ISSUE 11 ■ SPRING 2020

INDEPENDENT NEWS

KELLANDS
CHARTERED FINANCIAL PLANNERS

PLANNING FOR TOMORROW

WILL MY RETIREMENT INCOME BE ENOUGH TO LIVE ON COMFORTABLY?

HAVE YOU PLANNED FOR THE UNEXPECTED?
One in eight homebuyers don't discuss their protection needs

PRESERVING YOUR LEGACY
How to keep your wealth in the family

BUDGET 2020
Key announcements at a glance

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Season Greetings from the team at Kellands (Bristol) Limited

WELCOME TO KELLANDS INDEPENDENT NEWS

Welcome to our latest edition. Some of the questions our clients almost always ask us are: 'Will I be able to retire when I want to? Will I run out of money? How can I guarantee the kind of retirement I want?' Worryingly, it's been well documented that many Britons aren't saving enough in their pension for their retirement. On page 08, figures published by HM Revenue & Customs (HMRC) in September 2019 show that the annual average contributions that every individual makes decreased in 2017/18 compared to 2016/17. We look at what you need to consider when saving for retirement.

Are you worried about leaving an inheritance to your loved ones and then having them pay tax on your legacy? No one likes to think about a time when they won't be here, but unfortunately the reality is that some people aren't prepared financially. Estates that pass on to a spouse, registered civil partner or charities are exempt from Inheritance Tax (IHT), even if the value of such estates is higher than the threshold limits. Estates that pass on to anyone else, including siblings, children and grandchildren, attract IHT. Turn to page 07.

Planning for retirement can be both exciting and daunting. It's essential to structure your affairs to make sure you have enough money when you eventually retire. To give your pension pot a boost, on page 04 we look at one option to consider if your pension savings are more than your annual allowance, which is to take advantage of the 'carry forward' rules for unused annual allowances from previous years and still receive tax relief. A full list of the articles featured in this issue appears opposite.

Best wishes,

STEVE KELLAND
Chairman

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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 MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

HAVE YOU PLANNED FOR THE UNEXPECTED?

ONE IN EIGHT HOMEBUYERS DON'T DISCUSS THEIR PROTECTION NEEDS

Buying a property is usually the biggest financial obligation many of us will take on in our lifetime, and it's an obvious moment to pause and consider our protection needs.

The most common types of mortgage protection usually consist of mortgage life insurance with critical illness cover and mortgage payment protection insurance (MPPI). Nobody wants to run into financial difficulty, but homeowners should have provision to continue paying their mortgage if something happens to their main source of income.

OLDER HOMEBUYERS THE MOST EXPOSED

Relying on savings isn't viable for many and certainly isn't good for financial resilience. However, one in eight (13%) homebuyers who purchased their mortgage via a mortgage broker did not discuss their protection needs, according to new research[1], with older homebuyers the most exposed, with the potential for the higher risk of health issues impacting their income.

The majority (76%) of homeowners discussed protection products during their initial session, with life insurance being the most commonly purchased product (57%), followed by critical illness (36%) and income protection (31%).

MORE LIKELY TO SUFFER FROM HEALTH CONCERNS

However, more than one in ten (13%) did not discuss protection at all, rising to a fifth (20%) of those aged 55 and above – despite this age group being more likely to suffer from health concerns. More than one in four (28%) homebuyers who did discuss protection did not go on to make a purchase, leaving them unprotected as a result.

Of these, 25% rejected the opportunity to take out cover because they felt they couldn't afford the premiums, as the overall cost of buying a home was already expensive. A slightly smaller proportion (19%) felt they could not afford the cost as the mortgage itself was costly.

DIDN'T SEE THE VALUE IN PROTECTION PRODUCTS

Nearly a quarter (23%) didn't see the value in protection products, while 18% thought they would never need them. One in seven (14%) intended to purchase protection through a different route but never got around to it.

Alarmingly, two in five homeowners (42%) could only cover essential bills for up to two months if their household lost its primary income, and a further 30% could only extend to six months. Adequate financial protection is therefore vital to ensure households can keep up their mortgage payments and retain possession of their home should they unexpectedly lose their income. ■

Source data:

[1] Canada Life 10 December 2019

ARE YOU PREPARED FOR LIFE'S UNEXPECTED EVENTS?

We can help you protect against financial hardship when life becomes unpredictable. Having the right protection in place will provide you with that important financial breathing space when you need it most. To review your current protection requirements or to find out more, please speak to us.

TIME TO GIVE YOUR PENSION POT A BOOST?

PLANNING AHEAD FOR THE FINANCIAL FUTURE YOU WANT

Planning for retirement can be both exciting and daunting. It's essential to structure your affairs to make sure you have enough money when you eventually retire. To give your pension pot a boost, one option to consider if your pension savings are more than your annual allowance is to take advantage of the 'carry forward' rules for unused annual allowances from previous years and still receive tax relief.

> TO TAKE ADVANTAGE OF CARRY FORWARD RULES, YOU MUST MAKE THE MAXIMUM ALLOWABLE CONTRIBUTION IN THE CURRENT TAX YEAR (£40,000 IN 2019/20). YOU CAN THEN CARRY FORWARD ANY UNUSED ANNUAL ALLOWANCES FROM THE THREE PREVIOUS TAX YEARS.

The carry forward rules were introduced from 6 April 2011 and allow your unused annual allowance to be carried forward from the three previous tax years. Where this can be very beneficial is for an individual who has received a large salary increase, whose profits have been good in a self-employed business, who has been made redundant or who is nearing retirement.

VERY USEFUL FOR HIGH EARNERS

Utilising carry forward can also be very useful for high earners who are affected by the tapered annual allowance, which was introduced in April 2016. The way the tapered annual allowance works is that anyone with an adjusted income of more than £150,000 per year has their annual allowance reduced by £1 for every £2 they earn over £150,000, up to a maximum reduction of £30,000.

To be able to carry forward unused annual allowance from a previous tax year, you must have been a member of a registered pension scheme at some point in that tax year (a 'member' includes active, deferred and pensioner members). This can apply even if no contributions were made during that year or if there was a nil pension input amount.

MAXIMUM ALLOWABLE CONTRIBUTION

To take advantage of carry forward rules, you must make the maximum allowable contribution in the current tax year (£40,000 in 2019/20). You can then carry forward any unused annual allowances from the three previous tax years.

The amount of annual allowance that you can carry forward will depend on how much of your annual allowance you used in the previous three tax years. When assessing how much of your annual allowance you used in previous tax years, you need to include the total value of the contributions you made to your pension, any contributions made by your employer, and the tax relief you received from HMRC.

Tax year	Annual allowance
2016/17	£40,000
2017/18	£40,000
2018/19	£40,000
2019/20	£40,000

AUTOMATICALLY CARRY FORWARD ANY UNUSED ANNUAL ALLOWANCE

Carry forward cannot be used for any year that an individual was not a member of a registered pension scheme. It's also worth noting that any contribution made using carry forward does not need to be made to the same registered pension scheme that an individual was a member of in the previous year.

It's possible to carry forward any unused annual allowance automatically. There's no requirement to make a claim to HMRC to carry forward any unused allowance, and there's no need for the details to be included on a self-assessment tax return if there's no annual allowance charge due.

From 6 April 2015, the Money Purchase Annual Allowance (MPAA) was introduced. This reduced the annual allowance in certain circumstances. An individual cannot utilise carry forward if they have triggered the MPAA (unless they have ongoing accrual in a defined benefit scheme). ■

ARE YOU ON TRACK FOR YOUR RETIREMENT?

For individuals who are high earners and likely to be most impacted by the annual allowance, the opportunity to sweep up earnings from the three previous tax years may be a welcome retirement funding opportunity. Let us help you build a tax-efficient income for a great retirement. To find out more, please contact us.

PORTFOLIO DIVERSIFICATION

DON'T PUT ALL YOUR EGGS IN ONE BASKET

Portfolio diversification is the foundational concept of investing. It's a risk management strategy of combining a variety of assets to reduce the overall risk of an investment portfolio.

Traditional wisdom says: don't put all your eggs in one basket. By ensuring your portfolio is well diversified across different asset classes, geographies, styles and size, you spread your risk exposure. If something goes wrong with one security, it only accounts for a small proportion of your investments and therefore won't be too detrimental to your overall wealth.

LOWERING VOLATILITY

The ultimate aim of portfolio diversification is to lower the volatility of a portfolio because not all asset categories, industries or stocks move together. By holding a variety of non-correlated assets, you can reduce specific investment risk.

Diversification is also important because investing in markets can be volatile and unpredictable. In practical terms, diversification is holding investments which will react differently to the same market or economic event. It's also your best defence against a single investment failing or one asset class performing poorly.

SMOOTHING OUT RETURNS

When the economy is growing, stocks tend to outperform bonds. But when things slow down, bonds often perform better than stocks. By holding both stocks and bonds within your portfolio, you reduce the chances of your portfolio being subjected to corrections when markets swing one way or the other.

Diversification also safeguards you against adverse market cycles and reduces volatility. In other words, by owning a large number of investments in different industries and companies, industry and company-specific risk is minimised. This decreases the volatility of the portfolio because different assets should be rising and falling at different times, smoothing out the returns of the portfolio as a whole.

DIFFERENT ASSET CLASSES

To diversify well, you need to invest across different asset classes and within different options in an asset class. If most of your money is in one or two asset classes, it may be prudent to consider other asset classes. Then, within each asset class, make sure your money is invested across the different options available. The three simple ways to diversify your portfolio broadly are by investing across asset classes, within an asset class and internationally.

Setting the right asset allocation for your financial goals and personal specifications depends on a number of factors. These include your investment time horizon and what you are going to use the money for. If you want to grow the money, you will need to take on some risk; if you are looking to preserve it, you will need to limit risk.

TIME HORIZON AND GOALS

Diversification is also important regardless of your time horizon and goals. Any time you're investing in the stock market, you should aim for a diversified portfolio. As your goals or time frames change, the levers to shift should be determined by how aggressively that diversified portfolio is built. Investments allocated to a long-term goal can lean more heavily on stocks, for instance, than those geared towards near-term goals.

An easy way to determine if your portfolio is diversified is by looking at your current performance. Diversified investments won't move in the same direction at the same time. If some of your investments are up while others are down, you've got diversification. ■

MARKET VOLATILITY REQUIRES GREATER DIVERSIFICATION AND INVESTMENT EXPERTISE

Investment objectives can rarely be met by investing in a single asset class. A portfolio that actively invests across multiple asset classes has more sources of potential return and can better adapt to changing market conditions. One of the keys to successful investing is learning how to balance your comfort level with risk against your time horizon. To discuss your investment requirements, please contact us.

PRESERVING YOUR LEGACY

HOW TO KEEP YOUR WEALTH IN THE FAMILY

Are you worried about leaving an inheritance to your loved ones and then having them pay tax on your legacy? No one likes to think about a time when they won't be here, but unfortunately the reality is that some people aren't prepared financially.

Estates that pass on to a spouse, registered civil partner or charities are exempt from Inheritance Tax (IHT), even if the value of such estates is higher than the threshold limits. Estates that pass on to anyone else, including siblings, children and grandchildren, attract IHT.

DECIDING ON THE BEST WAY TO LEAVE YOUR ESTATE

If your estate is likely to suffer IHT, there are accessible solutions and strategies we can discuss with you to mitigate this tax. You may find the idea of discussing inheritance uncomfortable, but proper IHT planning could save your family hundreds of thousands of pounds. This is about deciding on the best way to leave your estate to those you love after you die, and to help ensure your loved ones are provided for.

When you die, the Government charges tax on your estate – and it could be a pretty significant amount. IHT is payable at 40% on assets within your estate that exceed the nil-rate band threshold (currently at £325,000) and is payable on assets that are passed on when you die. Nearly everyone has an estate, no matter how big or small it may be. This will include your property and business, cash and investments, cars, jewellery, art, and proceeds from life insurance policies not written in an appropriate trust.

TRANSFER TO A SURVIVING SPOUSE OR REGISTERED CIVIL PARTNER

An additional nil-rate band is available for individuals on their main residence if it is passed on to a direct descendant. Direct descendants include children (including stepchildren, adopted children or foster children) or grandchildren. This additional IHT-free residence nil-rate band is set at £150,000 in the 2019/20 tax year and will increase to £175,000 from 6 April 2020. As with the existing nil-rate band, any unused additional nil-rate band can be transferred to a surviving spouse or registered civil partner.

The residence nil-rate band is available on top of the existing IHT nil-rate band of £325,000, so that in 2020/21 an individual will potentially be able to leave £500,000 free of IHT. As is now the case with the standard nil-rate band, where the first of a married couple to die leaves their estate to their spouse, the residence nil-rate band can effectively be 'passed on' to the surviving spouse.

MORE TAX-EFFICIENT FOR IHT PURPOSES TO GIFT MONEY

While few of us enjoy talking about our eventual demise, not having a Will can result in assets passing to the wrong person or in a way that gives rise to a larger IHT bill. That's why it's equally important to keep any Will up to date. Tax rules and rates are always changing, and it is crucial to make the most of any new opportunities and to avoid any pitfalls. However, it can be more tax-efficient for IHT purposes to gift money while you are still alive.

TRANSFORMATIVE EFFECT ON BOTH YOUR AND YOUR FAMILY'S LIFE

Transferring wealth while you are alive can have a transformative effect on both your and your family's life. Gifting money to a younger relative to top up their pension and an Individual Savings Account can substantially boost their income when they eventually retire.

Each year, you can give away £3,000, and that gift will not be subject to IHT. You can also give £250 to any number of people each year. Parents can give £5,000 to each of their children as a wedding gift. Grandparents can give £2,500, and anyone else £1,000.

FURTHER TAX-FREE GIFTS

Gifts of any size to charities or political parties are also IHT-free. If a gift is regular, comes out of your income and does not affect your standard of living, any amount of money can be given away and ignored for IHT.

It is also possible to make further tax-free gifts ('potentially exempt transfers'), but you have to survive for seven years after making the gift to get the full benefit of it being outside your estate for IHT purposes.

TAKING A SIGNIFICANT AMOUNT OF WEALTH OUT OF YOUR ESTATE

If you pass away within seven years and the gifts are valued at more than the nil-rate band, taper relief will be applied. The tax reduces on a sliding scale if the gift was made between three and seven years earlier.

Many people think that IHT only concerns the very wealthy, but property prices are such that the value of your property alone can easily exceed the tax threshold. Don't forget, IHT can take a significant amount of wealth out of your estate, making a big difference to the amount your heirs receive when you are gone. ■

HOW CAN I BE SURE MY WEALTH WILL REACH THE RIGHT PEOPLE?

First and foremost, IHT planning will help ensure your family is provided for and your loved ones are taken care of. It also means you can choose where your estate goes so there will be no confusion about your wishes. Professional IHT planning can also help minimise the amount of tax paid, so you can leave more to your loved ones. To discuss your concerns, please contact us.

PLANNING FOR TOMORROW

WILL MY RETIREMENT INCOME BE ENOUGH TO LIVE ON COMFORTABLY?

The questions our clients almost always ask us are: 'Will I be able to retire when I want to? Will I run out of money? How can I guarantee the kind of retirement I want?'

Worryingly, it's been well documented that many Britons aren't saving enough in their pension for their retirement. Figures published by HM Revenue & Customs (HMRC)[1] in September 2019 show that the annual average contributions that every individual makes decreased in 2017/18 compared to 2016/17.

SAVING ENOUGH MONEY FOR RETIREMENT

It's never too early to start planning for your future. When planning for retirement, the truth is that the earlier you start saving and investing, the better off you'll be, thanks to the power of your money compounding over time. It's like a snowball: the further up the mountain it rolls down from, the more snow it picks up, and the bigger the snowball is by the time it reaches the bottom. Put simply, this is what happens to your money.

However, given the difficulty of precisely timing market peaks and troughs, market downturns can have an impact on the value of your retirement pot which is directly dependent on the value of the investments your pension fund owns.

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.

There are steps that you can take to improve your pension prospects, no matter what your age.

We can help you determine which retirement income methods may be best for you based on your personal needs and goals. These are some basics you need to know.

STATE PENSION

The State Pension is a weekly payment from the Government that you can receive once you reach State Pension age. In order to qualify for the State Pension, you need to make National Insurance contributions. If you reached State Pension age before April 2016, you'll be receiving the basic State Pension, plus any additional State Pension you may have built up. Those who hit State Pension age after April 2016 will receive the new single-tier State Pension.

Both the basic and single-tier State Pension are protected by something called the 'triple-lock' guarantee. This means that they rise each year by the greater of annual CPI inflation (announced in September every year), average earnings growth, or 2.5%.

From April 2019, the State Pension increased by average earnings growth, which came in highest at 2.6%. If you're entitled to the full new single-tier State Pension, your weekly payments in the current tax year are £168.60 a week – for this, you'll need to have 35 years of NI contributions.

The State Pension is unlikely to provide a substantial income in retirement. That's where a private pension can make a big difference.

PENSION TAX RELIEF

The Government encourages you to save for your retirement by giving you tax relief on pension contributions. Tax relief has the effect of reducing your tax bill and/or increasing your pension fund. However, at the time of writing this article, the way pension tax relief works is reportedly under review by the Treasury.

You can receive tax relief on private pension contributions worth up to 100% of your annual earnings. Since the tax relief you receive on your pension contributions is paid at the highest rate of Income Tax you pay, the higher your rate of tax, the more you could receive.

The Welsh Government now has the power to set Income Tax rates and bands from 6 April 2019, but has opted to keep these the same as England and Northern Ireland for tax year 2019/20.

ENGLAND/WALES/NORTHERN IRELAND

- Basic-rate taxpayers receive 20% pension tax relief, for example, a contribution of £100 from your salary into your pension would cost you £80, with the Government contributing the other £20 – the amount it would have taxed from £100 of your salary
- Higher-rate taxpayers can claim 40% pension tax relief, for example, a contribution of £100 costs you £60, with the Government adding £40
- Additional-rate taxpayers can claim 45% pension tax relief, for example, a contribution of £100 costs you £55, with the Government adding £45

SCOTLAND

- Starter-rate taxpayers pay 19% Income Tax but get 20% pension tax relief
- Basic-rate taxpayers pay 20% Income Tax and get 20% pension tax relief
- Intermediate-rate taxpayers pay 21% Income Tax and can claim 21% pension tax relief
- Higher-rate taxpayers pay 41% Income Tax and can claim 41% pension tax relief
- Top-rate taxpayers pay 46% Income Tax and can claim 46% pension tax relief

ANNUAL ALLOWANCE

Anyone earning less than £40,000 would only be able to obtain tax relief on a grossed up pension contribution equal to their gross income. Nobody actually pays tax on their pension contributions as such.

Contributions are made by people net of basic-rate tax, and the product provider grosses it up by adding a further £20 to every £80 that the individual pays. If this process results in the individual receiving more tax relief than they are entitled to, HMRC will claw it back further down the line.

Your annual allowance applies to all of your pensions if you have more than one. This includes the total amount paid into a defined contribution scheme in a tax year by you or anyone else (for example, your employer) and any increase in a defined benefit scheme in a tax year.

If you use all of your annual allowance for the current tax year, you might be able to carry over any annual allowance you did not use from the previous three tax years.

Your annual allowance will be lower if you flexibly access your pension. By accessing the

> **If you're concerned about saving enough money for retirement, you're not alone. Even if you began saving late or have yet to begin, it's important to know that you are not alone, and we can discuss with you steps you can take to increase your retirement savings.**

taxable element of your pension, it triggers the 'money purchase annual allowance' (MPAA) rather than the tax-free cash pension commencement lump sum (PCLS). An individual could take their tax-fee cash from a pension arrangement and not trigger the MPAA.

For example, this could include taking cash or a short-term annuity from a flexi-access drawdown fund or taking cash from a pension pot ('uncrystallised funds pension lump sums').

The MPAA is £4,000 and is triggered by flexibly accessing benefits. If you have a high income, you'll have a reduced ('tapered') annual allowance if both your 'threshold income' is over £110,000, or your 'adjusted income' is over £150,000.

If you go over your annual allowance, either you or your pension provider must pay the tax. HMRC does not tax anyone for going over their annual allowance in a tax year if they retired and took all their pension pots because of serious ill health or have died.

HMRC[1] figures published in September 2019 show that during 2017/18, 26,550 taxpayers reported pension contributions exceeding their annual allowance through self-assessment. 2016/17 was the first year affected by the tapered annual allowance; the total value of contributions reported as exceeding the annual allowance was £812 million in 2017/18.

LIFETIME ALLOWANCE

You usually pay tax if your pension pots are worth more than the lifetime allowance. This is currently £1,055,000. You might be able to protect your pension pot from reductions to the lifetime allowance. If you're in more than one pension scheme, you must add up what you've used in all pension schemes you belong to.

A statement from your pension provider will tell you how much tax you owe if you go above your lifetime allowance, and your pension provider will deduct the tax before you start receiving your pension.

If you die before taking your pension, HMRC will bill the person who inherits your pension for the tax. The rate of tax you pay on pension savings above your lifetime allowance depends on how the money is paid to you – the rate is 55% if you receive it as a lump sum and 25% if you receive it in any other way (for example, through pension payments or cash withdrawals).

In April 2016, the lifetime allowance was reduced. You can apply to protect your lifetime allowance from this reduction. Tell your pension provider the type of protection and the protection reference number when you decide to take money from your pension pot. You can also inform HMRC in writing if you think you might have lost your protection.

You may also have a reduced lifetime allowance if you have the right to take your pension before the age of 50 under a pension scheme you joined before 2006.

In 2017/18, there were 4,550 counts of lifetime allowance excess charges paid. The total value of lifetime allowance charges paid by schemes in the tax year was £185 million – a 28.5% increase from £144 million in 2016/17 – according to HMRC[1] figures published in September 2019. ■

TOGETHER WE'LL DELIVER YOUR RETIREMENT GOALS

Pensions can be complex with so many considerations, including your family circumstances, pension rules and tax regulations. The good news is that whatever your situation, and however you want to enjoy retirement, we can help set up bespoke arrangements that are right for your needs. To discuss your situation, please contact us.

Source data:

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836637/Personal_Pensions_and_Pensions_Relief_Statistics.pdf

DIVORCEES RISK LOSING OUT ON PENSIONS

DIVIDING THIS ASSET IS OF VITAL IMPORTANCE TO AVOID PENSION POVERTY

Divorce is an emotional and stressful period for those who have to go through it. However, it's important that people realise that a pension is a valuable asset when considering how they split their money.

This is particularly problematic given the average age of divorcees, and it is more likely that a woman will not have any sizeable pension of her own. Previously married couples are at risk of ignoring one of the most valuable assets in divorce settlements, the latest figures from the Family Law Courts show.

DISSOLUTION OF MARRIAGE

The figures show there were 118,408 petitions filed for dissolution of marriage in 2018, but only 14% contained some sort of pension settlement order. This is despite a recent trend in people getting divorced later in life. According to the Office for National Statistics, the median age of divorce for men and women has increased by ten years between 1987 and 2017[1].

As people divorce later, they have less time to build a retirement income if they did not have a pension of their own, meaning dividing this asset is of vital importance to avoid pension poverty. This is a particular issue for women, as 45% of women aged 65 or over have no private pension wealth, separate figures from the ONS show.

When couples divorce, they have different options for how they divide assets between them, including pensions.

The primary methods used for pensions are:

- Offsetting, where the pension assets can be offset against other assets of the divorcing parties
- Pension sharing orders, where pension assets are divided at the time of divorce and there is a clean financial break
- Pension attachment orders, also known as 'pension earmarking', where the pension provider of one party pays an agreed amount direct to the former spouse when the pension rights come into payment. This does not represent a clean financial break between the couple and risks the loss of future income for the former spouse if the person with the pension rights dies before retiring or the former spouse remarries

PENSION ATTACHMENT ORDERS

Since 2015, the use of pension attachment orders has increased by 61%, while pension sharing orders have risen by 41%. However, while both types of pension order have increased in popularity, they still represent a relatively small percentage of total divorce cases.

In light of pension freedoms, people with existing pension attachment orders should consider reviewing their agreement and take financial and legal advice as the change in rules brought about by pension freedoms may mean that their attachment order will not provide what was intended. ■

A FAIR SETTLEMENT FOR ALL PARTIES INVOLVED

Divorcees need to make sure they are receiving professional legal and financial advice before, during and after any divorce case to ensure any settlement is fair for all parties involved. It should not be acceptable for pensions to be ignored, since whilst they might not have an immediate impact, they will do so later in someone's life. Please contact us for more information.

Source data:

[1] In 2017, the median age of divorce for women was 43.5 compared to 33.7 in 1987. For men in 1987, the median age stood at 36.4, whereas in 2017 it was 46.0.

RETIREMENT OPTIONS

£19M RELEASED EACH DAY SINCE PENSION FREEDOMS LAUNCH

In his 2015 Spring Budget, then-chancellor George Osborne introduced sweeping changes to the way that pensions are taxed. The new pension freedom rules have led to the over-55s being faced with a variety of different choices when taking and investing their nest eggs.

Prior to April 2015, when most people with a defined contribution pension reached retirement age, the only option available was to buy an annuity, which involved using pension savings to purchase a guaranteed income for life.

PEOPLE RETIRING EACH YEAR

Roll on five years, it now means anyone aged 55 and over can take the entire amount of their defined contribution pension scheme as a lump sum, paying no tax on the first 25%, with the remaining taxed as if it were a salary at their Income Tax rate.

Before this, tax restrictions ensured that many of the people retiring each year were required to purchase an annuity – a product provided by insurers which turns a pension pot into a secure retirement income for life. The problem with some annuities is that they have become poor value, particularly for savers who bought the wrong kind.

PEAK PENSION FREEDOMS

Official figures[1] published show that £32.97 billion of taxable payments have been taken from pensions since freedom and choice were introduced. This equates to an average of £18.75 million being flexibly withdrawn every day over the past 1,760 days since pension freedoms were introduced.

In the coming decade, a record nine million people are set to enter the arena of the pension freedoms at age 55[2]. This is more than is expected to be seen in any decade that follows, with the 2020s likely to see peak pension freedoms.

INCREASED RESPONSIBILITY

With the popularity of pension freedoms continuing to grow and savers being entrusted with increased individual responsibility, it is worrying that 94% of adults are flying solo, not seeking any financial advice each year.[3]

The Money and Pensions Service (MaPS) has launched its strategy with a vision of 'everyone making the most of their money and pensions'[4].

TAKE YOUR TIME AND SEEK ADVICE

If you are considering your pension freedom options, the future has 'got a lot more interesting'. Remember: take your time and seek professional financial advice. The pension freedoms are available from age 55, but there is no need to act at age 55. And your time in retirement may be longer than ever before.

PENSION FREEDOM OPTIONS

There are a number of different options when you are deciding how to take your defined contribution pension pot.

Leave your whole pot untouched
You don't have to start taking money from your pension pot when you reach your 'selected retirement age'. You can leave your money invested in your pot until you need it.

Guaranteed income (annuity)
You use your pot to purchase an insurance policy that guarantees you an income for the rest of your life – no matter how long you live.

Adjustable income
Your pot is invested to give you a regular income. You decide how much to take out and when, and how long you want it to last.

Take cash lump sums
You can take smaller sums of money from your pot until you run out. Your 25% tax-free amount isn't paid in one lump sum – you get it over time.

Take your entire pot in one go
You can cash in your entire pot – 25% is tax-free, the rest is taxable.

Combine your options
You can also combine different options. However, to do this, you would usually need a bigger pot.

BE AWARE OF THE SCAMMERS

Make sure you don't fall victim to scammers. Your pension is likely to represent the biggest single source of your private wealth, so the attraction for scammers is obvious. Since January 2019, it has been illegal to make these cold calls. See the Financial Conduct Authority's ScamSmart website for more advice.

DON'T OVERLOOK THE TAX

Think about the matter of tax. How will this impact on your particular situation? The way in which you access your pension savings can have significant implications on how much tax you may need to pay and on the income in your retirement.

PROFESSIONAL FINANCIAL ADVICE

Finally, don't forget the importance of obtaining professional financial advice. You may have been saving for 30 years, so take more than 30 minutes when considering your options. Let us provide you with the professional advice to ensure that you end up with the best options for your particular situation. ■

A LONG LIFE NEEDS A SMART PLAN
The way you take your money for retirement will have a big impact on how long it will last – and how much tax you pay. To discuss your options or to find out more, contact us to arrange a meeting.

Source data:
[1] www.gov.uk/government/statistics/flexible-payments-from-pensions
[2] www.ons.gov.uk peoplepopulationandcommunity/populationandmigration/ populationestimates/bulletins/annualmidyearpopulationestimates/mid2018
[3] www.fca.org.uk/publication/research/financial-lives-consumers-across-uk.pdf
[4] moneyandpensionsservice.org.uk/uk-strategy-for-financial-wellbeing/

BUDGET 2020

KEY ANNOUNCEMENTS AT A GLANCE

The Chancellor of the Exchequer, Rishi Sunak, acknowledged the coronavirus (COVID-19) was a key challenge but not the only challenge facing the country. However, with it likely that a fifth of the workforce could be off sick at any one time, the Chancellor announced a package of measures to help individuals and 'provide a bridge' for businesses. These are the key Budget 2020 takeaways announced from his speech delivered to parliament on 11 March.

ECONOMY

- Inflation forecast of 1.4% this year, increasing to 1.8% in 2021/22

GROWTH

- Economy predicted to grow by 1.1% this year, revised down from 1.4% a year ago (the figure does not take into account the impact of coronavirus)
- Growth predicted to reach 1.8% in 2021/22, 1.5% in 2022/23 and 1.3% in 2023/24
- UK growth 'to be slowest since 2009'

BORROWING

- Government to borrow £14.6 billion more this year than previously forecast, equivalent to 2.1% of Gross Domestic Product (GDP)
- Total additional borrowing of £96.6 billion forecast by 2023/24 to pay for spending commitments

DEBT

- Debt as a percentage of GDP forecast to be lower at end of current Parliament than now

PERSONAL TAXATION, WAGES AND PENSIONS

- The tax threshold for National Insurance Contributions rises from £8,632 to £9,500
- Tax paid on the pensions of high earners, including doctors, to be recalculated
- Tapering of annual allowances on pension contributions raised by £90,000
- Capital Gains Tax allowance to increase in line with Consumer Price Index inflation by £300 from April to £12,300
- UK living wage to increase to £10.50 an hour by 2024

CORONAVIRUS (COVID-19 RESPONSE)

- £5 billion emergency response fund to support the National Health Service (NHS) and other public services
- Firms with fewer than 250 staff will be refunded for sick pay payments for two weeks
- Small firms will be able to access 'business interruption' loans of up to £1.2 million
- Business rates in England to be abolished for firms in the retail, leisure and hospitality sectors with a rateable value below £51,000

WELFARE

- £500 million hardship fund for councils to help vulnerable people
- Statutory sick pay will be available to individuals self-isolating, even if they have not presented with symptoms
- Contributory Employment and Support Allowance will be claimable from day one rather than day eight
- Self-employed workers who are not eligible for sick pay will be able to claim contributory Employment and Support Allowance
- Minimum income floor for Universal Credit removed
- Requirement to physically attend a job centre will be removed – everything can be done on the phone and online

HEALTH

- £6 billion in new money for the NHS over this Parliament – separate to the emergency fund
- NHS surcharge for people from overseas will increase to £624

TRANSPORT, INFRASTRUCTURE AND HOUSING

- More than £600 billion is set to be spent on roads, rail, broadband and housing by the middle of 2025
- £2.5 billion will be made available to fix potholes and resurface roads over five years
- Further education colleges will receive £1.5 billion in new investment in their buildings
- £650 million package to tackle homelessness, providing an extra 6,000 places for rough sleepers
- Stamp duty surcharge for foreign buyers of United Kingdom properties to be levied at 2% from April 2021
- New £1 billion fund to remove all unsafe combustible cladding from all public and private housing higher than 18 metres

ENVIRONMENT AND ENERGY

- Plastic packaging tax to come into force from April 2022
- Manufacturers and importers whose products have less than 30% recyclable material will be charged £200 per tonne
- Subsidies for fuel used in off-road vehicles – known as 'red diesel' – will be scrapped 'for most sectors' in two years' time
- Red diesel subsidies will remain for farmers and rail operators
- £120 million in emergency relief for communities affected by this winter's flooding, and £200 million for flood resilience
- Total investment in flood defences to be doubled to £5.2 billion over next five years
- £640 million 'nature for climate fund' to protect natural habitats, including 30,000 hectares of new trees

NATIONS AND REGIONS

- An extra £640 million for Scotland, £360 million for Wales, and £210 million for Northern Ireland
- Treasury's Green Book rules to be reviewed to put regional prosperity at heart of spending decisions
- Treasury to open new offices in Wales and Scotland
- New civil service hub in the North of England, employing 750 staff

OTHER ANNOUNCEMENTS

- 5% VAT on women's sanitary products abolished
- Fuel duty to be frozen for the 10th consecutive year
- Duties on spirits, beer, cider and wine to be frozen
- Tobacco taxes will continue to rise by 2% above the rate of retail price inflation, adding 27 pence to a packet of 20 cigarettes and 14 pence to a packet of cigars
- Business rate discounts for pubs to rise from £1,000 to £5,000 this year

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