The financial planning magazine from Fairstone

IntelligentWealth

ISSUE 52 ▪ NOVEMBER/DECEMBER 2021

PENSIONS AND RETIREMENT STILL REMAIN A TABOO

WHEN IT COMES TO MARRIAGE AND MONEY, IT'S GOOD TO TALK

FESTIVE GIFTS THAT TEACH CHILDREN THE VALUE OF MONEY
Why parents should look to Christmas investment gifts instead of toys

HOW CAN I PROTECT MY MONEY FROM INFLATION?
Five questions to ask before inflation really takes off

PLANNING FOR EARLY RETIREMENT
What are the financial consequences to stopping work in your 50s?

Fairstone is a full-service wealth management house delivering intelligent solutions for your lifetime financial journey.

Incorporating one of the UK's largest Chartered financial planning firms, our team of financial advisers offer independent financial advice, investment management and estate planning services.

Wealth management

Tailored wealth management advice to help you achieve your life goals

Portfolio construction

Helping you to plan for your future with a tailored investment plan

Retirement planning

Helping you plan your finances to achieve the lifestyle you deserve

Protection planning

Helping you plan for the unexpected

Property finance

Helping you to buy the house of your dreams - mortgage advice that's tailored to you

Estate planning

Protecting the financial future of the ones you love - estate and inheritance planning that gives you financial control

Corporate financial advice

Helping you plan for the financial future of your business

Fairstone offer all new clients a **no cost, no obligation, initial consultation.**

Our dedicated client services team will be happy to match you to the local adviser that best suits your needs and objectives, in just a few short minutes.

Speak to the team on

0800 029 1110

info@fairstone.co.uk

fairstone.co.uk

CONTENTS

04
HOW CAN I PROTECT MY MONEY FROM INFLATION?
Five questions to ask before inflation really takes off

06
PENSIONS AND RETIREMENT STILL REMAIN A TABOO
When it comes to marriage and money, it's good to talk

07
FESTIVE GIFTS THAT TEACH CHILDREN THE VALUE OF MONEY
Why parents should look to Christmas investment gifts instead of toys

08
PLANNING FOR EARLY RETIREMENT
What are the financial consequences of stopping work in your 50s?

10
IS FREEDOM TODAY HURTING FREEDOM TOMORROW?
Tax-free cash allowances putting some retirements at risk

11
PLANNING FOR THE ROAD AHEAD
Gen Z's caring nature supporting both themselves and loved ones

INSIDE THIS ISSUE

Welcome to our latest edition of *Intelligent Wealth* from Fairstone.

In this issue, pensions and retirement plans still remain a taboo for many couples. On page 06 we explain why when it comes to marriage and money, it's good to talk. Millions of married couples have no idea about their spouse's pensions and retirement plans, according to new research, and many non-retired married people are also not aware of the tax-efficiencies of planning retirement together.

With the festive season fast approaching, have you thought about gifting your children or grandchildren something different this year? Festive financial gifts teach children the value of money. On page 07 we explain how by giving them a good start in life by making investments into their future, you can make all the difference to them in today's more complex world.

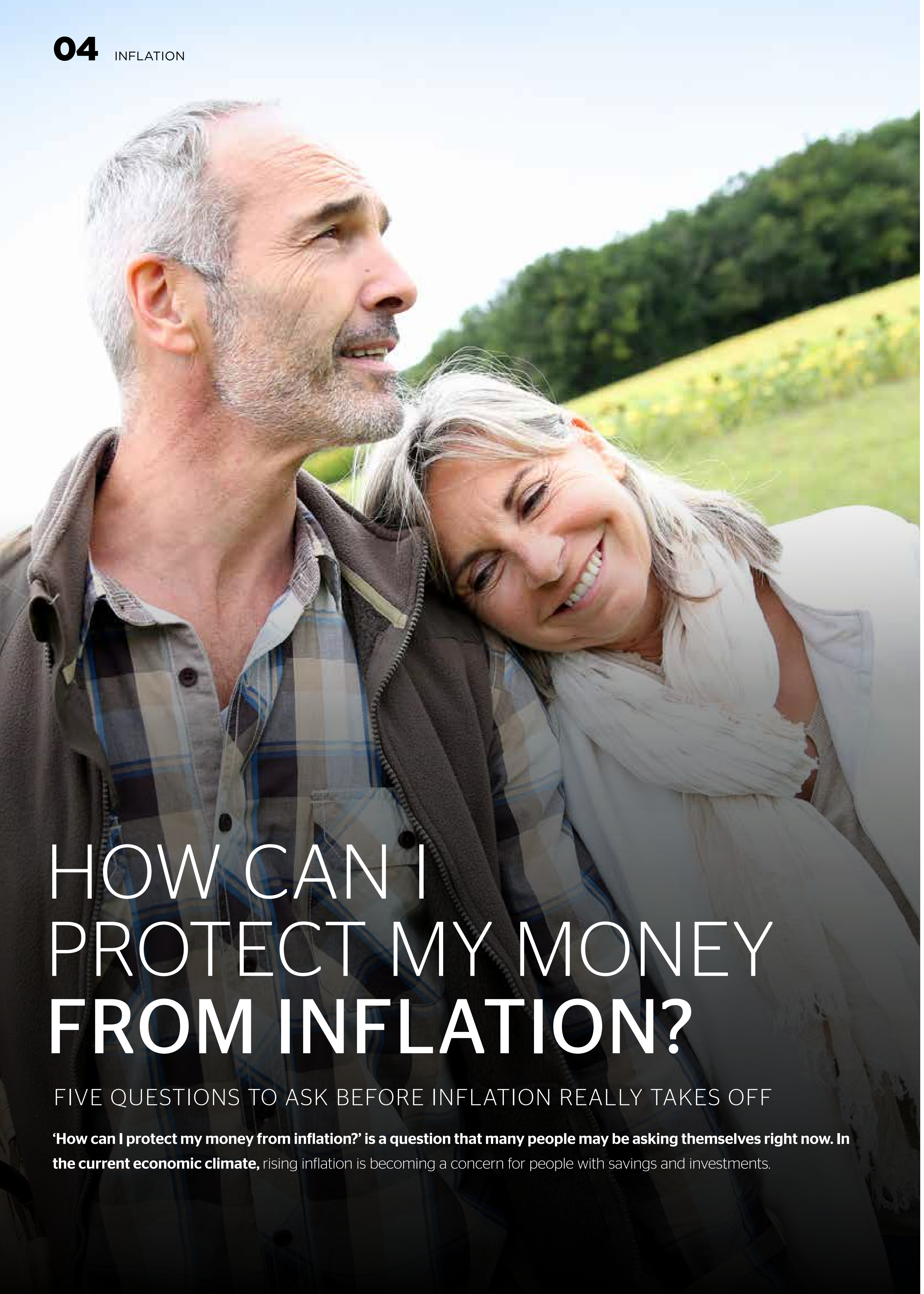
How can you protect your money from inflation? Turn to page 04 to see what five questions you need to ask before inflation really takes off. Many savers may currently be receiving very low returns on their cash deposits, but with many households sitting on more cash than ever following COVID-19, protecting cash from inflation is becoming vital.

What are the financial consequences of stopping work in your 50s? Early retirement may be the ultimate dream for some, but the coronavirus (COVID-19) pandemic made it the only option for many. On page 08 we look at how retiring early can give you that change of lifestyle you've been craving, but there are financial consequences to stopping work in your 50s.

WHAT'S IMPORTANT TO YOU, YOUR FAMILY AND YOUR BUSINESS?

Better answers begin with better questions: What's important to you, your family and your business, today, tomorrow and further down the track? And what do you have to do to make these important things become a reality? To discuss how Fairstone can help you, please contact us. We look forward to hearing from you. I hope you enjoy reading *Intelligent Wealth*.

Lee Hartley
CEO Fairstone



HOW CAN I PROTECT MY MONEY FROM INFLATION?

FIVE QUESTIONS TO ASK BEFORE INFLATION REALLY TAKES OFF

'How can I protect my money from inflation?' is a question that many people may be asking themselves right now. In the current economic climate, rising inflation is becoming a concern for people with savings and investments.

The effect means you're potentially earning less money due to your hard-earned cash becoming worth less as time goes by. The negative impact of inflation upon the real value of an investor's portfolio will be a concern, particularly for the older generation with not enough investments, who may live mostly or entirely off their savings and pensions. It can be even worse if they have a decrease in income at the same time as a loss of value on their assets.

If you're middle-aged or young, it's also important to consider how much inflation will affect you and your investments. Many savers may currently be receiving very low returns on their cash deposits, but with many households sitting on more cash than ever following COVID-19, protecting cash from inflation is becoming vital.

FIVE QUESTIONS TO ASK TO PROTECT YOUR CASH FROM INFLATION

1) Is the amount you have in cash appropriate for your circumstances?
The first thing we would say here is that the amount of cash you have should be appropriate for your personal circumstances. What we mean by this is that the amount of cash someone else has may not be appropriate for you, because we all have different needs and wants.

The amount of cash savings that a person has should always match their circumstances and income level. Since we don't know what life will bring next, we need to be able to take care of ourselves and our families – even the unexpected – without having to resort to or depend on credit cards or loans from others. It's important to build an emergency fund.

This should contain at least three months' worth of expenses – those are the bare minimum. It could be more, but not less than three months' worth. But since this will be at the mercy of inflation, some savers may opt to hold the bare minimum amount in cash to avoid incurring losses on the value of their money.

2) Should you consider investing some of your cash?
As a general rule, the answer to this question will depend on your cash flow needs and investment preferences. But you should consider investing some of your money, even though this may seem counterintuitive.

Ultimately building a diversified investment portfolio rather than putting all your eggs into one basket, so having some cash savings and some investments for growth, is likely to suit most people's risk profiles.

While past performance is no guarantee of future performance, investing some of your cash savings may be worth considering. If you're saving for a long-term goal, like retirement, then it's really important to factor in inflation. If you don't it could erode the value of your money and jeopardise your plans for the future.

3) Have you maximised your pension savings in recent years?
How much money you get in retirement depends on how much you put in, and when. When you retire, the money you have saved up in your pension will provide an income. The bigger that pot is, the more you'll get each year to help pay for your living expenses. On average, people retiring today may need to replace about half of their pre-retirement income with savings and investments (income from pensions or other savings).

> HOW MUCH MONEY YOU GET IN RETIREMENT DEPENDS ON HOW MUCH YOU PUT IN, AND WHEN.

Obtaining professional financial advice is important to make sure you're putting enough away so your retirement savings last longer. To give yourself the best chance of a comfortable retirement, you need to make sure as much as possible goes into your workplace or personal pensions as early as possible.

It is important to maximise pension contributions to receive tax relief as this helps you save more money for your retirement goals. Pensions are still a very tax-efficient investment for the majority of people, with tax relief on contributions, as well as tax-free growth within the fund.

4) Have you made use of your ISA allowance this year, and those of your family (assuming you're feeling generous)?
Do you have an ISA allowance? Have you made use of this year's allowance and do you plan to make any changes in the future to your ISA savings strategy? Have you made use of your family's ISA allowance this year?

Everyone aged 18 and over can invest £20,000 per annum into a Stocks & Shares ISA; those under 18 can invest £9,000 each year. Those aged 16 or over can invest £20,000 per annum into a Cash ISA. ISAs grow tax-efficiently, whether invested in cash or other asset classes like stocks and shares, and the long-term effects of this tax-efficient growth can be significant.

5) Are you making the most of your income allowances?
You work hard to make a living, and you should take advantage of how much money you have been able to earn. Personal income allowances give you the ability to control how much or how little tax you pay on money that has been earned over the year.

Often, we find people squander the opportunity to use a spouse's or partner's lower Income Tax rate, or even their Personal Savings Allowance (currently £1,000 for 2021/22), by holding investments or cash balances in the higher earner's name. This could mean, for example, paying tax on interest at 45% when the spouse would pay just 20%, or even no tax at all. There is no limit on the amount of money that can be transferred (the transfer must be of genuine beneficial ownership to apply) between spouses, so you might want to consider whether transferring holdings to or from your partner would benefit your family.

Few savers will be untouched by inflation in the near future. But by asking yourself the questions above, you can mitigate the effect of inflation by making sure your money is working as hard as possible to earn inflation-beating returns. ■

TIME TO DISCUSS HOW TO PROTECT THE VALUE OF YOUR WEALTH?
If you want to get more out of your personal savings and investments, we can help you manage, organise and preserve the wealth of your portfolio. To discuss how to mitigate the impact of inflation on your financial plans, please contact us – we look forward to hearing from you.

PENSIONS AND RETIREMENT STILL REMAIN A **TABOO**

WHEN IT COMES TO MARRIAGE AND MONEY, IT'S GOOD TO TALK

Millions of married couples have no idea about their spouse's pensions and retirement plans, according to new research[1]. More than three-quarters (78%) of non-retired married[2] people do not know what their spouse's pensions are worth.

Nearly half (47%) of non-retired married people have not spoken to their spouse about their retirement plans and 85% of non-retired married people are not aware of the tax-efficiencies of planning retirement together.

RETIREMENT FINANCES

Wealthy people aren't doing much better. Mass affluent people (those with assets of between £100,000 and £500,000 excluding property) are more likely than average to be aware of the value of their spouse's pension, but the majority (60%) aren't going to plan their retirement finances with their spouse and 78% aren't aware of the benefits of planning retirement together.

The research indicates that millions of married people are not talking to their partners about their pensions and retirement plans. That's a mistake because couples who jointly plan their retirement can be much better off when they stop working.

LIFETIME OF SAVING

Most people have a good idea of what their house is worth, and the same attitude should apply to their retirement funds. After a lifetime of saving, the value of a retirement fund can be worth as much as a property so it's important that people know how much their retirement savings are worth and the potential death benefits they offer.

The best way for people to ensure they have the retirement they want, their pension income lasts throughout their retirement and that they avoid unnecessary tax bills is to obtain professional financial advice. This is especially true for people who plan to retire within the next five years.

PENSION TIPS FOR COUPLES

Pay into your partner's pension: A higher-earning partner approaching the Lifetime Allowance or Annual Allowance could pay additional contributions into their partner's pension. The contributions will attract tax relief.

Don't forget the death benefits and Inheritance Tax benefits of pensions: Pensions won't normally form part of the estate for Inheritance Tax purposes and, on death before age 75, they can usually be paid out tax free (on death after 75, they are taxed as the beneficiary's income). It can make sense to discuss when and how to access a pension and if it would be better to spend any other savings first.

Avoid unnecessary large withdrawals from a pension fund: Couples should consider how much money they need to withdraw from their pension funds. Drawing too much too quickly can lead to large tax bills.

Make sure your partner knows who to contact about your pensions if you die: You may have carefully arranged all your finances so that they can be passed to your loved ones in the most tax-efficient way possible. However, if your partner hasn't been part of the conversation they may make uninformed decisions. It's worth remembering that any adviser/client relationship you have ends on death. Data protection rules mean your financial adviser won't necessarily know what is happening. This can lead to irreversible and costly mistakes being made.

On retirement, many people's first instinct is to request their full tax-free cash entitlement. However, unless a large lump sum is needed for a specific purpose, this is not always the wisest course of action.

If flexibly accessing a pension, it can often make sense for couples to retain most of the tax-free cash entitlement until a later date, looking to utilise the personal allowance (and potentially the basic rate tax band) to draw tax-efficient income instead. ■

SUCCESSFULLY MANAGING FINANCES IN MARRIAGE

When you and your spouse married, you agreed to share a financial future. It's an important issue for most married couples. Although successfully managing finances in marriage is essential to your happiness together, talking about money may not come naturally. To discuss how we could help you plan your finances, please contact us for more information.

Source data: *[1] LV= surveyed 4,000+ nationally representative UK adults via an online omnibus conducted by Opinium in June 2021.*
[2] Includes couples in civil partnerships. UK population stats from ONS. Total UK adult population is 52.7m UK adults (aged 18+).

FESTIVE GIFTS THAT TEACH **CHILDREN THE VALUE OF MONEY**

WHY PARENTS SHOULD LOOK TO CHRISTMAS INVESTMENT GIFTS INSTEAD OF TOYS

With the festive season approaching, have you thought about gifting your children or grandchildren something different this year? Giving them a good start in life by making investments into their future can make all the difference in today's more complex world.

Lifetime gifting is not only a good way to set up children for adulthood but is also a way of mitigating any Inheritance Tax concerns.

However, what's clear is that not all saving products for children are made equally. With interest rates at historic lows, if you are looking to put money away for a child to enjoy when they grow up investing is by far the best way to maximise your gift.

SIGNIFICANTLY HIGHER RETURNS

Some people remain worried about the volatility of investing but, with an 18-year horizon, putting money to work in the market can give significantly higher returns than products such as Premium Bonds.

One option to consider is a Junior Individual Savings Account (JISA). These were introduced in the UK on 1 April 1999 as a long-term replacement for Child Trust Funds (CTFs). If a child was born between 2002 and 2011, they might already have a Child Trust Fund, but these can be transferred into a JISA.

SAVE AND INVEST ON BEHALF OF A CHILD

If the CTF is not transferred, when a child reaches 18 they'll still be able to access the money. Or they can choose to transfer it into a normal Cash ISA. A JISA is a long-term savings account set up by a parent or guardian and lets you save and invest on behalf of a child under 18 without paying tax on income or gains.

With a Junior Stocks & Shares ISA account, you can put your child's savings into investments like funds, shares and bonds. Any profits you earn by trading investment funds, shares or bonds are free from tax. Investments are riskier than cash but could give your child a bigger profit, and the value of a Junior Stocks & Shares ISA can go down as well as up.

Money in the account belongs to the child, but they can't withdraw it until they turn 18, apart from in exceptional circumstances. They can start managing their account on their own from age 16.

FINANCIAL EDUCATION FROM A YOUNG AGE

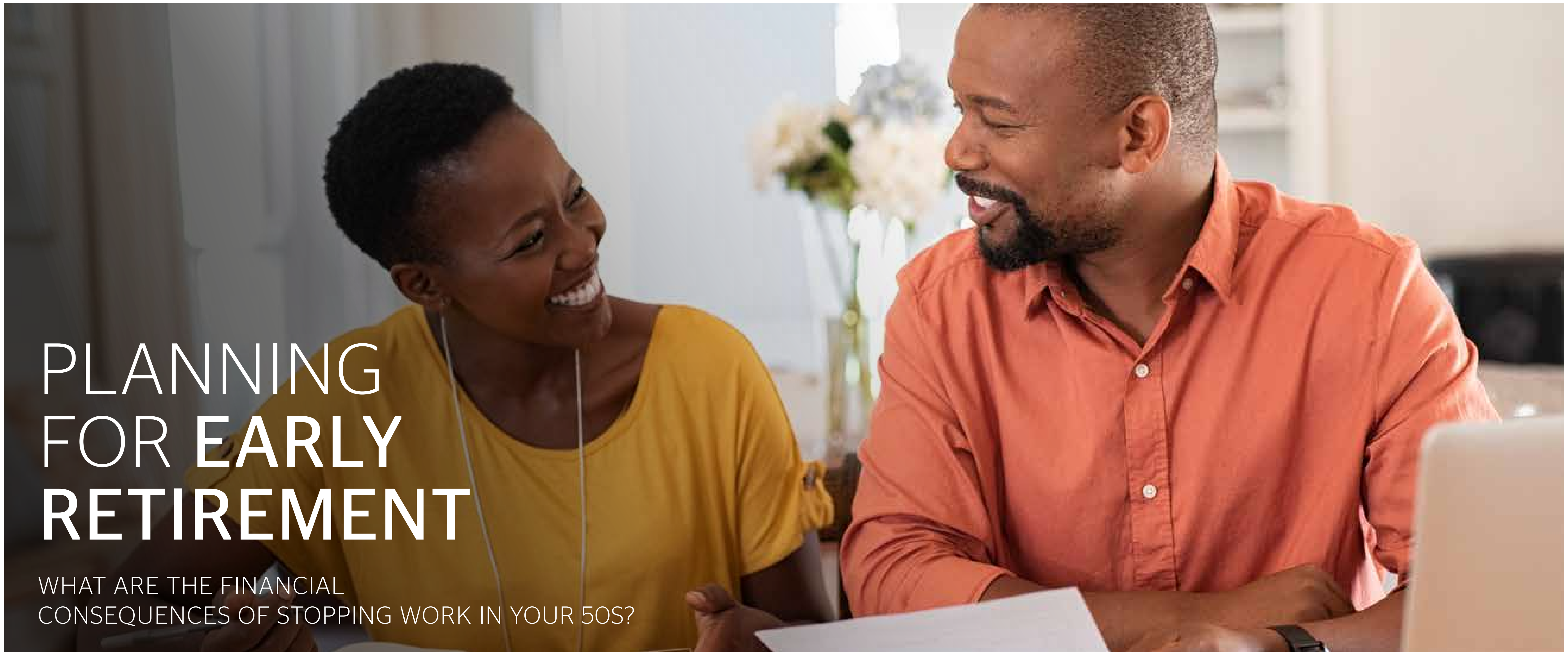
The Junior ISA limit is £9,000 for the tax year 2021/22. If more than this is put into a Junior ISA, the excess is held in a savings account in trust for the child – it cannot be returned to the donor. Friends and family can also save on behalf of the child as long as the total stays under the annual limit.

When your child turns 18, their account is automatically rolled over into an adult ISA.

They can also choose to take the money out and spend it how they like. It is therefore important to ensure that children are given financial education from a young age so that when they can get their hands on the funds they use them wisely. ■

BEEN PUTTING OFF PLANNING FOR YOUR CHILD'S FUTURE?

Many parents, guardians and grandparents want to help younger members of the family financially – whether to help fund an education, a wedding or a deposit for a first home. If you are asking yourself 'How can I start saving for my child's future?', using a Junior Individual Savings Account could be a good place to start. You don't need a big lump sum to get started. In fact, contributing regular smaller amounts is a good way to start. To find out more, please speak to us – we look forward to hearing from you.



PLANNING FOR **EARLY RETIREMENT**

WHAT ARE THE FINANCIAL CONSEQUENCES OF STOPPING WORK IN YOUR 50S?

Early retirement may be the ultimate dream for some, but the coronavirus (COVID-19) pandemic made it the only option for many. Figures from the Office for National Statistics show that over-50s had the highest redundancy rate between December 2020 and February 2021[1].

Retiring early can give you that change of lifestyle you've been craving, open doors to new experiences and potentially improve your health. But there are financial consequences to stopping work in your 50s.

WHAT IS THE FINANCIAL IMPACT OF EARLY RETIREMENT?

Traditionally, people retired between the ages of 60 and 65, but there's no set age that you need to give up work. In fact, anyone with a pension pot can access it from age 55 – although this is set to rise to age 57 from 2028.

Retiring early requires some careful planning. It can put significant pressure on your funds as your new income is likely to be less than your pre-retirement earnings. You might have various sources of income for your retirement ranging from your personal and/or workplace pension, the State Pension, investments and other savings. Reviewing your financial situation and determining how much money you need to live a comfortable life in retirement is an important first step.

Something to bear in mind: if you're aged over 55, your State Pension won't be paid until you reach age 67. If you stop working before then, you could be relying on income from your private pension savings for more than a decade.

It's also worth bearing in mind the impact of inflation. Prices have steadily increased over the past decade, for example, holidays, luxury goods and even basic necessities have become more expensive. So if you're looking at a retirement of 25 years or more, you could see the purchasing power of your pension income decrease due to rising prices.

HOW TO ASSESS YOUR FINANCIAL SITUATION

Understanding your individual financial situation can make a big difference when it comes to making decisions around your retirement savings. Fully assessing your personal finances can help give you a clearer picture of whether early retirement is feasible.

HERE'S A CHECKLIST OF WHAT YOU SHOULD CONSIDER:

1. How do you plan for a varied retirement?

If you're planning to retire early, think about what type of lifestyle you want to enjoy in later life. This will then help you determine what you're saving towards. You might plan to travel, embark on a journey of further education or simply spend more time with loved ones – whatever you decide to do, you're going to have demands on your retirement income.

When you're reviewing your financial plans, it could be worth looking at those first early years of retirement as something separate. For example, including more in the budget for multiple holidays a year, or dinners out and trips to the theatre. Then take a look at how your lifestyle may modify as you slow down in later life. There may be fewer trips and holidays to take, but there could be increased care costs.

Taking early retirement means that you almost have to plan for two different retirements. One that caters to the immediate future, where you're likely to still be very active. And one where a slower pace of life comes into play. Each will have a different focus and therefore different demands on your money.

2. How many years do you expect to be retired?

There are obviously no guarantees on how long any of us will live, but when it comes to retirement planning, you'll need to make an informed guess.

It's worth considering family history, as well as factors such as your gender and geographical region. If you expect to live to around 85, but plan to retire at 55, you'll need to save enough to support yourself for 30 years – but don't forget, you may live a lot longer than you expect, and you're likely to want leave something for your loved ones.

3. How much will your State Pension be?

In order to understand your income requirements in later life, you'll need to know when you can collect your State Pension and how much it's likely to be.

The State Pension age is under review and is gradually being pushed back so it's in line with life expectancy. Other factors, such as your gender and the year you were born, make State Pension ages vary.

Currently, the maximum State Pension is £179.60 per week, or £9,350 a year[2]. However, you'll need to have made, or be credited with, 35 years of National Insurance contributions to qualify for the full amount[3].

4. How much do you have in your private pension pot?

As the State Pension is not really enough to live on, the likelihood is that workplace or private pensions will make up a significant part of your retirement income.

When you retire, you can use some or all of your pension savings to buy an annuity, which then pays you a regular retirement income for either a set period, or for life. Alternatively, you can keep your savings in your pension pot and 'drawdown' only what you need, as and when you need it. You must have a defined contribution pension to be able to do this (your workplace pension provider will be able to inform you on whether you do).

The first step, before making a decision, would be to track down all of your pension pots and ask for a pension forecast. Estimate how much you can achieve via a drawdown, an annuity, or a combination of both. And remember, the value of any investments can fall as well as rise and isn't guaranteed.

5. How can you ensure your pension pot will last?

Having an understanding of your retirement income and outgoings can help you to plan for the future. Perhaps you've reviewed your finances and realised you can retire early, or you might decide to wait a few more years to help you boost your pension pot that bit more.

The key thing to understand is that your retirement is completely personal, and the amount you will need will depend on your specific circumstances and expectations. If you're in any doubt about the financial impact of early retirement, you should obtain professional financial advice.■

WHAT DOORS AND POSSIBILITIES WILL YOUR RETIREMENT OPEN FOR YOU?

Life is short and unpredictable. If you would like to retire early and explore a life away from work, you'll need to put a carefully considered plan in place. Retirement can open many doors and possibilities. You may be thinking about seeing the world or starting your own business. To discuss how we could help you, please contact us for further information.

Source data: *[1] Living longer: older workers during the coronavirus (COVID-19) pandemic. Data source, Office for National Statistics, May 2021.*
[2] Having more for retirement. Data source, GOV.UK, August 2021.
[3] The new State Pension. Data source, GOV. UK, August 2021.

IS FREEDOM TODAY HURTING **FREEDOM TOMORROW?**

TAX-FREE CASH ALLOWANCES PUTTING SOME RETIREMENTS AT RISK

A new study has identified that Britain's future pensioners are putting their retirement future at risk by withdrawing cash from their pension pots while still in the accumulation phase[1]. The findings were that some people are confusing their pension pots for savings accounts, which may have a detrimental impact on their retirement.

Rather than its original intention of incentivising saving, tax-free cash allowances appear to have the opposite effect in practice – encouraging members of pension schemes to spend more before they retire and take their tax-free cash savings while they still have other sources of cash savings. This is a potentially very damaging situation for whole generations of future retirees.

The study highlighted that 76% of savers do not intend to use their tax-free cash for retirement income, with nearly a third (28%) accessing their pension pots while still in 'accumulation' phase and female pensions savers being over 10% more likely to sacrifice returns by taking cash at 55.

TAX-FREE CASH

Nearly three-quarters of those who access their tax-free cash believe that the main purpose of their pension is to provide an income for life. However, 76% of respondents do not intend to use their tax-free cash to provide them with an income in retirement.

Over 50% of those who had withdrawn their lump sum said they did not need to take as much at that time and of those who decided to withdraw a lump sum, the most popular choice of what to do with it (27%) was to spend it on home repairs and improvements.

POTENTIAL FOR GROWTH

The tax-free aspect of taking a special lump sum at the age of 55 is a clear driver behind this behaviour. Nearly half (46%) would not have withdrawn their cash if it had not been tax-free. This is also implied by the timing of withdrawals.

Among those polled who have withdrawn from their pension, more than a quarter (26%) did this as soon as possible at the age of 55 exactly, with many unaware of the potential for growth had they kept their money invested for longer.

TAKING THE LUMP SUM

Over half who had withdrawn their lump sum said they did not really need as much right away and that they could have taken less. Meanwhile nearly one-third (29%) said that they could have used other savings instead of taking the lump sum out of their pension.

This highlights that the decision of when to take cash from pension pots – and how much to take – is not often based on financial planning. While minimising tax is often the driver of 'tax-free withdrawals', in many cases it can actually lead to less tax-efficient outcomes for members.

ACCUMULATION STAGE

Those who withdraw while still in the accumulation stage of their pension – which is the majority as mentioned above – compromise their 'Money Purchase Annual Allowance' (MPAA), which reduces the annual amount they can pay in to their pension each year, tax-free, from £40,000 to £4,000. This can have major tax implications for those still planning to put funds back into their pension pots.

Those with less in their pension are more susceptible to these trends. More than two-thirds (68%) of those who have taken tax-free cash from a larger pension pot (of over £250,000) have a plan so that their cash withdrawal provides them with an income in retirement.

BONUS OR A WINDFALL

This compares to only 13% of those with less than £10,000 in their pension – two-thirds (65%) of whom haven't yet worked out what monthly income they will need in retirement. Over half (53%) of those with pots of less than £10,000 agreed with the statement that tax-free cash is 'there to spend, like a bonus or a windfall' compared to less than a third (30%) of those with pots of over £250,000.

INVEST FOR BETTER RETURNS

But even among more financially well-off savers, there is an aversion to keeping their tax-free cash invested in their pension. While nearly half (48%) of those with pots of over £250,000 say they believe their lump sum is something to 'invest elsewhere, for better returns', those with pots of over £250,000 are three times more likely to keep their tax-free lump sum in cash rather than invest it (54% in cash savings versus 18% in a Stocks & Shares ISA or other investments).

Women are also more at risk from the side effects of tax-free cash. Female pensions savers are more likely to withdraw earlier (33% of women versus 22% men at age 55) and to put their tax-free cash in a savings account, current account or Cash ISA to keep for a rainy day (29% women versus 19% men), leaving them vulnerable to accepting a low cash interest rate instead of an investment return in their pension for longer. ■

YOUR RETIREMENT – WE'RE HERE TO HELP

Pensions can be complex with so many considerations, including your family circumstances, pension rules and tax regulations. Whatever your situation, and however you want to enjoy retirement, we can help you. To find out more – speak to us to review your options.

Source data: *[1] Research was conducted for Legal & General in August 2021, surveying 1,526 members of defined contribution (DC) pension schemes in the UK, aged 50 years and older.*

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

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. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

PLANNING FOR **THE ROAD AHEAD**

GEN Z'S CARING NATURE SUPPORTING BOTH THEMSELVES AND LOVED ONES

Younger generations deserve much more credit for planning ahead and beginning to think about retirement when it will still feel so far away for them, according to new research[1].

The pandemic will likely have impacted their mindset, with issues such as longevity and later life care now at the forefront and providing a stark reminder of the need to have provisions in place for the future – to support both themselves and loved ones.

SAVINGS JOURNEY

Generation Zers (those aged between 18 and 24) appear to be rising to the challenges they face so far and planning for the road ahead and the additional strains their finances will likely need to cover. Generation Z is also the first to have been auto-enrolled into a workplace pensions scheme from the start of their working lives, and will have an entirely different saving experience to that of their parents and grandparents.

As Generation Z begin their savings journey, they may look to benefit from the wisdom of those currently in retirement. With hindsight, a quarter (26%) of retired people wish they had saved more, while 25% felt they underestimated the potential length of their retirement and wish they had known this before they stopped working.

RETIREMENT FINANCES

Almost two-thirds (62%) of adult Generation Zers say they are happy to spend less on themselves so they can help loved ones and any children they have in future. Demonstrating a positive awareness of the demands their retirement finances might have to cover, a quarter (25%) of Generation Z expect to be paying for long-term care for a loved one in retirement, and 25% also expect to help their parents/in-laws financially.

The findings look to understand the attitudes, hopes and behaviours of people as they manage their finances to and through retirement, while considering the influence that age, affluence, education and gender have on their financial engagement and wellbeing.

FINANCIAL SUPPORT

The research reveals Gen Zers to be a highly caring generation, with 39% believing it's the responsibility of adult children to provide financial support to parents (compared to 29% of 45 – 54 year olds, and 21% of 55 – 64 year olds).

Providing fresh insight into the financial behaviours and attitudes of various socio-groups, the report shows Gen Z adults are already thinking about their future finances, with three in ten (29%) saying they have done 'a great deal of planning or thinking' about how much money they will need to live on in retirement.

FUNDING SOURCES

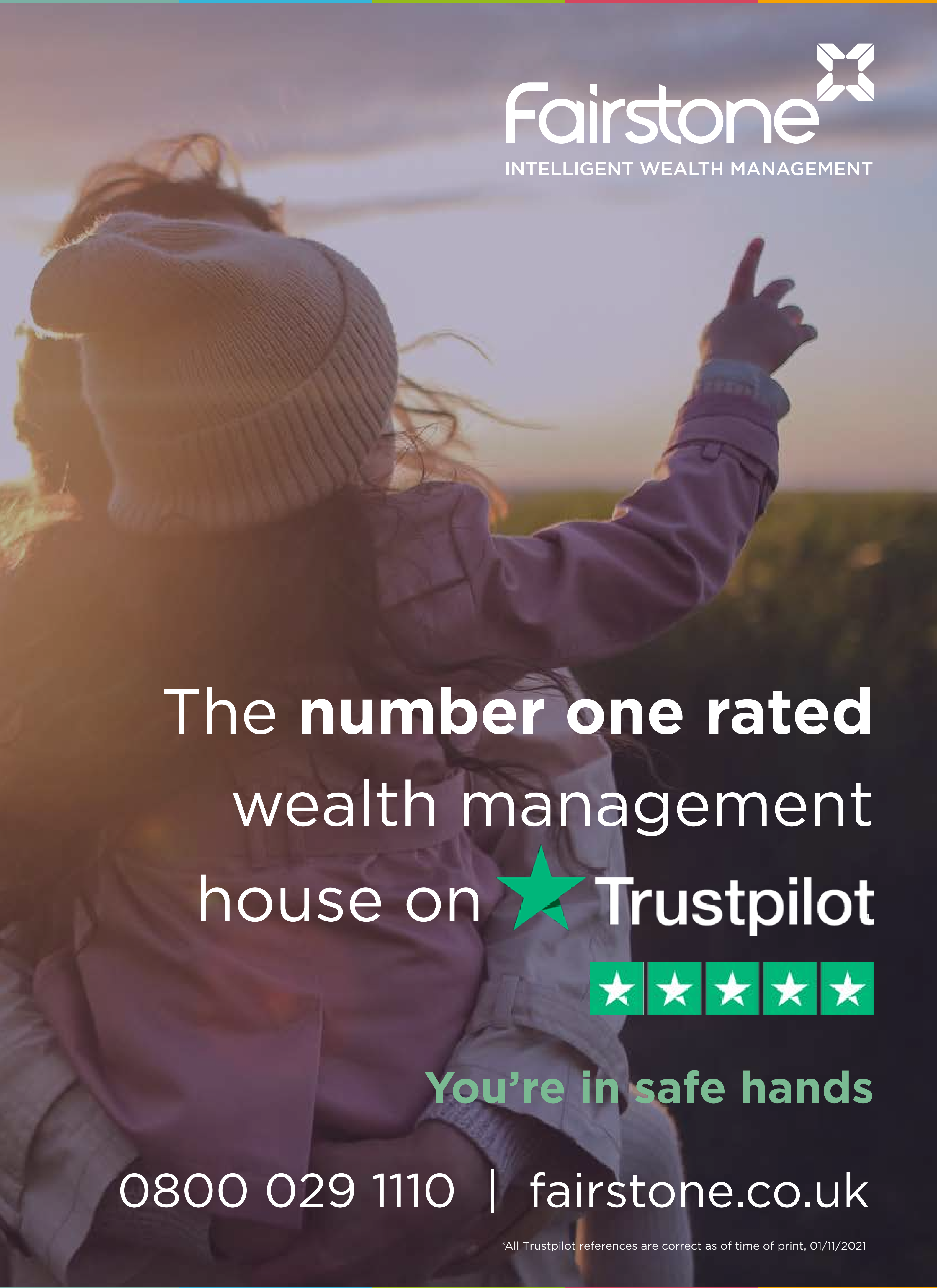
They appear to have done more planning than their elders, as only a fifth (21%) of Generation X say they've done a great deal of planning or thinking about retirement. Gen Z are thinking about future finances almost as much as the Baby Boomers – the generation closest to or currently in the early stages of retirement – where 31% say they have done a substantial amount of planning.

Furthermore, 62% of Gen Z adults state they are even worried they're spending too much money now in case they run out later in life. However, while Gen Z show a high level of consideration for how much they may need in retirement, and what they may spend their money on, there are still some elements they are unsure about, with a fifth (20%) not having given any thought to their potential funding sources for retirement – the highest of any age group. ■

HOW CAN I MAKE THE MOST OF MY PENSION PLAN WHILE I'M YOUNG?

When the future is unclear, the thought of retirement may well feel more daunting than exciting. We'll advise you on how to build the wealth you need to achieve the retirement you deserve. Don't leave it to chance – to discuss your requirements, please talk to us.

Source data: *[1] Boxclever conducted research for Standard Life among 4,896 UK adults. The research is nationally representative of UK adult population in terms of age, gender, region, with 578 people falling into Generation Z. Quantitative fieldwork was conducted between 16 – 23 July 2021. Qualitative fieldwork was conducted between 3 – 11 August 2021.*


Fairstone
INTELLIGENT WEALTH MANAGEMENT
The **number one rated** wealth management house on Trustpilot
You're in safe hands
0800 029 1110 | fairstone.co.uk
*All Trustpilot references are correct as of time of print, 01/11/2021