



# OVER-50S WITH NO PENSION PROVISION

Consequences of not saving enough for retirement in our twilight years



## REWRITTEN RETIREMENT RULES

*Looking to discover what you can do with your pension pot?*

## CAVEAT EMPTOR: 'LET THE BUYER BEWARE'

*Increase in victims of financial scams related to COVID-19*

## FUNDING CARE

*More of us can expect to require some form of long-term care*

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## CONTENTS

### **03 REWRITTEN RETIREMENT RULES**

Looking to discover what you can do with your pension pot?

### **04 CAVEAT EMPTOR: 'LET THE BUYER BEWARE'**

Increase in victims of financial scams related to COVID-19

### **06 MILLENNIALS LOOK TO BUILD LONG-TERM WEALTH**

Giving up on cash altogether, disillusioned by today's dismal savings rates

### **08 OVER-50S WITH NO PENSION PROVISION**

Consequences of not saving enough for retirement in our twilight years

### **10 FUNDING CARE**

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# REWRITTEN RETIREMENT RULES

Looking to discover what you can do with your pension pot?

**IN 2015, THE RETIREMENT RULES WERE REWRITTEN. THE RULES, WHICH CAME INTO EFFECT FROM 6 APRIL 2015,** HAVE CHANGED THE WAY PEOPLE TAKE MONEY OUT OF THEIR PENSIONS, WITH NEW FREEDOMS AND OPTIONS AVAILABLE TO ANYONE OVER THE AGE OF 55.

**P**ension freedom tax rules allow members of defined contribution pension schemes to access their pension savings early, provided they have reached the required minimum pension age (currently 55).

## FLEXIBLE WITHDRAWALS

Scheme members can now take their pension benefits in a number of ways. This could be as one or more payments a year for a number of years, several payments a year over a shorter time frame, or the full value of the fund could be taken in one payment subject to Income Tax.

Through the second quarter of 2020 (between April and June), £2.3 billion was withdrawn from pensions flexibly – a 17% decrease year-on-year from £2.8 billion (second quarter 2019). However, the total value of flexible withdrawals from pensions since flexibility changes in 2015 has exceeded £37 billion.

## SEASONAL PATTERNS

The second quarter of 2020 saw 340,000 individuals withdraw from pensions – a 1% increase from 336,000 in the same quarter of the previous year. However, there has been a decrease in the number of individuals withdrawing compared to the first quarter of 2020 (348,000), which is contrary to normal seasonal patterns.

The average amount withdrawn per individual in the second quarter of this year

was £6,700, falling by 18% from £8,200 in the same quarter last year.

**If you're 55 or over and have a defined contribution (money purchase) pension plan, you can:**

- Leave your pension pot invested
- Buy a guaranteed income for life (a lifetime annuity)
- Take a flexible income from your pension pot (typically known as 'flexi-access drawdown')
- Take a cash lump sum from your pension pot (up to 25% tax-free)
- Combine one or more of the options above. You can take cash and/or income at different times to suit your needs

## MAKE INFORMED DECISIONS ABOUT YOUR RETIREMENT

Making sure you manage your money well in retirement is important. It can affect how long your pot lasts and the kind of lifestyle you can afford. We can help you make informed decisions about your retirement. Talk to us for more information.

### Source data:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/904548/Pension\\_Flexibility\\_Statistics\\_July\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/904548/Pension_Flexibility_Statistics_July_2020.pdf)

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.

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TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

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THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

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.

# CAVEAT EMPTOR: 'LET THE BUYER BEWARE'

Increase in victims of financial scams related to COVID-19

**AS A RESULT OF THE CORONAVIRUS (COVID-19) PANDEMIC,** THERE HAS SADLY BEEN AN INCREASE IN THE NUMBER OF FRAUDSTERS EXPLOITING PEOPLE'S FEARS, TARGETING PENSION SAVERS, INVESTORS AND ONLINE CONSUMERS.

**N**ew research reveals one in five (22%) have received emails, texts, phone calls and other communications that mentioned coronavirus and which they suspected to be a financial scam – which equates to around 11.7 million people in the UK<sup>(1)</sup>.

## **NEGATIVELY AFFECTED MENTAL HEALTH**

Almost half (46%) of those who received a communication they suspected to be a financial scam didn't report it. The most common (41%) reason given was they didn't know who to report it to. One in 12 (8%) have been the victim of a financial scam that related to coronavirus. Four in five (78%) victims said the fraudsters pretended to be from a company they already deal with, and 41% said the experience negatively affected their mental health.

The Government and UK Finance-led 'Take Five to Stop Fraud' campaign website contains lots of useful information and offers straightforward, impartial advice that helps prevent email, phone-based and online fraud – particularly where criminals impersonate trusted organisations.

## **CURRENT TACTICS FRAUDSTERS AND SCAMMERS MIGHT USE DURING THE CORONAVIRUS PANDEMIC**

### **FIXED-RATE INVESTMENT SCAMS**

Criminal organisations have impersonated a number of firms proposing financial products, such as investment bonds offering an attractive, but not suspiciously high, return of around 3–5% per annum. As many are fixed income bonds paying quarterly dividends, the victim is often not alerted to the scam until the first payment fails to materialise.

### **PRICE COMPARISON WEBSITES**

Use of fraudulent, and possibly some genuine, 'impartial' price comparison websites to generate interest from members of the public. Some of these opportunities can be found via sponsored links on Google or Facebook.

### **STAFF EMAILS**

Use of email addresses which resemble those of staff at legitimate firms, and in some cases have used the names of genuine members of staff.

## **LOANS AND CREDIT**

Exploiting short-term financial concerns, scammers may ask you to hand over an upfront fee – usually between £25 and £450 – when applying for a loan or credit that you never receive. This is known as 'loan fee fraud' or 'advance fee fraud'.

## **GOOD CAUSE SCAMS**

This is where investment is sought for good causes such as the production of sanitiser, manufacture of personal protection equipment (PPE) or new drugs to treat coronavirus, with scammers using the promise of high returns to entice consumers.

## **MARKET VOLATILITY**

Using the uncertainty around stock markets, scammers may advise you to invest or transfer existing investments into non-standard investments.

## **CLAIMS MANAGEMENT COMPANY**

Scammers may contact you claiming to be from a Claims Management Company (CMC), insurance company or your credit card provider. They may say they can help you recuperate losses by submitting a claim for the cost of a holiday or event such as a wedding cancelled due to coronavirus. They will ask you to send them some money or your bank details.



### UNSOLICITED APPROACHES

Cold calls, emails, texts or WhatsApp messages stating that your bank is in trouble due to the coronavirus crisis, and pushing you to transfer your money to a new bank with alternative banking details.

### HOW TO PROTECT YOURSELF

- Reject offers that come out of the blue.
- Beware of adverts on social media channels and paid for or sponsored adverts online.
- Do not click links or open emails from senders you don't already know.
- Avoid being rushed or pressured into making a decision.
- If a firm calls you unexpectedly, use the contact details on the Register to check that you're dealing with the genuine firm.
- Do not give out personal details (bank details, address, existing insurance/pensions/investment details).

### UNSCRUPULOUS NATURE OF FRAUDSTERS

If further evidence were needed to expose the unscrupulous nature of these fraudsters and how they prey on people's fears, the research shows that suspicious communications, such as emails, texts and phone calls that relate to health insurance have increased by 15% since the coronavirus (COVID-19) pandemic. There were also increases in suspicious communications linked to life insurance (10%), pensions (3%) and annuities (2%).

So beware if the phone rings, and a friendly, energetic-sounding stranger on the line starts asking if you have a moment to learn how to triple your money in just six months by investing in gold or investment bonds offering a very attractive rate of return. Or you receive an email urging you to buy the shares of a company whose price is certain to go through the roof. If it sounds too good to be true, that's because it is. Remember, caveat emptor: 'let the buyer beware'. ■

### KNOWING THE BEST WAY TO INVEST YOUR MONEY

With ever-increasing demands on your time, ever-changing financial products and regulations, and fast-moving, volatile stock markets, knowing the best way to invest your money that's right for your unique particular situation is important. To discuss your requirements or to arrange a meeting, speak to us for further information.

#### Source data:

[1] Research, conducted by Censuswide for Aviva with a sample of 2,009 nationally representative respondents, categorised the pandemic time frame between 1 March 2020 and 15 June 2020, with the pre-pandemic time frame categorised as 1 January 2019 and 28 February 2020. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.

# MILLENNIALS LOOK TO BUILD LONG-TERM WEALTH

Giving up on cash altogether, disillusioned by today's dismal savings rates

**THE NUMBER OF PEOPLE IN THEIR 20S AND EARLY 30S** CHOOSING TO INVEST IN A STOCKS & SHARES INDIVIDUAL SAVINGS ACCOUNT (ISA) PRIOR TO THE CORONAVIRUS PANDEMIC OUTBREAK INCREASED ACCORDING TO THE LATEST HM REVENUE & CUSTOMS ANNUAL ISA DATA<sup>[1]</sup>.

**R**esearch shows that Generation Z and Millennials are now more likely to invest than Baby Boomers. Many have given up on cash altogether, disillusioned by today's dismal savings rates. An ISA is a tax-efficient investment vehicle in which you can hold a range of investments, including equities.

## DIFFERENT TYPES OF INVESTMENT OPTIONS

The different types of investment that can be held in a Stocks & Shares ISA include: unit trusts, investment trusts, exchange-traded funds, individual stocks and shares, corporate and government bonds, and OEICs (Open-Ended Investment Companies).

The data shows that under-25s are now the fastest-growing demographic in terms of Stocks & Shares ISA subscriptions, followed by those aged between 25 and 34. Subscriptions across both age brackets jumped 92.3% from 131,000 to 252,000 between the 2016/17 and 2017/18 tax years.

## MORE SUBSCRIBE TO A STOCKS & SHARES ISA

The number of under-25s with both a Stocks & Shares ISA and a Cash ISA also increased by 138% from 13,000 to 31,000 over the same period. The number of people aged between 25 and 34 subscribing to a Stocks & Shares ISA leapt 71% from 109,000 to 186,000 between the 2016/17 and 2017/18 tax years.

By comparison, analysis found that the number of people aged between 35 and 44, as well as those aged 65 and over, who subscribed to a Stocks & Shares ISA increased by just 4% and 5% respectively over the same period.

## LESS OF AN APPETITE FOR INVESTMENT RISK

The analysis also indicated that the figures for people aged between 45 and 54, as well as those aged between 55 and 64, subscribing to a Stocks & Shares ISA actually fell over the course of the year, indicating that these age groups had less of an appetite for investment risk.

The introduction of the Lifetime ISA, which gives subscribers a 25% government top-up on their savings (up to a maximum of £1,000 a year), is at least partly responsible for the uplift in the number of under-35s trying their hand at investing. Those aged between 18 to 39 can open a



Lifetime ISA and save up to £4,000 annually, tax-efficiently, up to and including the day before their 50th birthday.

### **YOU CAN'T CARRY ANY UNUSED AMOUNT OVER**

Since ISAs were launched 21 years ago, savers have accrued billions of pounds in these tax-efficient wrappers. The 2020/21 Stocks & Shares ISA allowance is £20,000 for individuals aged 18 and over. All savings held inside the ISA's tax-efficient wrapper are exempt from Capital Gains Tax, dividend tax and Income Tax.

Bear in mind that the amount you can contribute into an ISA is limited by the type of ISA you have. The tax year runs from 6 April one year to 5 April the next, and you can't carry any unused amount over to a new tax year – so it's either use it or lose it.

The ISA allowance simply resets back to the annual allowance again on 6 April. ■

### **MAKING THE MOST OF THE 2020/21 £20,000 ISA ALLOWANCE?**

Depending on your financial goals and plans for the future, if you are looking to put your money away for the medium to long term (five years or more), then a Stocks and Shares ISA is a tax-efficient way to invest. To find out more about your investment options, please contact us.

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#### **Source data:**

[1] <https://www.gov.uk/government/statistics/individual-savings-account-statistics>

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Consequences of not saving enough for retirement in our twilight years

**PLANNING AHEAD FOR RETIREMENT WILL HELP ENSURE YOU'RE ON TRACK TO ACHIEVE THE FINANCIAL FUTURE YOU WANT.** HOWEVER, MILLIONS OF RETIREES MAY FACE THE PROSPECT OF LIVING IN POVERTY DURING THEIR TWILIGHT YEARS AND HAVING TO RELY ONLY ON THE STATE PENSION AS A RESULT OF FAILING TO PLAN AHEAD FOR THEIR RETIREMENT, ACCORDING TO NEW RESEARCH<sup>[1]</sup>.

**P**eople are living longer. This is good news, but more than a third (35%) of women and a fifth (20%) of men over the age of 50 do not have a private pension. Worryingly, 33% of over-50s don't think they have enough money to provide them with a sufficient income for their retirement – with women more worried about not having enough money in later life than men.

## ADAPTING FINANCIALLY TO A NEW LIFESTYLE

One of the most common problems in retirement is adapting to a lifestyle that meets our new level of income. After all, it can be difficult to adjust to a drop in income that comes as a result of retiring

from a full-time role and then having to live solely off our own pension – or, even more challenging, only the State Pension.

How much retirement money you're going to need will depend on the type of lifestyle you want. However, one of the great things about saving into a pension is the tax relief you receive. This means that if you're a basic-rate taxpayer, for every £100 saved into your pension, the cost to you is just £80. This could effectively be even less if you're a higher or additional-rate taxpayer.

## DID YOU KNOW?

The maximum State Pension is a lot less than the amount most people say they hope to retire on – for the financial year

2020/21, it's £175.20 a week, or £9,110.40 a year.

## RELYING ON A PARTNER'S PRIVATE PENSION

The report also highlighted that 36% of women over 50 don't think they have enough money to fund their retirement, with just 13% suggesting they were confident they would have enough to fund a comfortable retirement.

Overall, the vast majority of over-50s thought pensions – state and private – will be the biggest contributor to funding their retirement, with 27% saying they will rely on their partner's private pension, rising to 30% for women.

## RETIREMENT IS NOT AN AGE ANYMORE

Many over-50s will look to other sources of income according to the report, with 12% expecting to use 'income from work' in later life, and 11% saying they expect to receive an inheritance. Property was also seen as an



important source of income for homeowners: 14% are planning to downsize, and another 6% planning to use equity release.

It can be even more difficult for those reaching retirement who have either a reduced pension or no pension at all. However, it's important to remember that retirement is not an age. Not any more, anyway. Gone are the days of being told to stop working one day and picking up your state or company pension the next. Today, you have new pension freedoms to decide when and how you retire. ■

### HOW CAN I START SAVING FOR MY RETIREMENT?

If you didn't manage to set up a pension in your twenties or thirties, the good news is that it's never too late to start putting plans in place to fund your future retirement. There are various ways to save for retirement. To find out more about what we can do to help you, please contact us – it's important not to delay any further.

#### Source data:

[1] <https://www.sunlife.co.uk/siteassets/images/finances-after-50/finances-after-50.pdf/>

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# FUNDING CARE

## MORE OF US CAN EXPECT TO REQUIRE SOME FORM OF LONG-TERM CARE

**WHETHER YOU ARE LOOKING FOR CARE FOR YOURSELF OR A LOVED ONE,** CHANCES ARE THAT ONE OF YOUR FIRST THOUGHTS IS GOING TO BE: 'HOW MUCH IS IT GOING TO COST?', SWIFTLY FOLLOWED BY, 'WHO IS GOING TO PAY FOR IT?' UNDERSTANDING ALL OF THE DIFFERENT FUNDING OPTIONS CAN MAKE A BIG DIFFERENCE TO THE CARE YOU ULTIMATELY CHOOSE.

**D**epending on your situation, you may be eligible for government assistance in meeting some, or all, of your care costs. Increasingly, property wealth is growing in importance for funding care. A report<sup>[1]</sup> found around a third of over-55s plan to use their homes for care now, compared with just 19% a year ago.

### DOWNTURN IN CONFIDENCE

This coincides with a similar downturn in confidence in being able to fund care from savings and investments or pension incomes, partly driven by historic lows in interest rates and continuing stock market volatility.

Just over a third of over-55s believe their savings and investments will help fund care, and even fewer think their pension income will suffice. The findings show over-55s overwhelmingly want to receive care in their own property, with three quarters planning

either to stay in their current home or move to a more manageable property.

### SAVINGS AND PENSION INCOME

A quarter of people either don't know how they would meet their care costs or wouldn't be able to meet the costs. With the recent economic turmoil, confidence in savings and pension income has fallen, while more people are looking to the value tied up in bricks and mortar to finance care.

Getting professional financial advice and understanding what resources you have to draw on is important – and making sure you factor these potential costs into your retirement planning is vital. At the same time, as councils are under pressure, over-55s are waking up to the reality that they may well need to pay for all or some of their care in later life.

### LIFE EXPECTANCIES LENGTHEN

Meeting the cost of care in old age is a growing issue. As life expectancies lengthen, more of us can expect to require some form of long-term care. While local authorities and the NHS can support those with low assets and low incomes, the majority of us will have to fund our own care. There are a number of routes that can be taken, each with its pros and cons.

A vital first step is always to gather as much information as possible before the need for care becomes acute, and to obtain advice so that you can make sensible choices about care funding for you or your family's long-term future. ■

#### Source data:

[1] Key Care report *Tackling the care question 2020*

### WHAT WOULD HAPPEN IF YOU WERE UNABLE TO LIVE AN INDEPENDENT LIFE?

As we reach retirement, our thoughts tend to focus on funding our futures while maintaining our lifestyle. Few of us stop to consider what would happen if we were unable to live an independent life, yet this is expected to be a concern for a growing number of us.