WEALTH KNOWLEDGE

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OBLIVIOUS WORKERS OVER 65 'ARE BEING TAXED ON THEIR STATE PENSION'

Up to half a million workers could be paying unnecessary tax on their state pension, Royal London has claimed.

Around 1.1 million over-65s were in employment in 2017, with roughly 950,000 of those receiving a wage alongside drawing their state pension.

The mutual insurer claimed up to 520,000 of these were earning enough money to take them into the higher-rate income tax threshold, resulting in their entire state pension being taxed.

Over-65s who opt to continue working past their state pension age have the option to defer access to their state pension until they officially retire.

Royal London said those who defer their state pension can get an extra 5.8% a year on their pension for each year they defer.

However, those who are claiming their state pension while continuing to work do have the option to 'unretire' by asking the Department for Work and Pensions to stop paying it.

Steve Webb, director of policy at Royal London said:

"There has been a huge increase in the number of people working past the age of 65, and most of these people are claiming their state pension as soon as it is available.

"For half a million workers, this means every penny of their state pension is being taxed, in some cases at the higher rate.

"If their earnings are enough to support them, it makes sense to consider deferring taking a state pension so that less of their pension disappears in tax."

Contact us about your state pension.

UNDER-35S CALL FOR ADVICE TO PREPARE FOR LIFE'S MILESTONES

Almost one in four people under the age of 35 would like independent financial advice to help them prepare for life's major events, research from Scottish Widows has found.

Opinium surveyed 2,006 adults for the study and found that 24% of 18 to 34-year-olds would like financial advice to help them plan for events like marriage, divorce and having a family.

The research claimed just under half (45%) of 203 financial advisers polled currently offer these services, while 27% plan to offer these services in the future.

This age group also wants the way financial advisers communicate with them to change, with 20% preferring to be contacted by an automated 'chatbot'.

A similar number (17%) would like to be contacted over social media, more than three times the overall average of 5%.

Around a third (32%) of over-35s would like advice on ethical investments, despite 42% of IFA respondents reporting little demand for this option.

Jackie Leiper, distribution director at Scottish Widows, said:

"The landscape of the advice market has changed dramatically in recent years, and is still evolving with a growing demographic that hasn't traditionally had the same need for advice in the past.

"There will be a greater need to create advice models that reflect the growing intergenerational opportunity around inheritance.

"As a result, we are seeing IFAs adapting to provide valuable support at milestone moments and in between."

Talk to us about financial planning.

RETIREES' INCOME LEVELS OFF OVER THE LAST EIGHT YEARS

Pensioners earned little more in 2017/18 than they did eight years ago, the Department for Work and Pensions (DWP) said.

In 2017/18, retirees received an average retirement income after housing costs of £304 a week, which was only £3 a week less than the average weekly payout of £307 in 2009/10.

When records began back in 1994/95, the average weekly income increased annually until 2009/10.

More than two-thirds (67%) of pensioners received income from private pensions in 2017/18, an increase of 5% since the DWP started recording this data.

While the difference does not appear to be that great, it is statistically significant as private pensions income includes income from occupational and personal pensions.

The number of savers in receipt of income from personal pensions grew from 11% in 2004/05 to 16% in 2017/18.

Retired couples also had subdued returns, with the average income for pensioner couples standing at £454 a week.

That figure was more than double the amount received by single pensioners, with an average weekly income of £213 in 2017/18.

Income from state and company pensions is on the increase, which has helped prevent pensioner income from falling.

The figures cast doubt over whether future pensioners will get similar rising retirement incomes as those enjoyed by baby boomers, while highlighting the important role auto-enrolment is playing in fostering a savings culture among the nation's current workforce, which hit a record high of 76.1% in March 2019.

Helen Morrissey, pensions specialist at Royal London, said:

"As final-salary pensions continue to decline, there is a risk that pensioner incomes will stagnate unless more is done to make sure those who are in work are saving more for their retirement."

Get in touch to discuss retirement saving.

PENSIONS DASHBOARDS GET THE GREEN LIGHT FROM GOVERNMENT DEPARTMENT

The Department for Work and Pensions has announced new proposals to support the development of pensions dashboards, with initial industry models expected later this year.

First proposed in 2016, the dashboards are intended to help savers with retirement planning by allowing them to see all their pension plans in one place, much like an online bank account.

In response to a consultation, the Government said it would bring forward legislation "at the earliest opportunity" to compel all pension providers to participate.

The first industry dashboards will be ready this year, but most of the schemes will go live within a three to four-year window.

The Government also confirmed that state pension information will be included as soon as possible, and dashboards will be able to help reconnect people with lost pension pots.

Amber Rudd, Secretary for Work and Pensions, said:

"It's more important than ever that people understand their pensions and prepare for financial security in later life.

"Dashboards have the potential to transform the way we all think about and plan for retirement, providing clear and simple information regarding pension savings in one place online."

The service will be developed using a phased approach, with industry-led dashboards displaying the same basic information.

A non-commercial dashboard is also set to be delivered and overseen by the Single Financial Guidance Body.

Kate Smith, head of pensions at Aegon, added:

"There's a lot of work required by providers to ensure scheme information is accurate, secure and available within the suggested three to four-year window, but starting small with basic information and growing to provide more complex information looks like the right solution."

Speak to us about your pension options.

IMPORTANT INFORMATION

The way in which tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to future change.

Pensions eligibility depends on individual circumstances and pension benefit cannot normally be taken before age 55.

This document is solely for information purposes and nothing in it is intended to constitute advice or a recommendation. You should not make any pension decisions based on its content. While considerable care has been taken to ensure this content is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information.