MYERS DAVISON GINGER
mdg
CHARTERED FINANCIAL PLANNERS

money

JANUARY/FEBRUARY 2015

PENSIONS REFORM REINFORCES NEED FOR TRUSTED ADVICE

The freedom to do as much or as little as you want with your pension

WHAT THE CHANCELLOR HAD TO SAY

The key announcements at a glance

DAWN OF A NEW YEAR

What will feature in your top New Year's resolutions?

AUTUMN STATEMENT 2014 – WHAT COULD IT MEAN TO YOU?

The main points that could affect you on *tax, savings* and *spending*

Plus TAX YEAR END CHECKLIST

Strategies to keep your tax liability to a legal minimum

Myers Davison Ginger Ltd
Goldsmiths House, 10-14 Cambridge Street, Aylesbury, Buckinghamshire, HP20 1RS
Tel: 01296 392999 **Fax:** 01296 392983 **Email:** advice@mdgifa.com

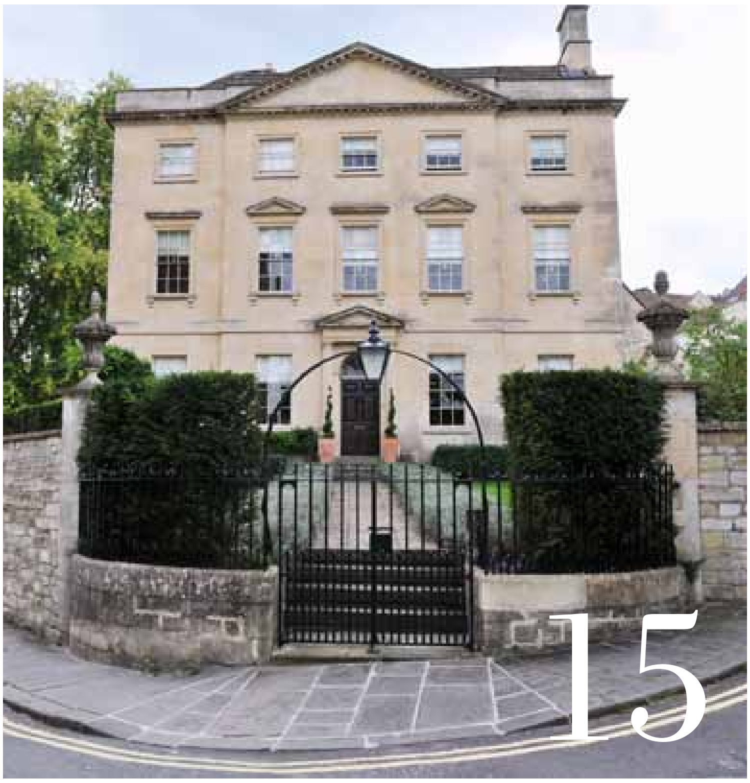
Financial planning is our business.

We're passionate about making sure your finances are in good shape.

Our range of personal financial planning services is extensive, covering areas from pensions to inheritance matters and tax-efficient investments.

Contact us to discuss your current situation, and we'll provide you with a complete financial wealth check.

CONTENTS



INSIDE THIS ISSUE

The start of a New Year marks the run-up to one of the most important times in the personal financial planning calendar, as we set financial resolutions and review tax year end planning opportunities.

The run-up to the tax year end on 5 April 2015 is the perfect time to put in place strategies to minimise tax throughout 2015/16. Good planning and careful timing are critical if you want to maximise tax reliefs or minimise the tax bill on a transaction or investment. On page 06, we look at how, with some prior preparation, you could arrange your financial affairs to minimise the impact of tax on you, your family and your business.

Setting clear goals as we enter a New Year is critical for the success of any financial resolutions. Year after year, achieving financial health and wealth is likely to feature in your Top 10 New Year's resolutions. So what should you consider? Find out on page 17.

Chancellor George Osborne delivered his Autumn Statement 2014 to Parliament on 3 December last year. This is the second most important event in the UK's economic calendar, when the Chancellor updates the Government's taxation and spending plans based on the latest predictions for the economy. On page 10, we explain the key announcements.

Also inside this issue on page 11, recent research identifies that within the next decade an increasing number of people due to retire will require professional financial advice to help them make the right financial choices. This comes as a result of the dramatic shift in the pensions landscape announced in last year's Budget and the changes being introduced around Pensions Reform.

The full list of the articles featured in this issue appears on page 03 and opposite.

We'd like to take this opportunity to wish you a financially prosperous New Year, and we hope you enjoy reading this issue. If you would like to discuss any of the articles featured, please contact us.

CONTENTS

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.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

TAXATION & TRUST ADVICE IS NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.

CONSUMER APATHY

Many people do not yet fully understand the significance of the new retirement income choices

Many of Britain's over-55s say the massive changes to retirement income announced in last year's Budget 2014 will have no impact on them, research from Aviva's latest Real Retirement Report shows.

As well as more than half (55%) of Britain's unretired over-55s saying they won't be affected by the freedom and choice changes, which take effect from 6 April 2015, half (54%) are also adamant they won't be revising their retirement plans.

TAX IMPLICATIONS

The apparent disregard for the pension changes comes despite 78% of unretired over-55s saying they are aware of the changes, which will enable people to use their pension savings how they wish, including taking all of their money in one lump sum.
Only one in ten (10%) say the changes will affect their plans, suggesting that many people do not yet fully understand the significance of the new retirement income choices, including the tax implications.

SPENDING CAUTION

Of the 10% who say their plans will be affected by the changes, the majority (59%) are more likely to take some or all of their pension savings as soon as they can, 34% say they may take some of their pension savings as a lump sum to fund their retirement, and 14% will do so to pay off their mortgage.

However, half (49%) of all unretired over-55s say they do not see any advantage in taking their pension savings as a single lump sum, suggesting that many people will be cautious of spending too much, too soon.

RISING CONCERN

Despite rising concern about people running out of money in retirement, more than half of retired and unretired over-55s (52%) say they think they will have enough money in retirement. But 17% think they won't have enough money, and more than a quarter (27%) will only go as far as to say they may have enough.

Concern over running out of money comes nowhere near the worries people hold over more fundamental ageing issues:

- Ill health (56%).
- Dementia (50%).
- Being dependent on other people (36%).
- Going into a care home (30%).
- Dying or people close to them passing away (25%).
- Running out of money in retirement because I have spent up (8%).
- Living longer than I expected and not having the money to fund my retirement (5%).

Source data:
The Aviva Real Retirement Report is produced by Aviva in consultation with ICM Research. The Real Retirement tracking survey referenced has been running since 2010 and totals 19,193 interviews amongst the population aged over 55 years. 1,202 people aged over 55 years were polled for this Q2 2014 wave of research.

MAXIMISE YOUR SAVINGS

It is not simply a choice between taking your savings early or choosing a retirement product, there are implications that could leave you better or worse off at a time when you need to maximise your savings. To find how we could help you assess the options available to you, please contact us.

TAX PLANNING

TAX YEAR END CHECKLIST

12 strategies to keep your tax liability to a legal minimum

The run-up to the tax year end on 5 April 2015 is the perfect time to consider tax planning opportunities and to put in place strategies to minimise tax throughout 2015/16.

Good planning and careful timing are critical if you want to maximise tax reliefs or minimise the tax bill on a transaction or investment, and to avoid falling foul of the system of penalties and interest levied by HM Revenue & Customs (HMRC). With some prior preparation, you could arrange your financial affairs to minimise the impact of tax on you, your family and your business.

In this article, all references to married couples include registered civil partners.

1 MAKE SURE YOUR TAX CODE IS CORRECT

Check your tax code each year (the numbers and letters on your payslip). Don't assume that HMRC know what they are doing. Check the basics: are your name, address and National Insurance number right? The notice will also state your employer's name; if you no longer work for that employer, something is wrong.

Check the letter at the front of your tax code. For example, L is used for anyone getting the basic personal allowance; P is used for those aged between 65 and 74 getting the full personal allowance; Y for those 75 or over getting the full personal allowance; V is used for those aged between 65 and 74, eligible for the full personal allowance and the married couple's allowance who just pay basic-rate tax; K means you get no tax-free pay or owe money to HMRC.

The numbers on your tax code are worked out as follows. Firstly, your tax allowances, any income you've not paid tax on – part-time earnings or untaxed interest – and any taxable employment benefits are added up. This figure is then taken away from the tax allowance and divided by 10. This is added to the relevant letter and becomes your tax code. If you're on the wrong code, you may be paying too much tax.

2 TAKE ADVANTAGE OF THE NEW INDIVIDUAL SAVINGS ACCOUNT (NISA) ALLOWANCE

Make sure that you fully use your tax-efficient NISA allowance. From 1 July 2014, the annual limit increased to £15,000 (with effect from 6 April 2015, this will increase to £15,240). This can all be allocated to a Cash NISA or a Stocks & Shares NISA, or alternatively split between both cash and stocks and shares. This means married couples, for example, could put up to £30,000 between them into NISAs this tax year (before 5 April), and a further £30,480 from 6 April.

Interest received on cash savings or gains from NISA investments are tax-free. Higher-rate taxpayers don't have to pay any further tax on dividends from investments either, and you don't have to declare NISAs on your tax return. Also, there is no capital gains tax to pay when you sell shares or units held in a NISA.

3 JUNIOR NISAS PROVIDE GOOD LONG-TERM SAVINGS

Consider using Junior NISAs (the replacement for Child Trust Funds) as a good long-term savings option for a child's future and to avoid being taxed on gifts you make to them. In the tax year 2014/15, the Junior NISA allowance is £4,000, and this will increase to £4,080 in April 2015.

4 SAVE TAX WITH PENSION CONTRIBUTIONS

Take advantage of tax reliefs and (tax-deductible) employer contributions to build a fund for your retirement. Personal contributions to pension schemes attract tax relief at your highest rate, making them an ideal tax-efficient investment vehicle.

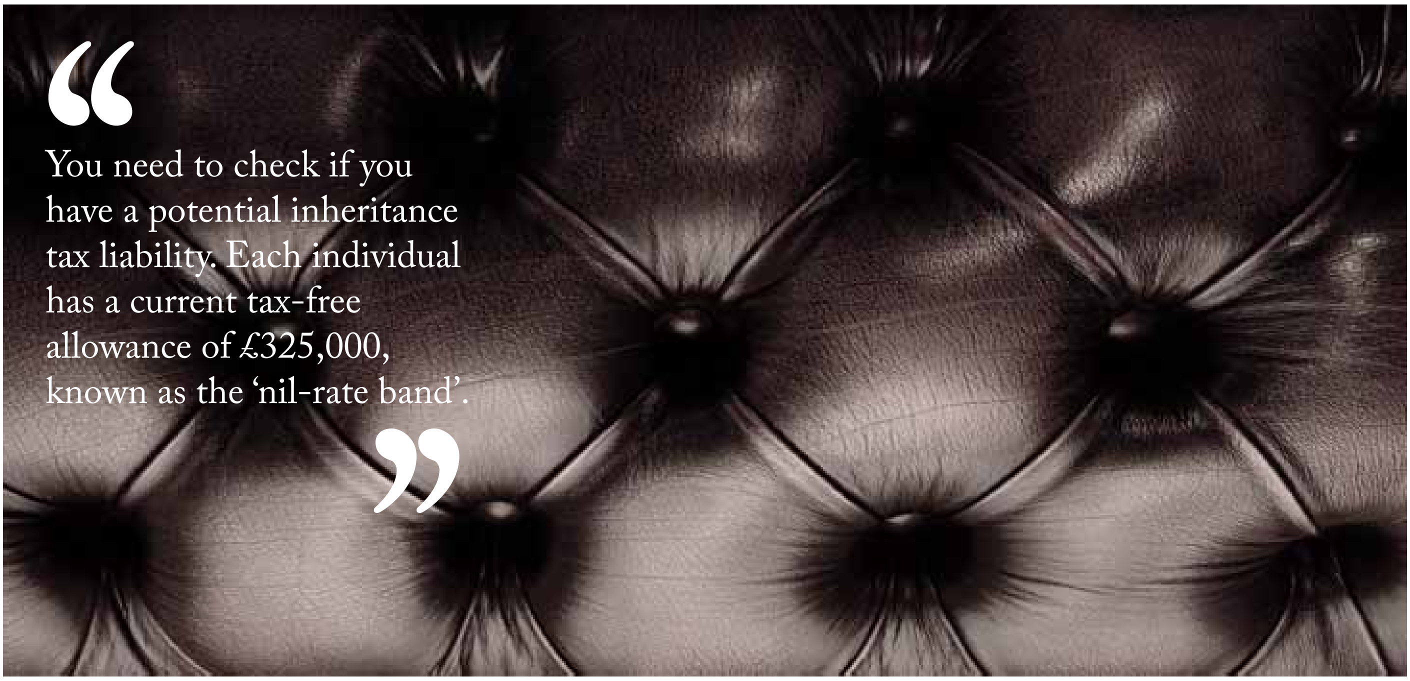
For pension contributions to be applied against your 2014/15 income, you must pay on or before 5 April 2015. Tax relief is available on annual contributions limited to the greater of £3,600 (gross) or the amount of the UK relevant earnings, but also subject to the annual allowance. The basic annual allowance cap on pension savings is £40,000 for 2014/15.

5 TRANSFERRING ASSETS COULD OFFER TAX BENEFITS

If you are married and do not own assets in some form of joint ownership, it may be advantageous for tax purposes for transfers to be made to ensure joint ownership. Consider transferring savings and investments to your spouse if they pay a lower rate of tax than you do. Complex rules apply, but if appropriate to your particular situation, it could provide benefits for income tax, capital gains tax and even inheritance tax. Transfers should be outright and unconditional.

6 AGE-RELATED ALLOWANCE ELIGIBILITY

If you were born before 6 April 1948, check if you are eligible for an increased personal allowance. Not all income is taxed, which means you might pay a lower income tax rate. For 2014/15, the age-related personal allowance is £10,500, and £10,660 if you were born before 6 April 1938. As time passes, the additional age-



“You need to check if you have a potential inheritance tax liability. Each individual has a current tax-free allowance of £325,000, known as the ‘nil-rate band’.”

related allowance will disappear as it is overtaken by increases in the standard personal allowance.

7 IT’S GOOD TO GIVE

The Gift Aid scheme is for gifts of money to charities by individuals who pay UK tax. Charities can reclaim tax on any donations made by individuals, whether large or small, regular or one-off – provided the conditions for the tax relief are satisfied.

Gift Aid donations are regarded as having basic-rate tax (20%) deducted by the donor. If you are over 65, making donations to a charity through Gift Aid could reduce your taxable income to below the threshold at which you start to lose out on age-related allowances. If you are in a higher tax bracket, you can claim back the difference between the basic and higher rate of income tax on any Gift Aid donations.

8 FULLY UTILISE YOUR CAPITAL GAINS TAX ALLOWANCE

Capital gains tax is a tax on the profit when you sell or ‘dispose of’ something, an ‘asset’ that’s increased in value. It’s the gain you make that’s taxed, not the amount of money you receive. For individuals, capital gains in 2014/15 under £11,000 are tax-free. Married couples who own assets jointly can claim a double allowance of £22,000.

Capital gains tax is charged at 18% on your total taxable income and gains (up to £31,865) if you are a standard-rate taxpayer, and 28% if you pay tax at a higher rate (from £31,866).

9 INHERITANCE TAX MATTERS

You need to check if you have a potential inheritance tax liability. Each individual has a current tax-free allowance of £325,000, known as the ‘nil-rate band’. Inheritance tax only applies to the value of your estate above this at a rate of 40% on death. However, transfers between married couples are exempt from inheritance tax, or the seven years prior to death, and if the nil-rate band is not used on the first death. This means that the value of your estate on the second death that will be exempt from inheritance tax doubles up to £650,000.

Lifetime gifts are not normally counted as part of your estate for inheritance tax purposes if you live for a further seven years after making them. Lifetime transfers are either exempt, potentially exempt, or chargeable lifetime transfers.

10 EFFECTIVE TRUSTS

Trusts can provide a way of reducing inheritance tax liabilities, not just for the donor but also for the donee. The rules are complex, but significant tax savings could be achieved with careful planning and receiving professional advice. In particular, trusts can be an effective way of using important reliefs on businesses and agricultural properties.

11 WHERE THERE’S A WILL, THERE’S A WAY

If you die without a Will, the intestacy provisions will apply and may result in your estate being distributed in a way you would not have chosen. You should write a Will and keep it up to date to reflect changes in the family situation. In particular, Wills need to be reviewed and amended as necessary on marriage or on divorce. The precise position depends on whether English or Scottish law applies.

12 REMOVING VALUE FROM AN ESTATE

Life assurance arrangements can be used as a means of removing value from an estate and also as a method of paying inheritance tax liabilities. A policy written under an appropriate trust can be arranged to cover an inheritance tax liability due on death. It is particularly useful in providing funds to meet an inheritance tax liability where the assets are not easily realised. ■

'JOB FOR LIFE,' A DISTANT MEMORY

New workers face a significantly longer working life than past generations

The typical Briton entering the workforce today can expect to have nine jobs, including one major career change, across 48 years of working[1].

The research from LV= marks a sharp shift from past generations, with today's younger workers set to have twice as many jobs as their grandparents, with the 'job for life' becoming virtually extinct[2].

Today's new workers also face a significantly longer working life, retiring seven years later than their grandparents did (66 vs. 59)[3], with nearly a quarter (23%) working well into their 70s. More than half (55%) can also expect to be made redundant at least once across their 48 working years (18-66).

WORK LIFE BALANCE

Recent real wage falls[4] also means that the new worker can expect a lower full-time starting salary (in real terms) than their parents started on (£14K vs. £17k)[5], and despite the working-from-home rate doubling over the last 30 years[6], we're less happy with our work life balance today than our grandparents were (68% vs. 72%).

While this paints a gloomy picture for young people entering the workforce today, they face a healthier job market overall, with unemployment levels at a record low[7]. They also enjoy shorter commutes than their parents did, as well as a far greater annual leave entitlement[8].

NUMEROUS PENSION POTS

Many people may decide to move jobs due to a desire to increase their salary or advance their career. However, the research highlighted that shorter stints at numerous jobs could result in millions being lost in pension savings, as some may lose track of savings spread across a number of workplace schemes. In addition to this, having numerous pension pots, for some people, could also lead to confusion over fund sizes, with 40% of those with one or more pension products unsure of the total value of their pension reserves.

The research also shows that spending shorter periods in each job could also prompt workers to opt out of auto enrolment if they consider the role to be a stop-gap rather than a significant career move. ■

HELPING YOU TO MANAGE YOUR RETIREMENT PLANNING REQUIREMENTS

Retirement savings provide you with a wage in your retirement, so it is important that you keep a close eye on them. However, with people working in more and more roles, savings pots could easily be forgotten. To find out how we could help you manage your retirement planning requirements throughout your life, please contact us – we look forward to hearing from you.

Source data:

[1]Workers entering the job market today can expect to move roles every five years, take one career change and work for a total of 48 years (average 18-66).

[2]The 'new worker' can expect to have nine jobs in their lifetime (9.1). Their grandparents (retired workers today) had nearly half this number (five jobs) across their working lives. Projections estimate just 1.5% of new workers will have just one job across their working lives.

[3]Average retirement age for today's retired is 59. Today's new workers expect to work until 66 on average. 23% will work until they are 70+ or never retire.

[4]ONS Labour market data (August 2014) shows record-low real wages, driven down by healthy employment levels.

[5]Average starting wage of current workers (aged 50-64) was £3,000, equivalent in real terms to approximately £17K today.

[6]Working-from-home rate inferred from workers with zero commute. Rate amongst current workers = 6.7% compared to retirees (when they were working) at 2.7%. Those saying they are satisfied with their work/life balance = 68% compared to retirees (when working) of 72%.

[7]ONS Working and Workless Households, October 2014. Workless households are at current record lows (records began in 1996).

[8]Average commute of new worker = 31.6m vs 34.3m for their parents' generation. Annual leave entitlement has increased twice over the last decade, rising from 20 days to 24 days (for full-time workers) in 2007 and again in 2009 to 28 days.

WHAT THE CHANCELLOR HAD TO SAY

The key announcements at a glance

Chancellor George Osborne delivered his Autumn Statement 2014 to Parliament on 3 December last year. Much of the commentary focused on weak public sector finances data in the context of strong GDP and employment growth.

While the Autumn Statement 2014 was viewed by many as representing a political success for the Chancellor, the Office for Budget Responsibility (OBR)'s forecasts were seen as providing a sober reminder of the fiscal constraints that the winner of the May general election faces. In this article, all references to married couples include registered civil partners. These were Chancellor George Osborne's key announcements:

ECONOMIC GROWTH

- 3% growth forecast in 2014, up from 2.7% predicted in March 2014.
- 2.4% growth forecast in 2015, followed by 2.2%, 2.4%, 2.3% and 2.3% in the following four years.
- 500,000 new jobs to be created this year, 85% of new jobs full-time.
- Unemployment set to fall to 5.4% in 2015.
- The Office for Budget Responsibility (OBR) forecasts inflation to be 1.2% in 2015 and 1.7% in 2016 before returning to the Bank of England's 2% target in 2017.

PUBLIC BORROWING/DEFICIT

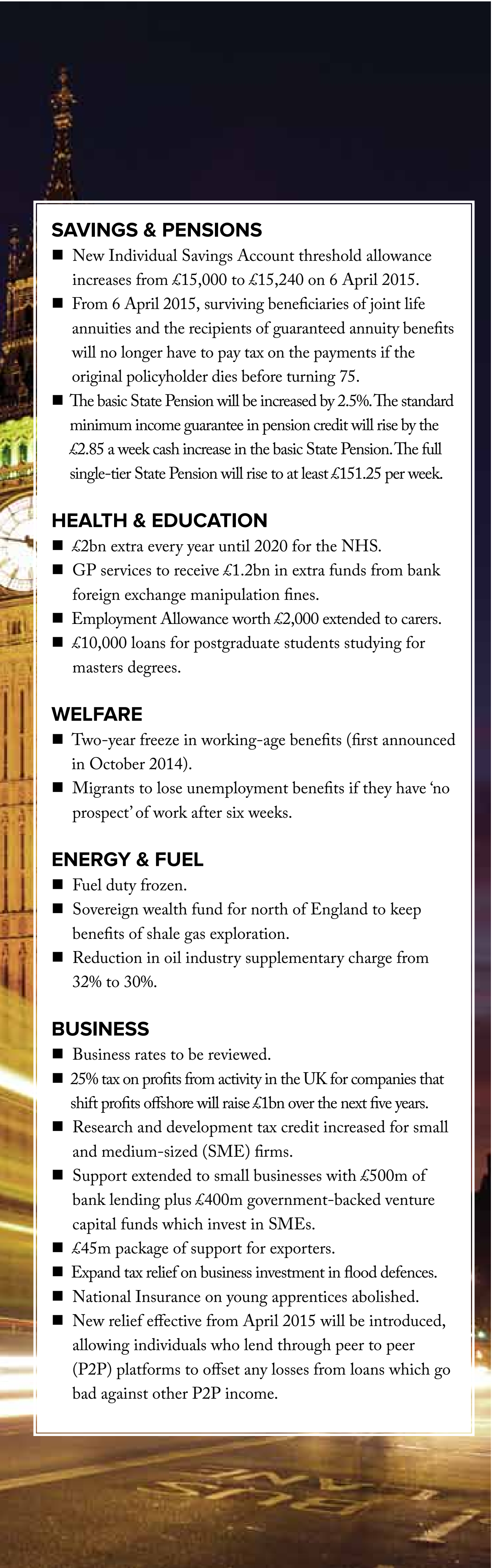
- Deficit 'cut in half' since 2010.
- Borrowing set to fall from £97.5bn in 2013/14 to £91.3bn in 2014/15.
- Deficit projected to fall to £75.9bn in 2015/16, £40.9bn in 2016/17, £14.5bn in 2017/18 before reaching a £4bn surplus in 2018/19.
- By 2019/20 Britain will have a surplus of £23bn.
- Debt as a share of GDP to rise to 81.1% this year before falling in every year, reaching 72.8% in 2019/20.

STAMP DUTY LAND TAX (SDLT)

- Reform of residential property stamp duty cut for 98% of homebuyers who pay it.
- Rates apply only to that part of the property price that falls within each band.
- 0% paid for the first £125,000, then 2% on the portion up to £250,000; 5% up to £925,000, then 10% up to £1.5m; 12% on anything above that, saving £4,500 on an average-priced home.

PERSONAL TAXES

- Personal tax-free allowance increased to £10,600 from 6 April 2015.
- Higher-rate tax band increased to £42,385 from 6 April 2015.
- When someone dies, the surviving spouse will be able to inherit their Individual Savings Account.
- Tax-free annuities for dependants of people who die under 75.
- New £90,000 charge for non-doms resident in the UK for 17 of the past 20 years.
- The Government will continue consulting on whether to restrict the income tax personal allowance for non-residents – there will be no change before April 2017.
- New inheritance tax rules introduced to target avoidance through the use of multiple trusts and simplify the calculation of trust taxation.
- Inheritance tax exemption for members of the armed forces whose death is caused or hastened by injury while on active service will be extended to include members of the emergency services and humanitarian aid workers responding to emergency circumstances.
- Individuals will be prevented from claiming capital gains tax entrepreneur's relief on disposals of goodwill when they transfer the business to a related close company. This affected transfers on or after 3 December 2014.



SAVINGS & PENSIONS

- New Individual Savings Account threshold allowance increases from £15,000 to £15,240 on 6 April 2015.
- From 6 April 2015, surviving beneficiaries of joint life annuities and the recipients of guaranteed annuity benefits will no longer have to pay tax on the payments if the original policyholder dies before turning 75.
- The basic State Pension will be increased by 2.5%. The standard minimum income guarantee in pension credit will rise by the £2.85 a week cash increase in the basic State Pension. The full single-tier State Pension will rise to at least £151.25 per week.

HEALTH & EDUCATION

- £2bn extra every year until 2020 for the NHS.
- GP services to receive £1.2bn in extra funds from bank foreign exchange manipulation fines.
- Employment Allowance worth £2,000 extended to carers.
- £10,000 loans for postgraduate students studying for masters degrees.

WELFARE

- Two-year freeze in working-age benefits (first announced in October 2014).
- Migrants to lose unemployment benefits if they have 'no prospect' of work after six weeks.

ENERGY & FUEL

- Fuel duty frozen.
- Sovereign wealth fund for north of England to keep benefits of shale gas exploration.
- Reduction in oil industry supplementary charge from 32% to 30%.

BUSINESS

- Business rates to be reviewed.
- 25% tax on profits from activity in the UK for companies that shift profits offshore will raise £1bn over the next five years.
- Research and development tax credit increased for small and medium-sized (SME) firms.
- Support extended to small businesses with £500m of bank lending plus £400m government-backed venture capital funds which invest in SMEs.
- £45m package of support for exporters.
- Expand tax relief on business investment in flood defences.
- National Insurance on young apprentices abolished.
- New relief effective from April 2015 will be introduced, allowing individuals who lend through peer to peer (P2P) platforms to offset any losses from loans which go bad against other P2P income.

PENSIONS REFORM REINFORCES NEED FOR TRUSTED ADVICE

The freedom to do as much or as little as you want with your pension

Within the next decade, nearly half of those people (44%) due to retire will require professional financial advice to help them make financial choices, according to research[1] published by insurer Zurich.

From greater freedom to flexibility and tax, the dramatic shift in the pensions landscape announced in last year's Budget and the changes being introduced around Pensions Reform from 6 April this year has reinforced the need for trusted advice. From this date, retirees will have the freedom to do as much or as little as they want with their pension. More than half (59%) surveyed are planning to take a quarter of their pension pot as a lump sum and said they would reinvest it into a savings account or an New Individual Savings Account (NISA).

'From 6 April 2015, anyone over 55 can take their entire pension pot as cash, with 25% tax-free.'

This is a complex area, and professional advice that you can trust is key, whether you are looking to make your income work as efficiently as possible or preserve your wealth.

The Budget 2014 Pensions Reform announcements and increased flexibility of accessing pension savings from 6 April this year will give people a great amount of personal control and freedom around how they manage their retirement. Making decisions without expert advice could lead to the risk of funds being depleted and exposing them to unnecessary tax.

WILL THE PENSIONS REFORM IMPACT ON YOU?

If you have any concerns about how the Pensions Reform could impact on your situation, we can provide impartial views on these changes and analyse the opportunities they may bring. For further information, please contact us – we look forward to hearing from you. ■

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.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN. YOUR EVENTUAL INCOME MAY DEPEND UPON THE SIZE OF THE FUND AT RETIREMENT, FUTURE INTEREST RATES AND TAX LEGISLATION.

Source data:

[1] Research carried out by Zurich involving over 900 respondents during July 2014.

EMPLOYEE BENEFITS

Take your pension to the max

Pensions have long been seen as a tax-efficient form of investment. The contributions that you pay into your pension will benefit from tax relief and aren't subject to tax while they're invested in your pension pot (although the tax credit paid with dividends can't be reclaimed by your pension scheme). Contributions to your employer's pension scheme (including any additional voluntary contributions you make) can be made from your gross pay before any tax is charged.

From 6 April 2015, there will be no restrictions on how much income you can withdraw from your defined contribution pension pot, but any income that is withdrawn (and it is possible to withdraw your whole remaining pension pot in one go) may be subject to income tax.

TAX-EFFICIENT COMMUTING

If you are a commuter, check to see if your employer will give you a tax-free loan to buy your season ticket.

BUSINESS TRAVELLER

Use a pool car, if your employer provides these, for occasional business travel. Although the company car is still often an important part of an employee's remuneration package, tax and National Insurance costs could mean that your company car is not the most tax-efficient option for you.

The car benefit and car fuel benefit (where fuel for private use is provided with the car), on which you pay income tax, is calculated at up to 35% of the list price (car) and the same percentage on a notional £21,700 (fuel). The maximum taxable percentage is set to rise to 37% in April 2015.

CASH EQUIVALENTS

If you are entitled to a company car, consider whether it would be more tax-efficient to take a cash equivalent in pay instead.

LOWER EMISSIONS, LOWER TAXES

If you are changing your company car, consider a low-emissions model. These are now taxed at a lower percentage of their list price than cars with a high CO_2 rating.

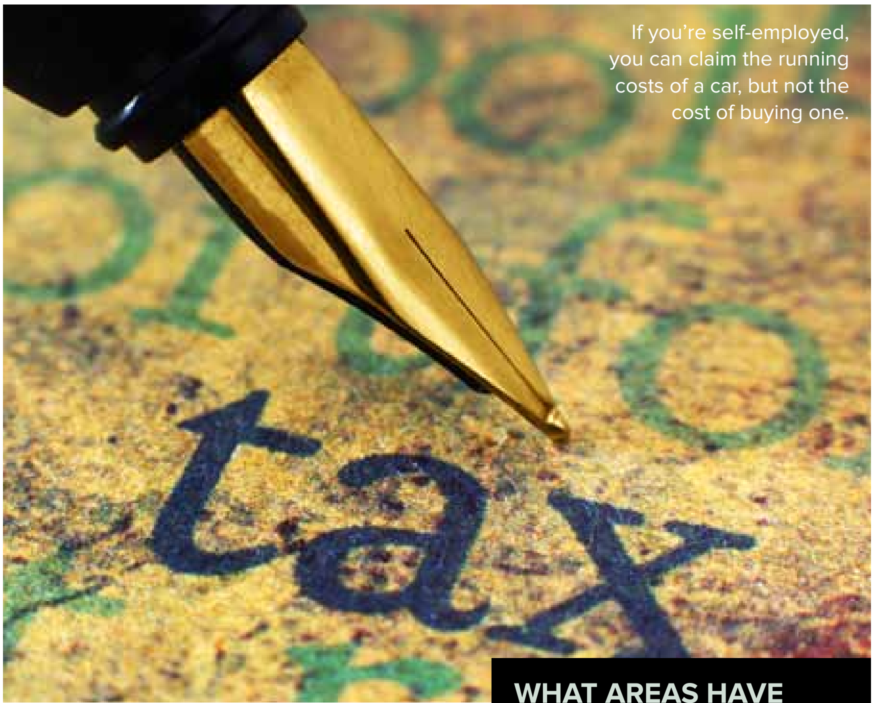
CHILDCARE SCHEMES AND TAX CREDITS

If you are an employee and pay for childcare, consider asking your employer if they have a childcare scheme. Salary sacrifice childcare schemes are easy to establish and could result in substantial savings for both employees and employers. ■

The new tax-free childcare scheme for employer-supported childcare is to be phased in from autumn 2015. The scheme will be available to families where both parents are working and meet a minimum income level, with each earning less than £150,000 a year, and is limited to £10,000 per child per year (the Government's contribution being a maximum of £2,000). Parents who received support through Tax Credits or the Universal Credit will not be eligible.

Self-employment

Tax-deductible expenses



If you're self-employed, you can claim the running costs of a car, but not the cost of buying one.

If you're self-employed, you can claim expenses against your tax bill, but not all business expenses qualify so it's important to make sure your claim is valid. Unless something you buy for your business is a capital asset, for example, a computer or machinery (which you claim for under different rules), you can deduct its full cost when working out your taxable profits. You receive immediate tax relief for the full amount.

SELF-EMPLOYED CAR COSTS

If you're self-employed, you can claim the running costs of a car, but not the cost of buying one. If you use the same car privately, you can claim a proportion of the total costs.

CASH FLOW BOOST FOR SELF-EMPLOYED

If you are setting up as self-employed, you may be able to improve your cash flow by choosing an accounting year that ends early in the tax year. This maximises the delay between earning your profits and your final tax demand. ■

WHAT AREAS HAVE YOU IDENTIFIED?

If this article has helped you identify some of the areas where you could take action, and you want to discuss the most appropriate way forward, please contact us for further information. We look forward to hearing from you.

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.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

TAXATION & TRUST ADVICE IS NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.

PROPERTY INCOME

Tax-free extra income

By signing up to the 'rent a room' scheme, not only could you enjoy the extra income from the rent, but also up to £4,250 a year is free from tax. 'Rent a room' relief is an optional scheme that lets you receive up to this amount in rent each year from a lodger, tax-free. This only applies if you rent out furnished accommodation in your own home.

LANDLORD'S ENERGY-SAVING ALLOWANCE

You can claim 'landlord's energy saving allowance' for the cost of buying and installing certain energy-saving products for properties you rent. You can also claim a special tax allowance of up to £1,500 for insulation, draught proofing and installing a hot water system.

COSTS YOU CAN OFFSET AGAINST TAX

If you rent out property, don't forget you can deduct certain costs before declaring your taxable income. The costs you can offset against tax are numerous, including mortgage interest; lettings agents' and accountants' fees; insurance; utility bills; council tax; cleaning; and maintenance and repairs (but not improvements – building an extension will enhance the value of your property, but you can't claim it as a daily expense in the running of that property). ■

Keep on top of your tax by retaining all receipts and making sure everything is up to date. Also, when calculating your rental income for your tax return, you need to exclude the deposit you receive from each tenant.

AUTUMN STATEMENT 2014

WHAT COULD IT MEAN TO YOU?

The main points that could affect you on tax, savings and spending from the Chancellor's red box

The Autumn Statement 2014 has once again created winners and losers. These are some of the main points that could affect you on tax, savings and spending.

LOSERS

NON-DOMICILED PEOPLE

People non-domiciled in the UK already face an annual charge of £30,000, and this remains unchanged. However, those who have been here for 12 of the last 14 years will have to pay £60,000 a year, or £90,000 if they've been here for more than 15 of the last 17 years.

TOP-END PROPERTY BUYERS

The residential property Stamp Duty Land Tax (SDLT) overhaul will mean that those buying properties costing more than £937,000 will be worse off than under the previous regime. 10% is now payable between £925,000 to £1.5m, and 12% on everything above. Those buying a home over £2m will pay £50,000 more under the new policy.

PEOPLE USING COMPANIES TO PURCHASE PROPERTIES

Buyers of typically high-end properties who choose to own them through a company, a process known as 'enveloped' transactions, will be subject to further additional tax increases. Annual tax on enveloped dwellings (ATED) worth over £2m will be increased by 50% above inflation. From 1 April 2015 to 31 March 2016, the charge on residential properties owned through a company and worth over £2m but not more than £5m will be £23,350; for properties worth over £5m but not more than £10m, the charge will be £54,450; for properties worth over £10m but not more than £20m, the charge will be £109,050; and for properties worth more than £20m, the charge will be £218,200.

WINNERS

HOMEBUYERS

Residential property stamp duty has been reformed to smooth the tiers that previously distorted the housing market. The stamp duty percentages now only apply to each incremental stage. Mr Osborne claimed that 98% of buyers will pay less as a result of this reform. Under the new rules, you'll pay nothing on the first £125,000. Someone buying a property for £275,000 will now pay stamp duty of £3,750 rather than the £8,250 they had to pay under the previous system – saving them £4,500.

NISA SAVERS WHO USE THEIR FULL ALLOWANCE

The current £15,000 annual NISA allowance limit will see an inflation-linked rise from 6 April this year, up to £15,240.

AID WORKERS

The inheritance tax exemption, as applied to members of the armed forces who die in service, is to be extended to aid workers.

YOUNG HOLIDAYMAKERS

Air passenger duty will be abolished for children under 12 this year and then for under-16s the following year, for economy class tickets only.

DRIVERS

Motorists were spared a rise in duty on petrol and diesel with many predicting an increase following sharp falls in the price of oil and petrol.

BASIC-RATE AND HIGHER-RATE INCOME TAXPAYERS

The amount of money you will be allowed to earn tax-free increases to £10,600 from 6 April 2015, £600 more than the current amount. The level of earnings at which the higher-rate income tax of 40% commences will also increase on 6 April this year to £42,385 from £41,865. A further 430,000 individuals will be removed from income tax, although National Insurance still applies at a rate of 12% after your first £7,956.

MARRIED INDIVIDUAL SAVINGS ACCOUNT (ISA) SAVERS

It will now be possible to pass on the tax-efficient benefits of NISAs to spouses upon the death of the saver. It will mean the surviving spouse won't have to start filling in a tax form when they inherit NISA savings from their late spouse. The surviving spouse will inherit the 'NISA allowance', for example, the amount that was invested in a NISA. This will not necessarily be the NISA itself.

ALL AIR TRAVELLERS

Airlines will be required to detail extra costs for tickets.

POSTGRADUATE STUDENTS

Postgraduates will now be able to take out a student loan to cover the cost of their studies. The loan of up to £10,000 will be available for masters students starting courses in 2016 and excludes courses such as a PhD or postgraduate diploma.

RESIDENTIAL PROPERTY REFORMS

Buyers benefit from a tax-free bracket and incremental steps up

The change to residential property Stamp Duty Land Tax (SDLT) announced in the Autumn Statement 2014 will make the process fairer for the majority of homebuyers. The new rules started on 4 December last year, and these changes apply to you if you are buying a home in the UK for over £125,000.

Stamp duty will be cut for 98% of people who pay it – if you're buying a home for less than £937,500, you will pay less stamp duty, or the same.

In Scotland, the new rates will apply until 1 April 2015, when the Land and Buildings Transaction Tax replace stamp duty in Scotland.

Under the previous rules, you would have paid tax at a single rate on your entire property price. The new system allows buyers to benefit from a tax-free bracket and incremental steps up in the same way as income tax is applied to earnings.

Previously, if you bought a house for £185,000, you would have had to pay 1% tax on the full amount – a total of £1,850. Under the new rules, for the same property you'll pay nothing on the first £125,000 and 2% on the remaining £60,000. This works out at £1,200 – a saving of £650.

Stamp duty will be cut for 98% of people who pay it – if you're buying a home for less than £937,500 you will pay less stamp duty, or the same.

FINANCIAL FIBBING

Telling 'white lies' about money and salary

Almost half of British adults (48%) have 'fibbed' when it comes to their finances. The research shows that from a given list, Britons would be most likely to tell financial 'white lies' to their partner than anyone else (15%), according to a survey from Standard Life.

SECRET STASH OF MONEY

More than one in five married Britons (21%) would be most likely to fib to their husband or wife about money matters, while the figure is 20% for those not married but in a relationship. When it comes to hiding money, women (9%) are nearly twice as likely as men (5%) to have a secret stash of money – such as a bank account that they have hidden from their partner.

TELLING FINANCIAL FIBS

Overall, 44% of British men admitted telling financial fibs compared to 51% of women. Secret shopping sprees are the most common money-related matter that we lie about (19%), for example, saying we 'bought it ages ago' or that 'it was in the sale' when the truth is actually very different.

UNDERPLAYING SAVINGS

The financial fibs were not just limited to spending – 14% of people have lied about the amount of savings that they have. Interestingly, two-thirds (65%) of those who have lied about their savings have underplayed, rather than inflated, the amount they have saved up – 72% of women who lied about savings underplayed the amount compared to 58% of men.

SALARY SUBTERFUGE

When it comes to our salary, 7% of Britons admitted 'salary subterfuge'. However, nearly half (46%) said that when they have lied about their salary to family or friends, they said they earned less than they did, reflecting the typically British characteristics of understatement and modesty.

Source data:

All figures, unless otherwise stated, are from YouGov Plc. Total sample size for the survey was 2,080 adults. Fieldwork was undertaken between 10-11 September 2014. The surveys were carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

You’ve protected your most valuable assets.

But how financially secure are your dependents?

Timely decisions on how jointly owned assets are held, the mitigation of inheritance tax, the preparation of a will and the creation of trusts, can all help ensure your dependents are financially secure.

Contact us to discuss how to safeguard your dependents, wealth and assets, don’t leave it until it’s too late.

DAWN OF A NEW YEAR

What will feature in your top New Year's resolutions?

As we enter a New Year, setting clear goals is critical for the success of any financial resolutions. Year after year, achieving financial health and wealth is likely to feature in your Top 10 New Year's resolutions. So what should you consider?

SET FINANCIAL GOALS. It may seem really obvious, but when setting your financial New Year's resolutions, start with what you want to achieve by the end of the year. Laying out your goals and writing them down is the first step to staying on the right financial track. You have to articulate your goals in order to prioritise them.

CREATE A FINANCIAL BUDGET. Review your expenditure from 2014 and use this as your basis for your 2015 budget. Whatever is left over should go towards paying off debt, savings and investments.

COMMUNICATE YOUR GOALS. People who talk about their financial goals are more likely to achieve them. Share your key resolutions or goals with us and review them regularly throughout the year to let us know how you're going.

DON'T IGNORE YOUR FINANCIAL HEALTH. Review your spending patterns to see where you can save more money; identify what you need to commit to saving or investing monthly. Make sure you're receiving the best rates on your deposit savings, and look at how other investments might give you a better return while interest rates are low. If you still have a mortgage, check your rate to make sure you're getting the best deal, and review your insurance to be confident you and your family have enough cover to protect you and them from all eventualities.

EDUCATE YOUR CHILDREN. If you have children, endeavour to improve their financial literacy and start them on the path of saving and investing early. Encourage them to set their own financial goals and help them map out a plan to reach them. After all, the savvier your children are about their finances now, the more it will help them in future years.

KEEP CALM AND SAVE FOR RETIREMENT. If you have big long-term goals that require a lot of money, don't wait a couple of years to start working towards them. For example, if you would like to retire at a certain age, your resolutions should include determining how much you need to contribute and then understand what investment strategy you should have in place.

FINALLY, HAVE FUN. It's not all about saving and investing money now to only spend it when you're older. Make sure you include some fun in the mix or satisfy short-term goals to reward your good behaviour and keep you motivated to achieve your longer-term goals. ■

The New Year can be a great excuse to step back, plan and get your finances on track. If you want to assess your current situation or plans for this year and beyond, please contact us – we look forward to hearing from you.

RISE OF THE PART-TIME LANDLORD

Letting properties on the side boosts income

Britain is seeing a boom in 'part-time' landlords where people are letting properties on the side to boost their main income, according to new research from LV= landlord insurance.

Over one in twenty (7%) British adults rent out a property to supplement their income and receive an average monthly rent of £678, equating to nearly £28 billion a year across the country. Landlords in London and the South East collect the highest rents at £1,079 and £816 respectively, followed by the West Midlands (£678) and East Anglia (£676). Approximately 60% of this is spent on borrowing costs, management fees and maintenance costs, leaving landlords a healthy pre-tax profit of 40% on average.

RENTAL TREND

The trend is mainly being driven by people moving to a new home and then renting out their old one. In fact, over half (55%) of these landlords are renting out properties that they never intended to, often because they wanted a bigger property (15%), they had to move for work (10%) or they wanted a garden (8%). One in twenty (6%) landlords say they ended up renting out a property because they moved in with a partner and did not want to sell or couldn't sell their own.

CURRENT REGULATIONS

Whatever the reason for letting out a property, all landlords must comply with current regulations on rented homes. By law, all landlords must ensure that gas and electrical equipment is installed and checked annually by a registered engineer. Tenant deposits must be held in a deposit protection scheme, and some local authorities insist that landlords in their area obtain a licence.

TAKING RESPONSIBILITY

A managing agent will usually take responsibility to ensure that all legislation is complied with for a fee, as well as check tenants and manage the rent collection. However, nearly half (49%) of today's part-time landlords manage their rental property themselves and do not have such protection. Of those managing their properties directly, over a quarter (27%, equivalent to nearly 500,000 landlords) have not had a gas safety check in the past twelve months and risk being prosecuted and fined up to £20,000.

COMPENSATION CULTURE

As well as risking fines from the local authority, landlords could find themselves heavily out of pocket should one of their tenants make a claim against them. Slips and trips can result in expensive compensation claims for property owners who are liable for any harm to a tenant or member of the public as a result of the condition of the property. For example, a landlord could be sued by someone who falls and is injured because a pathway has not been maintained. Landlords can also be liable for damage to adjacent properties, such as an overflowing gutter causing water damage to a neighbouring house. Analysis of LV= data shows that the number of liability claims being made against property owners has been steadily increasing in recent years, which can be attributed in part to Britain's growing compensation culture.

INSURANCE NEEDS

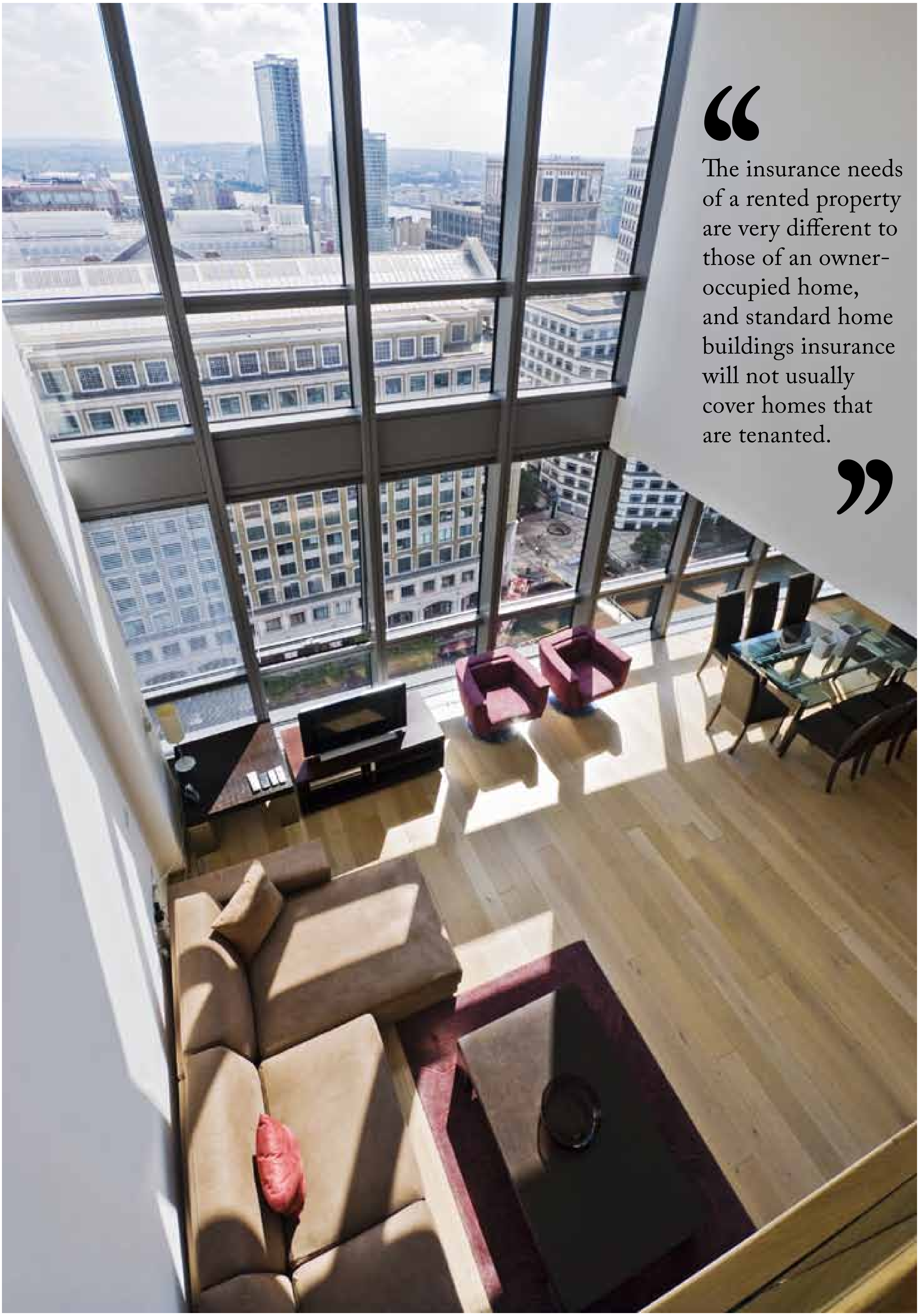
The insurance needs of a rented property are very different to those of an owner-occupied home, and standard home buildings insurance will not usually cover homes that are tenanted. Almost a third (32%) of landlords say their rental property has been damaged at some point and has had to be repaired, which has cost them £1,200 on average. Of those who have had their property damaged, the main cause has been damage by tenants (44%), followed by flooding (17%) and storm damage (8%).

LETTING PROPERTIES

Renting out a property can be a solution to cover your costs if you're unable to sell or want to hold on to a home and make some extra money from it, but it is not without risk. Landlords not only need cover for any damage to their property but they also need to think about their tenants and how they will house them if the property becomes uninhabitable, as well as the lost rental income. If you are thinking of renting out a property, you should check the current regulations for letting properties in your area and make sure you have the right cover in place.

Source data:

The research was conducted by PCP Research and commissioned by LV= landlord insurance. PCP questioned 2,278 UK adults including a bespoke sample of 209 adults who own one or two rental properties that they do not live in. The research was carried out between 6-15 October 2014.



> The insurance needs of a rented property are very different to those of an owner-occupied home, and standard home buildings insurance will not usually cover homes that are tenanted.

Isn’t it time you had a financial review?

We’ll make sure you get the right advice for your individual needs.

We provide professional financial advice covering most areas of financial planning, including, tax-efficient savings, investment advice, retirement planning, estate & inheritance tax planning, life protection, critical illness cover and income protection.

To discuss your options, please contact us.

CLASS OF 2014 EXPECTATIONS

What are the hopes of last year's university leavers?

2014's university leavers expect to have bought their first home by the age of 30, according to research published by Endsleigh. The research also reveals that, by the age of 30, the university leavers also expect to be married (average age 29), established in their career (average age 27) and to have a child (average age 30).

Endsleigh's study of the expectations of the Class of 2014 was conducted by NUS Services Research Department, which surveyed 1,423 university leavers from across the country ahead of graduation. The research found that just over a third (38%) envisage they will move back home after finishing university, while a quarter (24%) hope to live with a partner, 8% think they will move in with friends, another 8% think they will live with people they do not know and 11% plan to live on their own.

RENTED ACCOMMODATION

According to the findings, university leavers expect to pay on average £499 in monthly rent for privately rented accommodation after they graduate.

While 35% plan to pay for rent themselves, 20% expect to split the cost with a partner, and 21% expect to receive some help from their parents, a relative or a guardian. Just under a quarter (18%), however, expect not to have to pay for their accommodation at all – which for 8% is because a parent, relative or guardian has agreed to do so for them.

When it comes to spending their money, 51% of the Class of 2014 anticipate their rent, bills and food to be only just affordable – while 6% said they would struggle to make ends meet. Similarly, 52% of respondents said that they would just be able to afford to keep up their social lives, while 16% say that this was a luxury they would no longer be able to afford.

THE POST-UNIVERSITY WORLD

For many recent graduates, the post-university world can be exciting and daunting in equal measure. 2014's university leavers are clearly bullish and ambitious in their hopes and expectations for the future, aiming to reach a number of significant life milestones – including becoming established in their careers, buying a home, getting married and having their first child – all by the age of 30. With many of the respondents being in their early twenties, it will be interesting to see how these expectations might shift as graduates get older. 30 can seem a long way off at 21 but scarily close at 25!

In line with their plans, the figures also indicate that graduates are more than prepared to knuckle down during their 20s, especially when it comes to managing their money. However, the overall feeling is that the Class of 2014 is positive about moving to a new stage of their lives as they leave their university years behind them. ■

Source data:
The survey was conducted online ahead of Summer Term 2014 and surveyed 1,423 representative university students (sample aged 18-31, with 57% being aged 21-22 years old).

WHAT'S YOUR MAGIC NUMBER?

The first concise picture of current and changing sources of retirement income

Current retirees are satisfied with 47% of pre-retirement income according to a recent report that reveals those approaching retirement are expecting to receive £23,700 per year when they retire. The Retirement Income Uncovered report by Old Mutual Wealth also shows that the average income in retirement today is currently just £19,000 – a shortfall of £4,700 per year, or 25%.

PRE-RETIREMENT INCOME

The study also unearths a new magic number for retirement income of 47% of pre-retirement income. On average, people are hoping for around half of their current salary when they retire, and those who stated they were satisfied with their income have achieved 47% of pre-retirement income.

FINANCIAL LIVES

Retirement Income Uncovered looks into the level and source of retirement income for people already retired from full-time work, plus those over 50 approaching this crucial part of their financial lives. The report provides the first concise picture of current and changing sources of retirement income, changing attitudes to work in retirement and also levels of satisfaction and understanding of the different sources of retirement income.

GREATER CONTRIBUTION

In addition, the report examines how pensions may contribute less to retirement income in the future with other sources expected to make a greater contribution to those yet to retire – property downsizing contributes an average 2% to those currently retired, yet rises to a 15% expected contribution for those yet to retire.

ADJUSTING EXPECTATIONS

This survey shows that people approaching retirement are not the 'bunnies in headlamps' that many describe. Far from being frozen in fear, the study uncovers a pragmatic Britain that is adjusting expectations and facing up to the challenges of a retirement that people realistically expect to last for more than 20 years.

FINANCIAL ADVICE

Having a target in mind and seeking professional financial advice makes a real and positive difference to how much you will have when you retire. More people yet to retire are setting goals and that will make them better off in retirement. People are satisfied if they achieve around half of their pre-retirement income when they retire, so perhaps the general rule of aiming for two thirds is outdated. ■

Source data:

Old Mutual Wealth partnered with YouGov to conduct research into the attitudes and behaviours of those currently in retirement or approaching retirement. The research was carried out via an online survey amongst YouGov's consumer panel. The sample consisted of 1,536 UK adults aged between the ages of 50 and 75. The sample was split up into 5 brackets (50-54, 55-59, 60-64, 65-69 and 70+) with a target quota of 300 participants in the research from each age bracket. YouGov invited a nationally representative sample to take part within each age bracket. Fieldwork was carried out between 4th July and 10th July 2014.

NEED HELP PREPARING FOR RETIREMENT?

Retirement income is changing and people are preparing to use many different sources to fund this stage of their lives. The Retirement Income Uncovered report shows that people are adapting their behaviour accordingly and the picture of retirement income in the UK is not as bleak as some would like us to think. To discuss your current plans and retirement aspirations, please contact us.

"On average, people are hoping for around half of their current salary when they retire, and those who stated they were satisfied with their income have achieved 47% of pre-retirement income."

OTHER KEY FINDINGS OF THE REPORT ARE:

RETIREMENT REALITY

- We expect retirement to last for 21 years
- 41% of retirees receive less than £15,000 per year
- There is a £7,000 gap between men and women's average income in retirement

RETIREMENT

- Those approaching retirement are 25% less dependent on a final salary pension compared with retired people
- Those who have a retirement income goal are 63% more likely to be satisfied with their retirement income than those that do not

PLANNING PAYS

- Those who had a target income in mind before they retired have an additional £157,500 income over the course of an average retirement
- Retirees who used a financial adviser are more than twice as likely to have a target income in retirement – with an average income of £26,000

THE EMERGING WORLD OF PENSION DRAWDOWN

- Using pension drawdown can reduce the pension pot required by 25% to generate the average income of £19,000
- Even as income drawdown hits the headlines, only 17% claim to have a good level of understanding of it

NEW PENSION FREEDOMS

How future retirees may take advantage of their pension lump sums

Research showing how retirees use their pension lump sums to pay off debt provides an insight into how pension cash unlocked following the new freedoms available from 6 April 2015 could be used.

Retirees that had taken a tax-free cash lump sum at retirement were asked how they used the money. The research published by MGM Advantage[1] revealed that for 28% of retirees, paying off debt was the priority. 13% said they paid off all or some of their mortgage with the money and 8% used some of the money to pay off credit cards, while 7% paid off other loans.

A CLEAR PRIORITY

This research helps paint a picture of the likely behaviours of people who might take advantage of the new pension freedoms. Debt is a clear priority for many people who have spent a portion of their tax-free cash paying off loans, credit cards or their mortgage. It is important to remember that from April, accessing more than 25% of your pension in one go will mean you pay income tax on any withdrawals.

The research also shows how the unlocked pension lump sums will provide a boost to the economy. 12% of retirees used some or all of their tax-free cash to renovate or decorate their existing home, while one in ten (9%) said they had used some cash to buy a new car with the same number treating themselves to a holiday. 15% of retirees chose to invest some of their lump sum in stocks, shares or investment trusts, while 27% put some of their tax-free cash in the bank for a rainy day.

LACK OF UNDERSTANDING

The findings show there is a lack of understanding around the implications for taking the whole pension pot as cash, with 59% of people aged over 55 saying they do not understand the tax implications of such a move[2]. When the tax implications are explained, people are far more likely (83%) to leave their money in a pension wrapper and draw an income as needed, rather than taking the entire pot as cash in one go. 17% say they are happy to pay tax on any withdrawal. ■

HELPING YOU TO NAVIGATE THROUGH THE RETIREMENT MAZE

Treating yourself with your tax-free cash is one thing, but paying the tax man to access your cash is another thing altogether. For some people there may be a lack of understanding of the tax implications when taking lump sum withdrawals. It is vital that you receive professional financial advice to help you navigate through the retirement maze and decide what is best for your personal situation. For more information, please contact us.

Source data:

[1]MGM Advantage research among 2,060 UK adults aged 55+, conducted online by Research Plus Ltd, fieldwork 4–11 October 2013.

[2]Research carried out online among 1,000 respondents aged 45–65 by Onepoll, all who are paying into a pension. 299 people were aged 56–65. Fieldwork was completed 23–27 May 2014.

Achieving a comfortable retirement.

Do you need a professional assessment of your situation to make this a reality?

If you are unsure whether your pension is performing in line with your expectations, and that you've made the right pension choices – don't leave it to chance.

Contact us to discuss these and other important questions, and we'll help guide you to a comfortable retirement.

GENDER GAP CLOSING

Report shows the proportion of people preparing adequately for retirement is on the up

The number of women saving adequately for retirement has shifted from a record low to a four-year high in the last 12 months, according to Scottish Widows' annual Women and Retirement Report.

Half (50%) of the UK female population is now preparing adequately – the first increase recorded since 2011. This is a leap of 10 percentage points from 40 to 50 in the past year following the significant changes in pension regulations such as the introduction of automatic enrolment.

SAVINGS RATIO

Scottish Widows' latest report also found that the gender gap is closing, with a nine percentage point gap between women and men in 2013 now reduced to five. Women aged 50-64 are keeping up with men in the same age group, with 60% and 62% respectively preparing adequately.

In the 50-64 age group, average savings for women are 10.5% of earnings, compared to 11.2% for men – approaching 12%, the savings ratio recommended by Scottish Widows as the minimum necessary for a comfortable retirement.

WIDESPREAD APPROVAL

The report suggests automatic enrolment has been met with widespread approval (62%) among working women of all ages. On average, women who are auto-enrolled are saving an average of £42.51 a month into their workplace pensions, compared to £49.27 for men.

Despite the marked improvement overall, there is still a gap between how much women and men are putting away for retirement each month. Women typically save £206 a month for retirement, which is approximately 30% less than men who are saving an average of £298 each month. This creates an overall gender gap of £142,000 in terms of the total amount saved for retirement over a working lifetime from age 22 to age 68. More than one in ten women (11%) still say they have never thought seriously about paying into a pension and around three in ten say they never will.

AWARENESS GAP

The report also found that although overall savings levels are increasing amongst women, there still exists a significant awareness gap, with only 15% of women saying that they fully understand pensions. ■

PROPORTION OF PEOPLE PREPARING ADEQUATELY FOR RETIREMENT, BY GENDER:

Year	Proportion of people preparing adequately for retirement[1]	Proportion of men preparing adequately	Proportion of women preparing adequately
2014	53%	55%	50%
2013	45%	49%	40%
2012	46%	49%	42%
2011	51%	53%	50%
2010	48%	52%	43%
2009	54%	59%	47%
2008	51%	55%	46%
2007	49%	54%	41%
2006	46%	49%	41%

[1]Saving adequately refers to those who are over 30, earning at least £10,000 a year and saving at least 12% of their income or expecting their main retirement income to come from a defined benefits pension

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.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN. YOUR EVENTUAL INCOME MAY DEPEND UPON THE SIZE OF THE FUND AT RETIREMENT, FUTURE INTEREST RATES AND TAX LEGISLATION.

Source data:

The Scottish Widows Women and Retirement Report is based on research carried out online by YouGov of 5,055 UK adults over the age of 18 in March 2014. It is one of the largest surveys undertaken into women's attitudes on pensions, and it monitors pensions savings behaviour annually using the Scottish Widows Pensions Index and the Scottish Widows Average Savings Ratio.

ACHIEVE YOUR DESIRED RETIREMENT INCOME

If you have concerns about your retirement and want to find out how much you should be saving to help achieve your desired retirement income, please contact us for further information – we look forward to hearing from you.

MEET THE FULL NESTERS

Providing financial support for adult offspring – what are the implications?

Parents with adult children living under their roof are spending £1,200[1] more than their Empty Nester counterparts each year on everyday household expenditure, bringing the total annual cost of 'Full Nest Syndrome' in the UK to £3.2 billion[2].

Meet the Full Nesters, a new report from the Scottish Widows think tank Centre for the Modern Family, has delved into the financial, practical and emotional strain placed on parents who are providing room and board for their adult offspring, and explores the impact this is having on the modern family dynamic.

UNABLE TO FLY THE NEST

The figures show that more than a quarter of adults aged between 20-34 are still living at home[3], and a fifth (19%) of students are opting to stay at home while studying[4]. The 'Boomerang Kid' phenomenon is increasingly morphing into a 'Never Fledged Generation'– those for whom the high cost of living and accommodation means they are unable to fly the nest even for a short time.

GREATER FINANCIAL SACRIFICES

To cope with the additional cost of having their adult children living at home for longer, the report finds that Full Nesters are making greater financial sacrifices than Empty Nesters across the board, with some putting their own financial future at risk. One in three (31%) have cut spending on vital items, compared to 21% of empty nesters, while 16% have needed to take out a loan, spent on credit cards or gone overdrawn, against 7% of empty nesters. A third (30%) of Full Nesters report that they are contributing less to their savings, while more than one in four (28%) are spending their savings to meet the cost of everyday living.

PREPARING FOR THE FUTURE

In contrast to Empty Nesters, Full Nesters are prioritising their family in the here and now, often at the expense of their future plans. Almost half (44%) say their current focus is providing for their family, compared to 23% of Empty Nesters, while a third of Full Nesters (34%) are focused on paying off debt, compared to 17% of Empty Nesters. Moreover, many Full Nesters are conscious that this could be compromising plans for later life, with a quarter (24%) saying they wish they were able to focus more on preparing for the future.

ADDITIONAL FINANCIAL SUPPORT

On top of covering the cost of having adult children under their roof, the report finds many Full Nesters are providing additional financial support to their offspring. Two thirds (62%) of Full Nesters say they are financially supporting their children, compared to just 37% of Empty Nesters, with 32% of Full Nesters not expecting to get the money back. Despite this, the majority (63%) are happy to lend money to help their family members out.

RETIREMENT PLANS ON HOLD

The research highlights the very real pressures being felt by Full Nesters as a result of the rapid emergence of the 'Never Fledged Generation'. With many parents raiding their savings or putting their retirement plans on hold to cover the cost of their adult children still living under their roof, we need to ask ourselves what the longer-term implications of these trends are and what this means for the financial well-being of these parents. ■

Source data:

[1] ONS UK Labour Force Survey 2013
[2] ONS data shows that there are 2.7 million households in the UK with adult children living at home. Centre for the Modern Family data shows that the average monthly household spend reported by Full Nesters is £460, compared to £360 for Empty Nesters, which equates to an additional annual spend of £1,200. Multiplied by the ONS figure of 2.7 million full nests gives an overall figure of £3.3 billion
[3] ONS Young Adults Living with Parents 2013
[4] Higher Education Statistics Authority https://www.hesa.ac.uk/stats
The research was completed by YouGov and the findings are based on 2,082 online interviews with a nationally representative sample of adults aged 18 and over living in the UK. The interviews were conducted between 28 April and 1 May 2014.

Published by **Goldmine Media Limited**,
Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL