest payment you receive starts earning corresponding interest itself right away.

You will enjoy greater peace of mind

Putting in place a plan for your retirement means you can start looking forward to a more comfortable retirement. You'll feel more confident about life after work knowing things are taken care of from a financial perspective.

You could retire earlier

If you manage your wealth and retirement planning wisely, you might find you're ready to retire younger than you'd imagined. Give yourself more time for the things you've always dreamed of doing.

Plan when you have more disposable income

It's normally the case that you have more disposable income from your twenties into your early forties. Later in life, you may find that you have more responsibilities – children's education and mortgage payments, for example – and find it harder to put money into your retirement fund every month. Start early while you have extra funds.

PENSIONS SHAKE-UP

Getting away from the stresses of everyday life

For many, the idea of retirement means getting away from the stresses of everyday life. But with living costs rising and interest rates low, people need to think about how to generate extra income from their savings in retirement. Pensions offer a number of important advantages that will make your savings grow more rapidly than might otherwise be the case. However, changes announced in April 2015 have led to a complete shake-up of the UK's pensions system, giving people much more control over their pension savings than ever before.

Different Pension Schemes

The term 'private pension' covers both workplace pensions and personal pensions. The UK Government currently places no restrictions on the number of different pension schemes you can be a member of. Providing you don't save more than your Lifetime Allowance into all of your pension funds combined – currently set at £1,030,000 (2018/19) – you won't be penalised by the taxman for having lots of pensions.

So even if you already have a workplace pension, you can have a personal pension too, or even multiple personal pensions. These can be a useful alternative to workplace pensions if you're self-employed or not earning, or simply another way to save for retirement.

Any UK resident can pay into a personal pension – although the earlier you invest, the more likely you are to be able to build up a substantial pension pot.

Tax relief on individual pension contributions

A private pension is designed to be a tax-efficient savings scheme. The Government encourages this kind of saving through tax relief on pension contributions.

In the 2018/19 tax year, pension-related tax relief is limited to either 100% of your UK earnings, or £3,600 per annum.

The current pension tax relief rates are:

» Non-taxpayers and Basic-rate taxpayers will receive 20% tax relief on pension contributions

» Higher-rate taxpayers also receive 20% tax relief, but they can claim back up to an additional 20% through their tax return

» Additional-rate taxpayers again pay 20% tax relief, but they can claim back up to a further 25% through their tax return

If you are a Scottish taxpayer, the tax relief you will be entitled to will be at the Scottish Rate of Income Tax, which may differ from the rest of the UK.

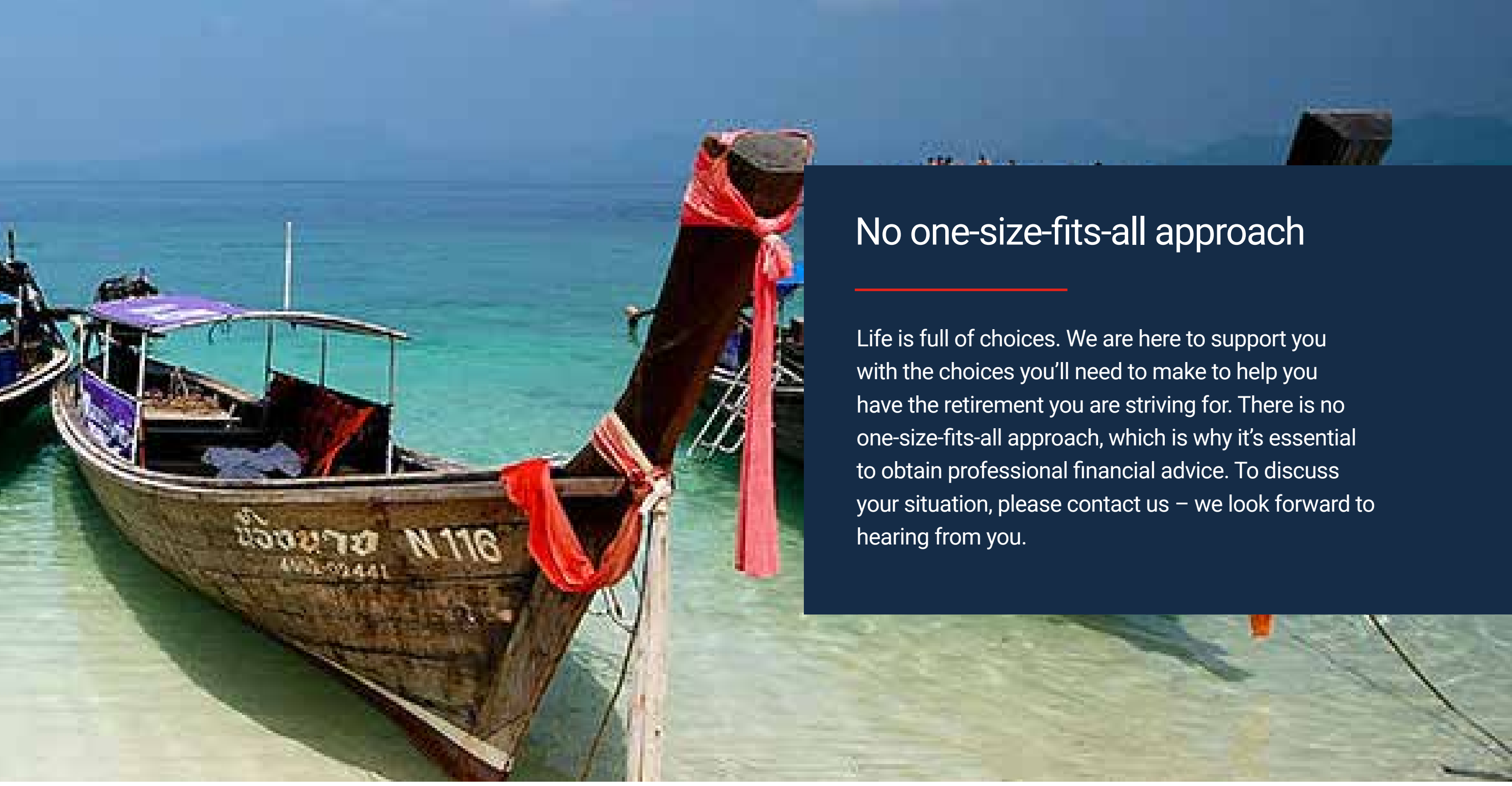
Limits on the amount that can be contributed

The Annual Allowance is a limit on the amount that can be contributed to your pension each year while still receiving tax relief. It's based on your earnings for the year and is capped at £40,000 (2018/19).

If you exceed the Annual Allowance in a year, you won't receive tax relief on any contributions you paid that exceed the limit, and you will be faced with an annual allowance charge. This charge will form part of your overall tax liability for that year, although there is the option to ask your pension scheme to pay the charge from your benefits if it is more than £2,000.

In April 2016, the Government introduced the tapered annual allowance for high earners, which states that for every £2 of income earned above £150,000 each year, £1 of annual allowance will be forfeited. However, the maximum reduction will be £30,000 – taking the highest earners' annual allowance down to £10,000.

It is worth noting that you may be able to carry forward any unused annual allowances from the previous three tax years. However, if you have flexibly accessed any of your pensions, you can only pay a maximum of £4,000 into any un-accessed pension(s) you have. This is called the 'Money Purchase Annual Allowance', or 'MPAA'. The MPAA applies only if you have flexibly accessed one of your pensions.



No one-size-fits-all approach

Life is full of choices. We are here to support you with the choices you'll need to make to help you have the retirement you are striving for. There is no one-size-fits-all approach, which is why it's essential to obtain professional financial advice. To discuss your situation, please contact us – we look forward to hearing from you.

Exceeding the Lifetime Allowance

What counts towards your Lifetime Allowance depends on the type of pension you have:

Defined contribution – personal, stakeholder and most workplace schemes. The money in pension pots that goes towards paying you, however you decide to take the money.

Defined benefit (also known as 'Final Salary') – some workplace schemes. This can be 20 times the pension you get in the first year plus your lump sum – but you'll need to check this with your pension provider.

Your pension provider will be able to help you determine how much of your Lifetime Allowance you have already used up. This is important because exceeding the Lifetime Allowance will result in a charge of 55% on any lump sum and 25% on any other pension income such as cash withdrawals.

This charge will usually be deducted by your pension provider when you access your pension.

Protecting your lifetime allowance

It's easier than you think to exceed the Lifetime Allowance, especially if you have been diligent about building up your pension pot. If you are concerned about exceeding your Lifetime Allowance or have already done so, it's essential to obtain professional financial advice.

It may be that you can apply for pension protection. This could enable you to retain a larger Lifetime Allowance and keep paying into your pension – depending on which kind of protection you are eligible for:

Individual protection 2016 – this protects your Lifetime Allowance to the lower of the value of your pension(s) at 5 April 2016 and/or £1.25 million. You can keep building up your pension with this type of protection, but you must pay tax on money taken from your pension(s) that exceeds your protected lifetime allowance.

Fixed protection 2016 – this fixes your Lifetime Allowance at £1.25million. You can only apply for this if no pension contributions have been made after 5 April 2016.

Passing on your pension to beneficiaries

Finally, it is worth noting that there will normally be no tax to pay on pension assets passed on to your beneficiaries if you die before the age of 75 and before you take anything from your pension pot – as long as the total assets are less than the Lifetime Allowance. If you die aged 75 or older, the beneficiary will typically be taxed at their marginal rate.

However, not all types of pension can be passed on in such a tax-efficient way. Some older-style pensions may not be able to offer all the new death benefit options available. If this flexibility is important to you, you may want to seek financial advice to review your options.

A pension is a long-term investment.

The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available.

Pensions are not normally accessible until age 55. Your pension income could also be affected by 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.

SEEKING A HIGHER RETIREMENT INCOME

Retirement needn't be an all-or-nothing decision

The onwards march of 'pretirement' – where people scale back on work or slow their retirement plans down rather than giving up entirely – is continuing, with half (50%) of those retiring this year considering working past State Pension age.

This is the sixth consecutive year[1] in which half of people retiring would be happy to keep working if it meant guaranteeing a higher retirement income. More than a quarter (26%) of those planning to delay their retirement would like to reduce their hours and go part-time with their current employer, while one in seven (14%) would like to continue full-time in their current role. An entrepreneurial fifth (19%) would try to earn a living from a hobby or start their own business.

Factor in the cost of day-to-day living

Around one in twelve (8%) of those scheduled to retire in 2018 have postponed their plans because they cannot afford to retire. Nearly half (47%) of those who cannot afford to retire put this down to the cost of day-to-day living, which means their retirement income won't be sufficient.

The decision to put off retirement isn't always a financial one. Over half (54%) who are already or are considering working past their State Pension age say it is to keep their mind and body active and healthy. Over two fifths (43%) admit they simply enjoy working, while just over a quarter (26%) don't like the idea of being at home all the time.

Wind down from working life gradually

The shift to 'pretirement' in recent years shows that many people reaching State Pension age aren't ready to stop working. Reducing hours, earning money from a hobby or changing jobs are all ways to wind down from working life gradually and, for many, are important to avoid boredom and maintain an active mind and body.

However, not everyone has the option of extending their retirement date if they need to carry on working for financial reasons, and others may be forced to stop working for health reasons. Saving as much as possible as early possible in their career is the best way for people to ensure they are financially well prepared for a retirement that starts when they wish (or need) it to.

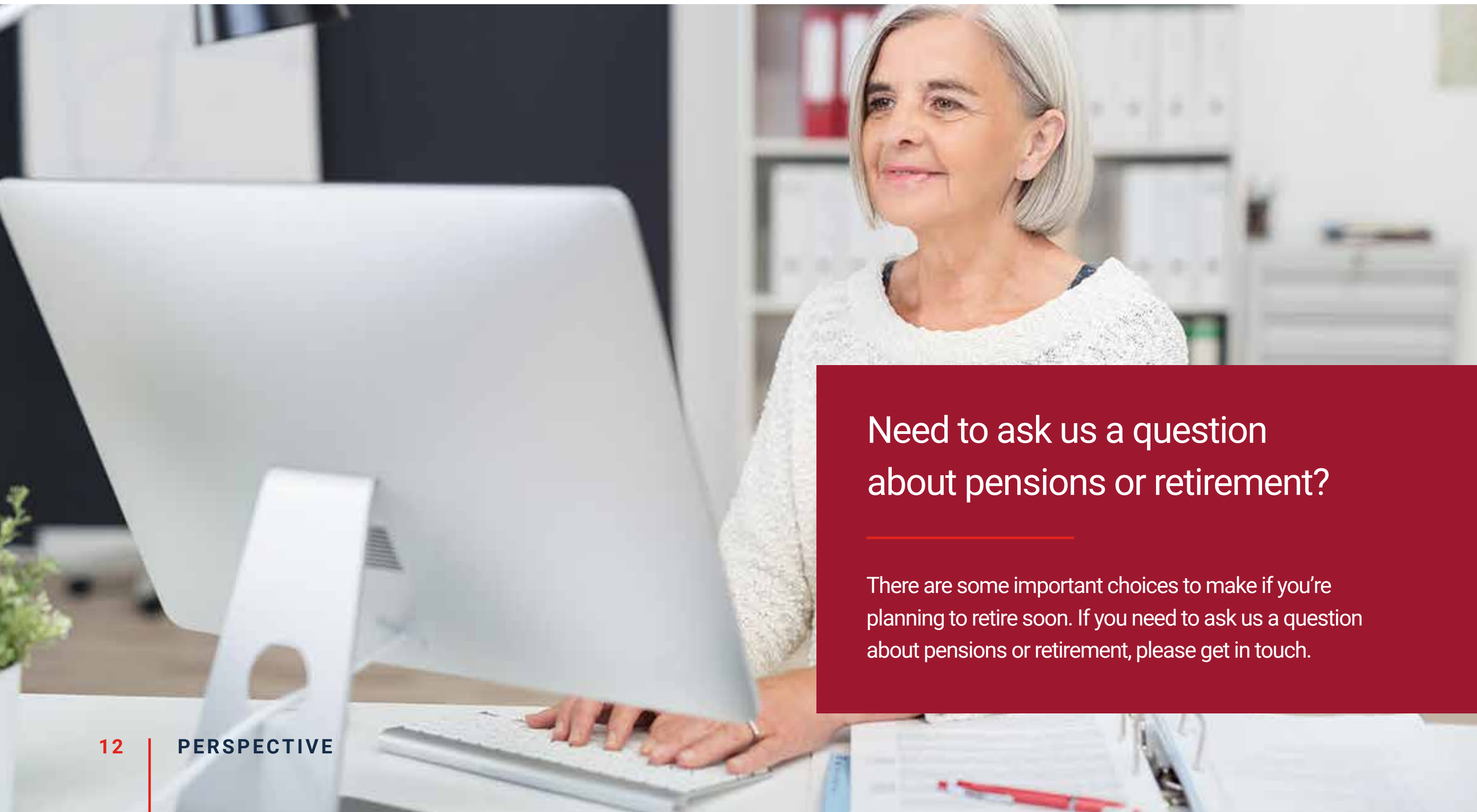
More choices than previous generations

Because people are increasingly treating retirement as a gradual process, regular discussions about their personal situation can help ensure that their retirement finances are sufficient to allow them as many options as possible.

Everybody wants to retire as comfortably as possible. But retirement needn't be an all-or-nothing decision – it's not a case of either you're still working full-time or you're completely retired. You've a lot more choice now than previous generations enjoyed.

Source data:

[1] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.



Need to ask us a question about pensions or retirement?

There are some important choices to make if you're planning to retire soon. If you need to ask us a question about pensions or retirement, please get in touch.

MONEY TALKS

Valuable employer contributions encourage people to stay

More people in the UK are saving towards retirement than ever before, according to data from the Office for National Statistics (ONS), with numbers boosted thanks to the Government's auto-enrolment scheme.

Under auto-enrolment, employees are automatically signed up to a workplace pension into which both they and their employers must contribute. Workers can opt out of the scheme if they want to, but the hope is that valuable employer contributions will encourage people to stay. The scheme was introduced in October 2012 to boost the numbers of people planning for retirement and began with the largest employers first, followed by medium-sized, then small employers.

Growth in pension membership

Nearly three quarters (73%) of employees were contributing to a company pension scheme in 2017, latest ONS figures show[1], up from 67% in 2016. Those aged between 22 and 29 had the biggest growth in pension membership, with 73% in this age group belonging to a pension in 2017, compared to 65% the previous year. Prior to 6 April 2018, employees only had to contribute 0.8% of their qualifying earnings into a workplace pension, topped up by 0.2% tax relief, whilst employers paid in 1%.

Minimum contributions for auto-enrolment increased on 6 April 2018, so workers must now pay 3% of their qualifying earnings into a pension, including 0.6% of tax relief, while employers must make contributions of 2%[2]. Your qualifying earning are your earnings from employment, before Income Tax and National Insurance contributions are deducted, that fall between a lower and upper earnings limit set by the Government. These limits are £6,032 and £46,350 for the current 2018/19 tax year.

Pay more into your pension

Next year, contribution limits will increase again, so that from April 2019 employees must pay in 5% of qualifying earnings, including 1% of tax relief, and employers must pay in 3%[3].It's important to remember that these are only minimums, so you or your employer can choose to pay more into your pension if you or they want to.

Saving for the future is vital if you want to enjoy a comfortable retirement. Relying on the state alone to support you could prove a costly mistake, particularly as the age at which you can claim the State Pension is being pushed further and further back.

Full level of the new State Pension

Last summer, the Department for Work & Pensions decided that rising life expectancy meant that the increase in the State Pension age to 68 should be brought forward between 2037 and 2039, seven years earlier than planned[4]. The age at which you can make withdrawals from a workplace or private pension is set to rise from 55 to 57 by 2028 and then on to 58 – this is still well before you can receive your State Pension. Bear in mind that if you belong to a workplace scheme, you may need the consent of your employer or former employer if you want to access your pension benefits before the scheme's normal retirement age.

According to research by consumer association Which?, retired couples last year spent on average £2,200 a month, or around £26,000 a year, on basic expenses such as food and living costs and some luxuries such as European breaks and eating out. If you reached State Pension age after 6 April 2016, the full level of the new State Pension is £164.35 a week, although the actual amount you'll get will depend on your National Insurance record[5].

Achieving an annual income you want

Which? claims that to achieve an annual income of £26,000, a couple would need a defined contribution pot of £210,000 in today's money, which then goes into income drawdown at retirement, alongside their current State Pension entitlement. The majority of company pension schemes are defined contribution schemes, where the amount you'll receive at retirement depends on how much you've contributed, investment returns, contract charges and fees, as well as tax relief. Income drawdown allows you to take an income from your pension while keeping it invested.

To save £210,000, Which? says you'd need to put away £131 a month from the age of 20, rising to as much as £633 per month if you leave your retirement saving until you reach the age of 50. This example assumes investment growth of 3% and that the sums saved have received basic-rate tax relief at 20%[6].

The growth rate is used for illustrative purposes only and is not guaranteed, the actual rate of return achieved may be higher or lower. You may get back less than the amount invested.

A pension is a long-term investment.

The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available.

Pensions are not normally accessible until age 55. Your pension income could also be affected by 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.

Source data:

[1] Office for National Statistics, Annual Survey of Hours and Earnings pension tables, March 2018

[2,3] Pensions Advisory Service, Automatic Enrolment, How much do I and my employer have to pay?

[4] Gov.uk, Proposed new timetable for state pension age increases, July 2017

[5] Which? How much do you need to retire? April 2018

[6] Which? Save at least £131 a month for a comfortable retirement, April 2017

PROTECT YOURSELF FROM BANKING AND HMRC SCAMS

Unfortunately, financial fraud is a growing problem which everyone needs to take seriously

It's not uncommon for your bank to try and contact you. But sometimes those emails and phone calls are just scammers using the trust you have in your bank to con you out of your money.

Many of us will have experienced a phone call claiming to be from your bank alerting you to a problem with your account. This will normally be something security related, such as telling you someone is accessing your account illegally, or has stolen your identity.

You can also be the target of an HM Revenue and Customs (HMRC) scam by email or phone, which attempts to obtain your personal and banking details by masquerading as official HMRC documentation, offering tax rebates and refunds.

The golden rule

The golden rule when protecting your personal financial information is: ***never disclose private information in response to communication that you're not sure is genuine.***

Don't transfer money into a so-called 'safe account'

Fraudsters can be very convincing. They may ask you to transfer all the money from an account into a 'safe account' until a problem is solved.

The real problem is, nobody is trying to access your account, and you're transferring money directly to the scammers. The money is then transferred very quickly to other accounts around the world.

Worst of all, because you agreed to transfer the money and it's been moved on again so fast, it can be very difficult to get the money back. In fact, according to UK Finance, in 2017 three quarters of the money could not be returned to the victims.

Spotting and avoiding scams

Unfortunately, it can be difficult to spot such scams, but there are some really important things you should know which will help you to protect yourself:

» Banks will never ask you to transfer money into a 'safe account'. It just doesn't happen;

» Banks will never ask you to reveal personal information including your PIN, or passwords for online accounts

Similarly, HMRC provides advice on their website including:

» HMRC never uses emails or text messages to notify taxpayers of tax rebates or penalties, or to request personal or payment information

» HMRC phone call scams often target the vulnerable and elderly, with taxpayers being requested to provide bank details under the threat of police involvement if they refuse. If you are unsure of the identity of the individual, do not engage with the call, and never disclose your personal details

How to report bank and HMRC scams

There are two things you need to do if you've been targeted by a scam, or worse, fallen victim to one:

» Contact your bank. Even if you've spotted it is a scam you should let them know because this will give them the chance to inform other customers to be on the lookout

» If you've become a victim, or have handed over personal information, it's even more important, since your bank will be able stop any payments or transfers, cancel cards and make sure your account is secure

HMRC asks taxpayers to forward any suspected scam emails, text messages or social media messages to phishing@hmrc.gsi.gov.uk and then delete the original email. Text message scams can be forwarded to 60599 (these messages are subject to network charges).

You can also get in touch with **Action Fraud** by either calling 0300 123 2040 or by visiting their website. - **www.actionfraud.police.uk**.

We all hope we won't fall victim to fraud but, more than ever, it pays to be vigilant.

Perspective
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