Austin-Chapel

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Autumn Newsletter 2024

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Inside this issue

It's never too early to plan for your retirement

Whether you're in the early stages of your career or nearing retirement age, it's never too late or too early to start planning. What you do now can make a difference to how you live your life later.

Will inflation affect your savings?

With higher interest rates your savings can be less affected. Whereas with lower inflation rates, you may not see such a good return.

Understanding the effects of inflation can be crucial to knowing how much money you have in real terms.

Keeping track of your pension

It's good advice to take control of your pension.

You have so many choices about how and when you retire and what you can do to make the most of your pension.

How much do you need for your retirement?

It's no surprise that each year this figure rises; especially when we have years where we have seen higher inflation. But do you have an idea how much you need for a comfortable lifestyle?

Welcome to the autumn edition of our quarterly client newsletter, which provides topical financial articles.

These newsletters are intended to bring a few key topical issues to your attention. If you would like to discuss any of them (or any other aspect of your financial planning) in more depth, please contact us.

Please note: We may not necessarily advise on all the topics in each newsletter, but thought they may be of interest to you.

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It's never too early to plan for your financial future

You may have put off saving for the future. Putting steps in place when you're younger, can be advantageous later on. It's never too early to start saving and starting now could certainly help you get into better financial shape. Here's some tips to get you started:

Get into the habit of saving

Although saving rates are not as high as in recent years, putting aside even a small amount on a regular basis can get you started with a robust saving habit.

Find out about investing

Investing can be a crucial component of financial planning. By understanding your current financial situation, setting your future goals and understanding the various investment options, you can make informed decisions that align with your financial objectives and risk tolerance. We can help you with a balanced portfolio and managing risk.

Reduce your expenses

Find ways to reduce your expenses. Look at your bank and credit card statements and see where your money is going. You may be paying a regular subscription for something you no longer want.

Pay off any debt

If you have any debt, then you should focus on paying that off first. Once your debt is paid off, you can feel more comfortable about investing.

Start or increase your pension contributions

Many people will have been enrolled into a pension automatically, but you can always increase what you're paying or start a pension if you haven't already got one. A little planning ahead can make quite a difference in later life.

Stocks & Shares ISAs

Stocks & shares ISAs (Individual Savings Accounts) give you the freedom to choose from a variety of investment options and are considered growth investments, as their value can rise. You may make money by selling them at a higher price than you paid.

If you own stocks & shares ISAs, the funds that your stocks & shares ISA is invested in may also pay a dividend (which will get reinvested back into the fund).

The key benefit to an ISA is that any money you hold within an ISA is not subject to income or capital gains tax. Your ISAs won't close when the tax year finishes. You'll keep your savings on a tax-free basis for as long as you keep the money in your ISA accounts.

Property

Just like stock and shares, the value of a property may rise, and you can profit by selling it for more than you paid. Although property prices are not guaranteed to rise, and properties can be harder to sell quickly than some other investment types. Don't forget to factor in capital gains tax, which you may be liable for if it's not your main residence.

Cash Investments

Cash investments including savings accounts and cash ISAs can carry the least financial risk. Although the value of your money could decrease in real terms over time due to inflation.

The favourable tax treatment of ISAs may be subject to changes in legislation in the future.

The value of pensions and investments and the income they produce can go down as well as up and you may not get back the full amount that you originally invested.

Will inflation affect your savings?

What is inflation?

Inflation is the gradual increase in prices over time. Or, looked at a different way, it's the process by which your money loses value over time. Keeping your money in a savings account may seem the most sensible and safest thing to do.

That can certainly be true in the short-term, but if you're planning for the long-term and especially with lower inflation; then it could be better to invest some of your cash, as the stock market may have the potential to give better returns than cash over long time periods. If you do invest, then you can often reduce the risk of losing money by spreading it between different kinds of investments.

Lower inflation

Money held in savings accounts had started to grow in recent years; although there are now clear signs that inflation is finally reducing together with interest rates.

Previously with higher interest rates and prolonged inflation, your savings would have been at risk of losing value in 'real' terms, seeing you able to buy less with your money.

Understanding inflation

Understanding the effects of inflation can be crucial to knowing how much money you have in real terms.

While it is essential to keep some cash in the bank for an emergency fund, savers might want to consider other options to make their money work harder, and protect their savings from inflation.

What can you do to protect your money?

If interest rates are higher, individuals may see a higher return on their savings. If on the other hand they are lower; it may be wise to look at investing.

Consider investing over the longer term

Investing your money over the medium to long term in investments, such as funds, bonds and other assets could give your money greater potential to increase in value over time.

Starting to invest may be easier than you think. Funds can be an effective way to spread your financial risk. Funds are a ready-made basket of investments that save you having to choose individual investments, such as shares in specific companies. You can choose the level of financial risk you're comfortable with, and set the amount you would like to invest each month, then the fund will be managed for you.

You need to be prepared for the value of your investments to fluctuate. But the longer your funds stay invested, the more potential your money has to grow - and recover from any setbacks along the way.

The value of investments and the income they produce can go down as well as up and you may not get back the full amount that you originally invested.

Keeping track of your pension

When you're approaching retirement, it would only be natural to have concerns about your pension. After all it's a large investment and one you're likely to rely on later in life.

What can you do to keep your pension on track?

1. Keep track of any pensions

You should receive annual statements automatically from each of your pension providers. Ask your pension provider to send you an annual statement if you don't receive one. It can be worth creating a "pension file" to store all your documents from your employer, including benefit statements, notices from the plan, and official plan documents.

2. Maintain or even increase contributions

It might be tempting to reduce pension contributions but any break however short could have a long-term impact because of the growth you would lose.

If you have spare income, putting it into a pension could be one of the most tax-efficient ways of investing it. Adding more to your pension pot could help to restore your income sustainability to its previous level. Some people may decide to invest now when asset prices are depressed in the hope that the value will increase in time. But this will mean finding money to add to your retirement savings, which won't be possible for everyone.

3. Don't make any quick decisions about your finances

Investments can fluctuate in value, and it is likely the investments in your pension will rise and fall at different rates.

You might be unhappy with your current investments and how they're currently balanced to meet your financial risk profile, and as much as it can feel difficult, sitting on your hands could be the best thing to do.

Now, more than ever, it is important to think longer term, consider your options and seek advice and guidance before making any decisions.

4. Review the way your pension pot is invested

If you have a defined contribution personal or workplace pension, then you get to choose the way your pension pot is invested.

Typically, this involves choosing from a range of funds offered by your pension provider. These funds will be weighted differently between various types of assets, which offer different levels of risk and potential return.

5. Find a work-life balance that suits you

If you're approaching retirement, a transition phase may be appealing to you. Flexible retirement can allow you to take control, so thinking about your goals and priorities is important. Cutting down hours may allow you to strike a work-life balance that's right for you. You may even want to move to a less demanding role or work from home (especially with more opportunities to work remotely).

6. You could even delay your retirement

If you're just about to retire or getting close to retirement, it might be worth considering delaying or phasing in your retirement. Many people choose to phase into retirement gradually, rather than stopping work completely.

Adding a few years to your retirement date can remove the immediate term worries about cashing in your investments to generate income during any dips in the market or unexpected expenses.

7. Consider reducing withdrawals (if you've already started accessing a pension)

Falling markets could be damaging for those drawing from capital – which means selling investments to fund your income withdrawals. The issue is, if your investments don't then grow by at least as much as you withdraw (regardless of market conditions), your pension could run out sooner than you think.

It can be helpful talking to a financial adviser if you're already accessing your pension flexibly and want to discuss the rate of withdrawal.

8. Speak to your financial adviser

If you would like to learn more about our pension services or any other aspect of your finances, please contact us. We are here to offer both existing and new clients advice when it's needed. Speaking to us about pension concerns you may have can help you understand the long-term impact of the current situation and create a solution where one is needed.

The value of pensions and investments and the income they produce can fall as well as rise and you may not get back the full amount that you originally invested.

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.

How much do you need for the retirement you would like?

With the full state pension for 2024-25 at £11,500, it's hard to know what that means in real terms.

Each year since 2019 the Pension and Lifetime Savings Association has provided figures on how much retirement costs for couples and single retirees.

Research published earlier this year (for the year 2023) showed another double-digit percentage increase needed in retirement. "How much do I need in retirement" is a question that is often asked and there's never a right answer! Although the earlier you start saving, the more likely it is that you'll be able to afford a comfortable lifestyle.

It's hard to predict how much you'll need in your pension to enjoy a comfortable retirement, because everyone's circumstances are different. Each year, the Pensions & Lifetime Savings Association (PLSA) release an update to their Retirement Living Standards to help you picture what kind of lifestyle you can expect at retirement at three different income levels. Minimum, moderate and comfortable.

The table below shows what single retirees living outside London would have needed, for 2023.

Minimum: Covers all your needs, with some left over for fun.
Moderate: More financial security and flexibility.
Comfortable: More financial freedom and some luxuries.

According to the PLSA (https://www.retirementlivingstandards.org.uk) the minimum required to survive as a single pensioner jumped by 12.5% from £12,800 in 2022 to £14,400 a year in 2023.

A single person according to the PLSA would need:
£14,400 a year for a minimum lifestyle
£31,300 a year for a moderate lifestyle
£43,100 a year for a comfortable lifestyle.

And those in a couple would need:
£22,400 a year for a minimum lifestyle
£43,100 a year for a moderate lifestyle
£59,000 a year for a comfortable lifestyle.

In April the full new state pension rose from £10,600 a year to £11,500. At £11,500 a year (for those who reached state pension age after April 2016). You may need to top this up with a personal pension or other means to cover more than essential costs.

How long will you need your pension?

When you're thinking about the kind of retirement lifestyle you'd like to lead, it would be sensible to make sure your pension pot is large enough to last. The average 65-year-old can expect to live for another 20 years, according to the latest government data, with some living longer.

The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.

	Minimum	Moderate	Comfortable
Single	£14,400 *London £15,700*	£31,300 *London £32,800*	£43,100 *London £45,000*
Couple	£22,400 *London £24,500*	£43,100 *London £44,900*	£59,000 *London £61,200*

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