



# THORNTONS WEALTH

## IT MAY BE TIME TO INVEST YOUR CASH

Is your wealth protected from the damaging effects  
of inflation?

**IMPROVE YOUR  
FINANCIAL LIFE**

*Setting a financial New Year's  
resolution you'll actually keep*

**TIME TO BRING YOUR  
PENSIONS TOGETHER?**

*3.6 million Britons have lost track  
of their pension savings*

**GET READY TO  
BEAT THE ISA DEADLINE**

*Time to give your financial  
future a boost?*

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Thorntons Wealth is a trading name of Thorntons Investment Management Limited (SC438886) and Matheson Financial Consulting Ltd (SC241755). Both companies are registered in Scotland and the registered address is Whitehall House, 35 Yeaman Shore, Dundee DD1 4BU. They are authorised and regulated by the Financial Conduct Authority.

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# WELCOME TO THE LATEST ISSUE OF THORNTONS WEALTH MAGAZINE.

**W**elcome to the January 2022 issue of Thorntons Wealth monthly e-zine newsletter.

Heading into the New Year, it's the perfect time to take stock of your budget, liabilities and investments – and check them against your financial goals. The New Year brings an opportunity to reflect on the past year and to set new goals for the year ahead. But before setting financial goals, it helps to understand your financial priorities and your overall plan to achieve the financial life you want. Think about your financial plan, and what you are hoping to accomplish, not only this year, but in years to come. Think about what you can do this year to help reach your longer-term goals.

Time to give your financial future a boost? Savers and investors have less than three months to use the £20,000 they can put into their tax-efficient Individual Savings Account (ISA) before the end of the financial year on 5 April. The current tax year started on 6 April 2021 and ends on 5 April 2022. With interest rates still at very low levels, you might be looking at investing for the potential to achieve a bigger return from your savings. Ready to make the most of your ISA allowance before it's too late?

Time to bring your pensions together? 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. 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.

Is your wealth protected from the damaging effects of inflation? It may be time to invest your cash. Many people underestimate the damaging effect of low interest and high inflation on their cash savings. A continued period of low interest rates on cash savings and rising inflation could pose a real risk to savers in 2022, even if the Bank of England (BoE) moves to increase interest rates further in the

coming months. Savers with large amounts of money sitting in cash should not be lulled into a false sense of security if interest rates creep up, because of the threat of higher inflation throughout 2022.

How much income will you receive from your State Pension? How much do you think you'll need to fund your retirement? Of course, the answer to these questions will depend on what you want to do when you stop work. Worryingly, almost half of non-retirees (46%) are unable to identify how much they believe retirees receive annually from their State Pension, according to a survey. Only 53% knew that retirees receive around £9,000 per year from their State Pension, with those aged 55 and over being more likely to identify correctly how much retirees receive (70%), compared to only 40% of those aged between 18 and 34.

We hope you enjoy this issue and find the articles featured an interesting read.

You can also forward this e-zine newsletter to someone else you know that would like to receive a complimentary copy. ■

Best Wishes,

## Thorntons Wealth

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# IMPROVE YOUR FINANCIAL LIFE

Setting a financial New Year's resolution you'll actually keep

**HEADING INTO THE NEW YEAR, IT'S THE PERFECT TIME TO TAKE STOCK OF YOUR BUDGET, LIABILITIES AND INVESTMENTS – AND CHECK THEM AGAINST YOUR FINANCIAL GOALS. THE NEW YEAR BRINGS AN OPPORTUNITY TO REFLECT ON THE PAST YEAR AND TO SET NEW GOALS FOR THE YEAR AHEAD.**

**B**ut before setting financial goals, it helps to understand your financial priorities and your overall plan to achieve the financial life you want. Think about your financial plan, and what you are hoping to accomplish, not only this year, but in years to come. Think about what you can do this year to help reach your longer-term goals.

## **SECURE YOUR FINANCIAL FUTURE**

Whatever situation you find yourself in, it's important to be realistic about your goals. We all have different financial goals and aspirations in life. Yet often, these goals can seem out of reach. In today's complex financial environment and with the challenges of the COVID-19 pandemic, achieving our financial goals may not be that straightforward. This is where financial planning is essential to help secure your financial future.

The benefits of setting financial goals all work together to boost your financial health. You'll gain more confidence in your money management decisions and significantly decrease money-related stress. If you want to take control of your money and create more security, you need to set some financial goals.

## **KEEP YOUR GOALS REALISTIC**

A financial plan seeks to identify your financial goals, prioritise them, and then outline the exact steps that you need to take to achieve your goals. Figuring out your objectives and matching them with timelines are the keys to setting financial goals. Your financial goals are specific and unique to a number of factors related to you, like your age, your interests, your current financial situation and your aspirations.

Based on these, you need to develop your goals and establish a plan to achieve

them. Any goal (let alone financial) without a clear objective is nothing more than a pipe dream, and this couldn't be more true when setting financial goals. However, it's important to keep your goals realistic as it will help you stay the course and keep you motivated throughout your journey until you get to your destination.

## **MONETARY VALUE TO THAT GOAL**

You need to be crystal clear about why you are doing what you're doing. This could be planning for your children's education, your retirement, that dream holiday or a property purchase.

Once the objective is clear, you need to put a monetary value to that goal and the time frame within which you want to achieve it. The important point is to list all of your goal objectives, however small they may be, that you foresee in the future and put a value to them.

## **SHORT, MEDIUM AND LONG-TERM**

Now you need to plan for where you want to get to, which will likely involve looking at how much you need to save and invest to achieve your goals. The approach towards achieving every financial goal will not be





the same, which is why you need to divide your goals into short, medium and long-term time horizons.

As a rule of thumb, any financial goal which is due within a five-year period should be considered short-term. Medium-term goals are typically based on a five-year to ten-year time horizon, and over ten years, these goals are classed as long-term.

### DEVELOPING A CLEAR PICTURE

This division of goals into short, medium and long-term will help in choosing the right savings and investments approach to help you achieve them, and it will also make them crystal clear. This will involve looking at what large purchases you expect to make, such as purchasing property or renovating your home, as well as considering the later stages of your life and when you'll eventually retire.

Creating and implementing a comprehensive financial plan will enable you to develop a clear picture of your current financial situation by reviewing your income, assets and liabilities. Other elements to consider will typically include putting in place a Will to protect your family, thinking about how your family will

manage without your income should you fall ill or die prematurely, or creating a more efficient tax strategy.

### ITERATIONS AS LIFE CHANGES

There is little point in setting goals and never returning to them. You should expect to make iterations as life changes. Set a formal yearly review at the very least, to check you are on track to meeting your goals.

We will help you to monitor your plan, making adjustments as your goals, time frames or circumstances change. Discussing your goals with us is highly beneficial as we can provide an objective third-party view, as well as the expertise to help advise you with financial planning issues.

### FINALLY, MAKE SURE YOUR FINANCIAL GOALS ARE SMART

Thinking about 'SMART' goals can help give direction to your financial aspirations and make those goals more achievable.

**Specific** – Rather than pledging to 'save money' or 'reduce debt', thoroughly analysing finances and targeting specific areas for improvement could boost your chances of reaching your end goal.

**Measurable** – Having benchmarks can help you track your progress, letting you make changes if you need to.

**Attainable** – Setting a realistic goal can help keep your confidence up as you feel the achievement of getting close to your desired result.

**Relevant** – Ensuring your goals are appropriate to what you are trying to achieve can help you avoid wasting time.

**Time Sensitive** – If you know when you want to achieve your goal, this can allow you to pace savings and ensure you put the right amount of money aside. ■

### BEEN PUTTING OFF PLANNING FOR YOUR FUTURE?

For many people, the New Year often brings around an opportunity for change. We're here to help you achieve your money resolutions and plan for the financial future you want. The start of 2022 is the ideal time to review your financial situation. To discuss your plans or for further information, please contact us.



# GET READY TO BEAT THE ISA DEADLINE

Time to give your financial future a boost?

**SAVERS AND INVESTORS HAVE LESS THAN THREE MONTHS TO USE THE £20,000 THEY CAN PUT INTO THEIR TAX-EFFICIENT INDIVIDUAL SAVINGS ACCOUNT (ISA) BEFORE THE END OF THE FINANCIAL YEAR ON 5 APRIL. THE CURRENT TAX YEAR STARTED ON 6 APRIL 2021 AND ENDS ON 5 APRIL 2022.**

ISAs enable you to minimise the amount of tax you pay on your hard-earned cash. Some ISAs give you instant access to your money and can be used to plan your finances for the short term. On the other hand, if you have longer-term savings goals, you can invest in an ISA for your future.

#### **DON'T LOSE YOUR ISA ALLOWANCE**

There is a limit you can pay into ISAs each tax year and this is called your ISA 'annual allowance'. For the 2021/22 tax year, your ISA annual allowance is £20,000 and you have until midnight on 5 April 2022 to use this allowance. If you don't use your ISA

allowance, you will lose it as it cannot be carried forward.

However, you will have a new annual ISA allowance available from 6 April 2022 in the 2022/23 tax year, so if you have already put £20,000 into an ISA in the 2021/22 tax year, you could put another £20,000 away on or

## There is a limit you can pay into ISAs each tax year and this is called your ISA 'annual allowance'. For the 2021/22 tax year, your ISA annual allowance is £20,000 and you have until midnight on 5 April 2022 to use this allowance.

after 6 April 2022. You can only pay into one of each type of ISA in a tax year, within the ISA annual allowance.

### ISA OPTIONS

#### Cash ISA

If you are a UK resident over the age of 18 (age 16 for a Cash ISA only), you can open one of each type in a tax year, providing you don't exceed the annual allowance. Cash ISAs are suitable for your short-term savings goals as they don't invest in the stock market but, with current low interest rates, your savings won't grow much and you might not be keeping up with inflation. You might consider a Cash ISA as your 'emergency' pot of money for any unexpected expenses or a last-minute holiday.

#### Stocks & Shares ISA

This is a tax-efficient investment that allows you to invest your money in shares, government bonds (gilts) and property with peace of mind that you won't pay any capital gains tax or income tax on the proceeds. This type of ISA is more suitable for your longer-term goals as it has the potential to out-perform Cash ISAs over the medium to long term, but with varying levels of risk.

The three main factors to consider when choosing between a Cash ISA and a Stocks & Shares ISA is the length of time you'll be saving or investing, your appetite for investment risk and the impact of inflation over time.

#### Innovative Finance ISA

This is a type of investment account that allows you to lend your money through peer-to-peer lending platforms to receive tax-efficient interest and capital gains. You could be lending money to serve personal loans, small business loans or property loans, or a combination of these.

Interest rates can often be much more attractive than Cash ISA rates, but peer-to-peer lending is a higher-risk form of investing and your capital is entirely at risk as there is no protection from the Financial Services Compensation Scheme (FSCS).

#### Lifetime ISA

If you are aged 18 to 39, and are looking to save for your first home or for later life, you could consider a Lifetime ISA. You can hold cash in a Lifetime ISA or choose to invest it just as you would with a Stocks & Shares ISA. You can put in up to £4,000 each year up to and including the day before your 50th birthday but remember that this £4,000 allowance contributes to your full annual ISA allowance.

The government will pay a 25% bonus on your contributions (£1 for every £4 you put in), up to a maximum of £1,000 a year but you must be aware that a charge of 25% will be applied to any withdrawal if it is for any reason other than buying your first home, at age 60 or if you are terminally ill.

#### Junior ISA

A Cash or Stocks & Shares ISA account, or both, can be opened for a child subject to

the annual Junior ISA (JISA) allowance which is £9,000 for the 2021/22 tax year.

The account must be opened by the child's parent or guardian, but anyone can contribute once the account has been opened. Savings in a JISA account cannot be withdrawn until the child reaches 18.

Any child owning a Child Trust Fund (CTF) can't hold a JISA unless the CTF funds are first transferred to a JISA and the CTF closed. ■

### READY TO MAKE THE MOST OF YOUR ISA ALLOWANCE BEFORE IT'S TOO LATE?

With interest rates still at very low levels, you might be looking at investing for the potential to achieve a bigger return from your savings. For more information about how we can help you invest to enjoy a brighter future – please contact us.

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# 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<sup>[1]</sup>.

**T**he 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<sup>[2]</sup> 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<sup>[3]</sup>. 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<sup>[4]</sup> 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.

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[2] [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/945319/s-mall-pots-working-group-report.pdf](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

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.



# IT MAY BE TIME TO INVEST YOUR CASH

Is your wealth protected from the damaging effects of inflation?

**MANY PEOPLE UNDERESTIMATE THE DAMAGING EFFECT OF LOW INTEREST AND HIGH INFLATION ON THEIR CASH SAVINGS.** A CONTINUED PERIOD OF LOW INTEREST RATES ON CASH SAVINGS AND RISING INFLATION COULD POSE A REAL RISK TO SAVERS IN 2022, EVEN IF THE BANK OF ENGLAND (BOE) MOVES TO INCREASE INTEREST RATES FURTHER IN THE COMING MONTHS.



**S**avers with large amounts of money sitting in cash should not be lulled into a false sense of security if interest rates creep up, because of the threat of higher inflation throughout 2022. The damaging effects of high and rising inflation will likely more than wipe out any uplift a higher interest rate will give to the value of cash savings. Currently, 8.6 million consumers hold over £10k of investable assets in cash<sup>[1]</sup>.

### INTEREST 'BASE RATE' INCREASE

Inflation is expected to average over 4% this year, peaking at close to 5% in the spring<sup>[2]</sup>. The BoE may look to dampen the effects of soaring prices by further increasing the interest 'base rate'. While this may offer some relief if passed on to savers, the average easy access savings account is currently sitting at just 0.19%<sup>[3]</sup> and any upward change is expected to be small.

As the economy continues to recover from the COVID-19 pandemic last year, we are experiencing a sharp rise in the cost of living. During a period of high inflation people will notice a dramatic decrease in their purchasing power over time, particularly if their wages don't keep pace or if they have savings in cash.

### DAMAGING HIGH INFLATION

The threat of inflation this year and beyond could far outweigh any small changes in interest rates for those with large amounts of money in cash savings. Following many years of low inflation, people may have forgotten how damaging high inflation can be. But in the coming months and years, savers should think carefully about where they put any additional cash that is not needed in the short term.

For money beyond your emergency

fund, you may want to consider investing, which offers the potential for inflation-beating returns. If appropriate to your particular situation, you should be prepared to take some risk to preserve the value of your money if inflation continues to eat away at the value of your cash in savings accounts. We are best placed to recommend the best investment option based on your attitude to risk. ■

### CONCERNED ABOUT HOW INFLATION IMPACTS ON YOUR SAVINGS?

After years of staying relatively low, it looks like inflation is on the up. So what does that mean for your money? To discuss how to mitigate the impact of inflation on your financial plans, please contact us – we look forward to hearing from you.

#### Source data:

[1] <https://www.fca.org.uk/publications/corporate-documents/consumer-investments-strategy>

[2] <https://obr.uk/overview-of-the-october-2021-economic-and-fiscal-outlook/>

[3] <https://moneyfacts.co.uk/news/savings/savings-rates-continue-to-rise/>

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# HOW MUCH INCOME WILL YOU RECEIVE FROM YOUR STATE PENSION?

Knowing what to expect can be an important part of planning for life after work

**HOW MUCH DO YOU THINK YOU'LL NEED TO FUND YOUR RETIREMENT?** OF COURSE, THE ANSWER TO THAT QUESTION WILL DEPEND ON WHAT YOU WANT TO DO WHEN YOU STOP WORK. WORRYINGLY, ALMOST HALF OF NON-RETIREES (46%) ARE UNABLE TO IDENTIFY HOW MUCH THEY BELIEVE RETIREES RECEIVE ANNUALLY FROM THEIR STATE PENSION, ACCORDING TO A SURVEY<sup>[1]</sup>.

Only 53% knew that retirees receive around £9,000 per year from their State Pension, with those aged 55 and over being more likely to identify correctly how much retirees receive (70%), compared to only 40% of those aged between 18 and 34.

## SAVING IN A PENSION

The survey also showed that over half of non-retirees with a pension are worried that they are not saving enough for their retirement (56%), with only one in five (21%) confident that the amount they are saving in a pension is enough to let them live the lifestyle they want when they stop working.

In fact, three-quarters (75%) of non-retirees say they believe they could save extra into their pension to boost their

pension savings, with the average additional contribution being £68 per month.

## ADDITIONAL CONTRIBUTIONS

One in six (17%) say they could only pay in less than £25, just over a quarter (26%) say they could pay in £25 to £50 in additional contributions, while a further quarter (25%) say they could pay in between £51 and £200 in additional contributions. Seven per cent say they could pay in more than £201 per month in additional contributions.

Most people in the UK who work or undertake caring responsibilities will be eligible for a full State Pension if they have worked and paid National Insurance contributions or been a carer for 35 years. In 2021/22, the full level of the new State Pension is currently £179.60 a week (£9,339.20 a year).

## RELY ON THE STATE PENSION

But the research finds that the majority of the public (78%) do not know how much new retirees with a full State Pension will receive. As could be expected, older people and those who are retired tend to have the highest awareness, with almost half (46%) of those aged 65 and over and two in five retirees (43%) saying they are aware how much retirees will receive from a full State Pension.

However, even among these groups, many are unaware of the amount that retirees receive (54% of those 65+ and 57% of those who say they are retired). When asked if savers plan to rely on the State Pension come retirement, just over a third (36%) said that they expect to rely on it as their main source of income, especially those aged between 55 and 64 (49%). However, one in five said that they remain unsure what they will rely on in retirement (18%).

## ADEQUATE INCOME IN RETIREMENT

Furthermore, younger people (those aged between 18 and 34) and those with other types of pension are less likely to say they will



**For many people, the best way to provide an adequate income in retirement is to save gradually throughout their entire working.**

rely on the State Pension as their main source of income (26% and 31% respectively).

For many people, the best way to provide an adequate income in retirement is to save gradually throughout their entire working life and save what they can afford. However, depending on their financial circumstances, some may prefer to save less when they are younger and more when they are older, especially if they expect to receive an inheritance before they retire.

### **OPTIONS TO ADD TO YOUR NEST EGG**

Unfortunately, many of us struggle to put enough into our pension pot during our working lives because the costs of buying a house, raising a family and covering day-to-day living expenses eat into disposable income.

The earlier you start retirement planning, the better. However, with the demands of managing a busy working and personal life,

this is something that can understandably be neglected. But it's never too late to think about saving for retirement – even if you are planning to give up work in just a few years' time, you will have options to add to your nest egg. ■

### **LEFT YOUR PENSION UNTIL THE LAST MOMENT?**

Retirement need not be at a fixed time. A growing number of people are opting to phase their retirement, whether by reducing working hours at their existing job, by moving to a new part-time job or by starting their own business. To find out more about how we can help you plan for the retirement you want, please speak to us – we look forward to hearing from you.

#### **Source data:**

*[1] Pensions and Lifetime Savings Association (PLSA) – a total of 2,075 people took part in the nationally representative survey, carried out*

*by Yonder Consulting. The survey took place between 25 August and 26 August 2021.*

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