

WHAT'S IMPORTANT TO YOU?

*Reaching those milestones starts with
setting clear financial goals*

TAXING TIMES AHEAD

*Don't be penalised by the tax system when
you exercise your freedoms*

ECONOMICALLY ACTIVE

*Why longevity also brings with it some
unique financial challenges*

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WHAT'S IMPORTANT TO YOU?

Reaching those milestones starts with setting clear financial goals

We all have dreams for the future, and many of those dreams require money and planning to make them become a reality. Reaching those milestones starts with setting clear financial goals. Making decisions with a clear endpoint in mind can make it easier to achieve financial security and allow you to enjoy your life to the full, so we've put together this brief rundown to help you get closer to your goals today.



BE PREPARED FOR ANY FINANCIAL EMERGENCY

Typically, emergencies don't let you know they're on their way, and in some cases, you can't afford for them to happen – so it's always good to be prepared for any financial emergency with savings. The amount of rainy-day savings you need will of course depend on your situation, but financial experts recommend aiming to have around three to six months' worth of your regular expenses put away.

Savings can act as a safety net until you get back on your feet or until the situation changes. By having an emergency fund, it helps you deal with those surprises without needing to get into debt. Depending on your budget, saving might not be easy, but if you can spend less than you earn, it's recommended to put some money aside for a rainy day.

FOCUS ON YOUR TIME HORIZON

It's important to know the 'when' of your financial goals, because investing for short-term goals differs from investing for long-term goals. Your investment strategy will vary depending on how long you can keep your money invested. As your priorities or life circumstances change, you may also find that you

want to delay certain goals by a year or two, while others you may want to try to meet sooner. And some – such as an expensive family holiday – you may decide to forego altogether.

It's important to stay flexible and adapt your timetable to your changing needs and priorities. While past performance is no guarantee of future results, historical returns consistently show that a well-diversified investment portfolio can be the most rewarding over the long term.

BE PATIENT

Building wealth for most of us takes time, so you have to be patient. And achieving your financial goals can have its ups and downs. But sometimes, challenges aren't about failing to reach your goals – they're about setting better goals in the first place. Set yourself up for success from the start by creating realistic, achievable financial goals that are connected to what's important to you.

If you know what your financial goals are, you can start working to accomplish them. And working out what those goals are is the very first step. Setting financial goals is essential to financial success. Once you've set these goals, you can then write and

follow a roadmap to realise them. It helps you stay focused and confident that you're on the right path.

LITTLE AND OFTEN

Having set clear goals, getting started by saving little and often and seeing your own progress towards your goals can reinforce your motivation. Regular saving from a young age can make life easier when you need to access money quickly for a large purchase further down the line. Gradually watching those small amounts build up into more significant savings will further encourage you to save more.

One of the major benefits of long-term saving is the ability to make substantial gains through compound interest. 'Simple' interest is calculated on the original amount of a deposit. But compound interest is calculated on this amount and also on the accumulated interest of previous periods. Put simply, compound interest is 'interest on interest'. ■

WANT TO TALK ABOUT YOUR FINANCIAL FUTURE?

Investing for your retirement or the years to come could be the most important financial goal of your life. We'll help you build a goal-based financial plan that reflects what's most important to you. Discover how we can help you grow more than wealth.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE AND DEPEND ON YOUR INDIVIDUAL CIRCUMSTANCES.

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PENSION SCAMMERS: SPOT THE WARNING SIGNS

Don't lose your life savings or be persuaded to invest in high-risk schemes

Don't let scammers enjoy your hard-earned pension proceeds. **Anyone can be the victim of a pension scam**, no matter how savvy they think they are. It's important that everyone can spot the warning signs.

Latest figures show that nearly one in ten over-55s fear they have been targeted by suspected scammers since the launch of pension freedoms, new research¹⁾ shows. Cold-calling has been used by fraudsters trying to steal life savings or persuade people to invest in high-risk schemes.

Some 10.9 million unsolicited pension calls and messages are made a year, according to Citizens Advice. The new research suggests people could fall for at least one of six common tactics used by pension scammers.

CLAIMS OF GUARANTEED HIGH RETURNS

These include pension cold calls, free pension reviews, claims of guaranteed high returns and exotic investments. They also include time-limited offers and early access to cash before the age of 55 that can tempt savers into risking their retirement income.

But exotic or unusual investments are high-risk and unlikely to be suitable for pension savings.

But worryingly, nearly a quarter (23%) of the 45-65-year-olds questioned say they would be likely to pursue these exotic opportunities if offered them.

GAINING EARLY ACCESS TO PENSION MONIES

Helping savers to access their pensions early also proved to be a persuasive scam tactic. One in six (or 17%) of 45-54-year-old pension savers say they would be interested in an offer from a company that claimed it could help them gain early access to their pension monies. Of all those surveyed, 23% say they would talk with a cold caller who wanted to discuss their pension plans, despite the Government's ban on pension cold-calls this January.

The FCA and the Pensions Regulator have warned that 42% of pension savers, equivalent to five million people, could be at risk of pension scams. The study found 9% of over-55s say they have been approached about their

pension funds by people they now believe to be scammers since the rules came into effect from April 2015. Offers to unlock or transfer funds are tactics commonly used to defraud people of their retirement savings.

BEING DEFRAUDED OF SAVINGS IS A MAJOR CONCERN

One in three (33%) of over-55s say the risk of being defrauded of their savings is a major concern following pension freedoms. However, nearly half (49%) of those approached say they did not report their concerns because they did not know how to report or were unaware of who they could report the scammers to.

Most recent pension fraud data²⁾ from ActionFraud, the national fraud and cybercrime reporting service, shows 991 cases have been reported since the launch of pension freedoms involving losses of more than £22.687 million.

APPROACHED BY SUSPECTED SCAMMERS

The research found fewer than one in five (18%) of those approached by suspected scammers had reported their fears to authorities. Nearly half (47%) said the approaches involved offers to



unlock pension funds or access money early, and 44% said they involved transferring pensions.

About 28% of those targeted by suspected fraudsters were offered alternative investments such as wine, and 20% say they were offered overseas investments, while 13% say scammers had suggested investing in crypto-currencies. Around 6% believe they have been victims of frauds.

LUCRATIVE OPPORTUNITY FOR FRAUDSTERS

Pension freedoms, though enormously popular with consumers, have created a potentially lucrative opportunity for fraudsters, and people need to be vigilant to safeguard their hard-earned retirement savings. If it sounds too good to be true, then it usually is, and people should be sceptical of investments that are offering unusually high rates of return or which invest in unorthodox products which may be difficult to understand.

If in any doubt, seek advice from a regulated professional financial adviser. Retirement savers can report suspected frauds on the ActionFraud helpline 0300 123 1047 or online at www.actionfraud.police.uk/report_fraud, and more advice is available at www.thepensionsregulator.gov.uk/pension-scams or by calling the Pensions Advisory Service on 0300 123 1047. ■

KNOW THE WARNING SIGNS

It doesn't matter the size of your pension pot – scammers are after your savings. Get to know the warning signs, and before making any decision about your pension, be ScamSmart and check you are dealing with an FCA authorised firm. For further assistance, please contact us.

Source data:

[1] Consumer Intelligence conducted an independent online survey for Prudential between 23 and 25 February 2018 among 1,000 UK adults aged 55+ including those who are working and retired
 [2] www.actionfraud.police.uk/fraud-az-pension-liberation-scam

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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.

PENSION FREEDOMS, THOUGH ENORMOUSLY POPULAR WITH CONSUMERS, HAVE CREATED A POTENTIALLY LUCRATIVE OPPORTUNITY FOR FRAUDSTERS, AND PEOPLE NEED TO BE VIGILANT TO SAFEGUARD THEIR HARD-EARNED RETIREMENT SAVINGS.



TAXING TIMES AHEAD

Don't be penalised by the tax system when you exercise your freedoms

The 'pension freedom' reforms of 2015 were welcomed by consumers, as they vastly widened options available to most savers at retirement.

Pension freedoms allow savers to have the flexibility on how and when to spend their money without being penalised by the tax system, but it is worrying that some individuals plan to withdraw more than the tax-free lump sum limit.

POTENTIAL TAX BILL SHOCK

For those who take their entire pension fund in cash, they not only face paying more in tax than they have to but also put their long-term retirement income security at risk. If you exercise this option, you can't change your mind – so you need to be certain that it's right for you.

Around one in ten (10%) planning to retire this year expect to withdraw their entire pension savings as one lump sum, new research^[1] reveals, risking a potential tax bill shock and their future retirement income. The findings show in total

that one in five (20%) retiring this year will risk avoidable tax bills by taking out more than the tax-free 25% limit on withdrawals.

FLEXIBLE PAYMENT WITHDRAWALS

The research suggests that some of this cash has been spent paying down debt, renovating homes, upgrading cars or helping adult children onto the property ladder. However, not everyone is 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 accounts or an investment fund (71%). And interestingly, research shows 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. Government estimates^[3] show 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.

SHOW ME THE MONEY

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.

Top five items retirees plan on spending their lump sum cash on	Percentage
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Holiday(s)	34%
Home improvements/decoration	25%
Gifts to children or grandchildren	20%
New car or second-hand car	20%
Paying off mortgage	18%

ADDED TO YOUR OTHER INCOME

Under rules introduced in April 2015, once you reach the age of 55, you can now take your entire pension pot as cash in one go if you wish. However, if you do this, you could end up with a large tax bill and run out of money in retirement.

Three quarters (75%) of the amount you withdraw counts as taxable income. Depending on how much your pension pot is, when it's added to your other income, it might increase your tax rate. Your pension scheme or provider will pay the cash through a payslip and take off tax in advance – called 'PAYE' (Pay As You Earn).

HIGHER RATE TAX BAND

You could end up paying more if your withdrawal added to any other income in that year takes you into a higher rate tax band. You may pay less tax if you spread out your cash withdrawals over several years and keep below higher rate bands. If you are thinking of totally withdrawing your pension fund, you might want to take into account any other earnings that you will have in the tax year, as the pension fund will be added to your earned income for tax purposes.

DRAWING PENSION FUNDS IN STAGES

Everyone has a personal tax allowance of earnings before they pay tax, which might provide a way to draw pension funds in stages over a number of

years. It's a good idea to only take cash from your pension if you need it. The more you take now, the less you'll have in future. Once you go over your tax-free cash limit, you'll pay Income Tax on the rest.

Taking out more than your tax-free cash limit (when you start accessing taxable income) restricts the payments you or an employer can make to any of your pensions to £4,000 a year. This can be a problem if you're still earning and either have other savings you want to pay into a pension or if you want to make significant payments into any of your pensions. In addition, any means-tested state benefits you receive may be affected if you take cash or income from your pension – check this isn't going to be a problem before going ahead. ■

ONE OF THE MOST IMPORTANT DECISIONS YOU WILL MAKE FOR YOUR FUTURE

For many or most people, it will be more tax-efficient to consider one or more of the other options to gain access to a pension pot. Deciding what to do with your pension pot is one of the most important decisions you will make for your future. When looking at the best income option for your retirement, it is essential to obtain professional financial advice. To find out more, please contact us.

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] 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/>

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.

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EVERYONE HAS A PERSONAL TAX ALLOWANCE OF EARNINGS BEFORE THEY PAY TAX, WHICH MIGHT PROVIDE A WAY TO DRAW PENSION FUNDS IN STAGES OVER A NUMBER OF YEARS. IT'S A GOOD IDEA TO ONLY TAKE CASH FROM YOUR PENSION IF YOU NEED IT.



ECONOMICALLY ACTIVE

Why longevity also brings with it some unique financial challenges

Statistics clearly show that Britons are living longer. While a long life can be a good thing, longevity also brings with it some unique financial challenges. Our ageing population is drastically altering the economic landscape of the UK, the latest figures from the Office for National Statistics (ONS) have indicated.

According to the ONS, nearly a quarter of the UK population (24%) will be 65 or older by 2042, and they predict around five times as many 65-69-year-olds will be economically active in 2067 (50.55% of the age band) compared with 1992 (10.21%).

OFFSETTING FINANCIAL STABILITY

Longevity, while clearly beneficial for individuals and society as a whole, is a financial risk for governments and defined-pension providers who will have to pay out more in social benefits and pensions than expected.

But it may also be a financial risk to individuals who could run out of retirement resources themselves. These risks build slowly over time, but if not addressed soon could have large negative effects on already weakened private and public sector balance sheets, making them more vulnerable to other shocks and potentially offsetting financial stability.

OLD AGE DEPENDENCY

There has also been a 29% point increase in the number of working women aged 60 to 64, the data showed. As a result, the ONS has suggested the old age dependency ratio – the traditional measure of the population age structure – is ‘outdated’, as more people work up to and beyond the State Pension age.

An ageing population pushes out the age people are choosing to retire. The pension freedoms and changing attitudes towards work have enabled individuals to adopt a more transitional approach to retirement. More and more people are staying in work longer and gradually reducing their hours. Those who keep working are also contributing to the country’s economy. Indeed, many who have stopped working also contribute by providing unpaid care to family members.

SOCIAL CARE NEEDS

As the ONS figures suggest, the ageing population is redefining the way people work into retirement.

However, it is expected that increasing numbers will also need social care in later life as a result. The survey found that 40% of people in the UK see losing their independence as a retirement concern, while a third (29%) said they were concerned about needing to move into a nursing home in retirement.

QUALIFYING FOR LOCAL AUTHORITY FUNDING FOR CARE COSTS

If you have savings and assets of more than the amount in this table, you’ll have to pay for your own care:

Region	Savings threshold for local authority funding in 2019/20
England	£23,350
Wales	£24,000 (care at home) or £50,000 (care in a care home)
Scotland	£27,250
Northern Ireland	£23,250

Even if your income and savings are above this limit, you still have the right to a care needs assessment, regardless of your financial situation. Your local authority or trust might still take some of your income if you’re below these limits.

SUPPORTING LONGER LIVES

According to The Lancet, it is predicted that 2.8 million people over the age of 65 will require nursing and social care by 2025. Increased longevity is a point of celebration, but a consequence of living longer is that people need to have adequate funds to support their longer lives – and with increasing numbers facing the need for social care, plans need to be put in place to fund it.

The funding of social care is an emotive subject, but there’s a very audible message

that people want to remain in their home rather than having to sell it as a means of paying for residential social care. Individuals need to have a clear understanding of what they’ll be expected to pay should they need care, and there needs to be an overall limit or ‘cap’ on their share of care costs. ■

ACHIEVE YOUR LONG-TERM FINANCIAL GOALS

Want to find out more about how we can help you to achieve your long-term financial goals without the need to have money worries in later life? If you would like to know how we can help with your investment and wealth management needs, please get in touch. We look forward to hearing from you.

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