

3D Financial Planning
Independent Financial Advisors

53a High Street Reigate
Surrey RH2 9AE

01737 225989
info@3dfinancialplanning.co.uk

WEALTH **KNOWLEDGE**

FEBRUARY **2015**

In this month's Wealth Knowledge newsletter...

A quarter of retirees will use some of their pension savings to support relatives after new pensions rules come into effect in April. Pensioner Bonds, the government-backed savings products for over-65s, have gone on sale. More people are deciding to continue working past 65. And household income grew 4% in the second half of 2014.

Retirees to use pensions to support relatives

More than a quarter of people expect to lend their families money from their pension pots after the pension reforms are introduced in April, research by the Centre for the Modern Family has found.

The study reveals that the pension freedoms could affect people of all ages.

The report found that:

- 27% of people expect to use some of their pension pot to support family members when they gain access to their savings in April
- 23% will use savings to fund the care costs of elderly relatives
- 22% will invest some of their savings on behalf of family members.

Carolyn Fairbairn, chair for the Centre for the Modern Family, said:

"Although for many [the reforms] will represent greater autonomy over how to use their savings in later life, it is important to consider the knock-on effects on families. Many feel pressure to access their pots to support struggling family members in an already challenging economic environment."

Pensioners risk running out of savings

In other pension news, pensioners could run out of money by age 75 if they choose to withdraw cash from their pension savings rather than buy an annuity or use income drawdown, the charity Age UK has said.

The calculations are based on a 65 year-old with total pension savings of £29,000 and a 3% annual rate of return on the remaining savings. If £3,000 was withdrawn each year they would run out of cash by age 75.

Talk to us about your retirement income options.

Incomes rise amid growing household debt

Household income grew by an average of 4% in the 6 months to December 2014, a report by Aviva has revealed.

The report, which examines the financial health of UK households, found that the average family earned £2,012 a month in December 2014. This compares to the average £1,934 recorded in July 2014.

Despite increased income, many households are spending more and have rising debt:

- the average monthly expenditure rose from £1,453 in July 2014 to £1,503 in December 2014
- average household debt increased from £7,840 in July 2014 to £16,260 in December 2014.

The report also revealed that more households were saving regularly. The number of households saving nothing each month fell to a record low of 24%, while the number of households with no savings fell from 21% in July 2014 to 17% in December 2014.

Louise Colley, protection director at Aviva, said:

"Some families are feeling the dual pressures of debt and high housing costs, but hopefully some of these demands could be eased by rising incomes.

"It's also encouraging to see more families are getting the message that it is important to protect your finances against sudden shocks."

Talk to us about your personal finances.

Older workers postpone retirement

Almost half of over-50s plan to continue working between age 65 and 70, a survey commissioned by the government has found.

The YouGov survey of more than 2,000 people over 50 highlights a growing trend away from traditional views of retirement towards more flexible approaches.

Important findings:

- 48% want to stay in employment until they're 65-70.
- 39% would prefer to work flexible hours or part-time before retiring
- 17% want to work full-time before stopping work completely.

Retirement expert Dr Ros Altmann said:

"It is clear that many older people no longer see retirement as turning their back on work. They want to work longer, but shift the pace while still making the most of their skills."

Challenges for older workers

The research also identified a lack of confidence amongst older people. More than a fifth (23%) believe that younger workers are viewed more favourably, while 15% of those still working say they have experienced age-based discrimination.

Of those who have been unemployed since turning 50 but are currently in work:

- 41% say their age affected their confidence when applying for jobs
- 53% think that employers aren't interested in employing them because of their age
- 23% say out-of-date skills made it difficult to apply for jobs.

However, Dr Altmann said that employers were beginning to recognise the benefits of employing older workers:

"What's great is that more employers are now getting the message that older workers can have a valuable role in business, particularly as they increasingly represent their future customers and workforce."

We can help you plan for retirement. Contact us to discuss your options.

Pensioner Bonds go on sale

Pensioner Bonds, the government-backed savings products for over-65s, have gone on sale.

Offered through National Savings & Investments (NS&I), the bonds promise market-leading rates to investors aged 65 or over.

There are 2 types bond on sale: the 1-year bond (2.8% annual interest before tax) and the 3-year bond (4% annual interest before tax).

Features of Pensioner Bonds:

- the minimum investment amount is £500 per person
- the maximum investment is £10,000 per person
- a penalty equivalent to 90 days' interest is charged on bonds cashed in before the term is completed.

The government estimates that around 1 million retirees will invest in Pensioner Bonds.

Jane Platt, chief executive, NS&I, said:

"We're really pleased to be starting the New Year by offering the 65+ Bonds to support older savers.

"We expect these Bonds to be on sale for months not weeks and would like to reassure savers that there is no need to rush to invest."

Contact us to discuss your savings options.