Plutus Partnership Limited

Winter Newsletter 2023/2024

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Inside this issue

How women can close the pension gender gap

Women are less likely than men to have a private pension or as much money invested. This is often due to family and care commitments as well as part time and lower paid work. There are many ways women can close this shortfall.

Benefits of passing on your pension

One of the greatest assets you can pass onto your beneficiaries is your pension. So it makes sense to look at your options and not overlook the important part that passing on your pension savings can have.

Make sure you don't fall into any retirement pitfalls!

Being realistic about your retirement plans earlier can help you miss the many pitfalls that can get in the way of the lifestyle you desire in your later years.

Investing for our next generation

Putting money aside for your child or grandchild can give them a real head start for their future.

Autumn Statement Highlights

As part of Jeremy Hunt's plan to "make work pay" he announced cuts to national insurance and an increase to the minimum wage.

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

If you have any questions in relation to the articles contained within this newsletter, please do not hesitate to contact us and we will be happy to provide any guidance required.

Whatever your financial need, we are always pleased to speak with you.

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Any information in this newsletter does not constitute advice and should not be acted upon without taking professional guidance.

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 gender gap on pensions

Although pension saving has increased for both men and women, there is still a gender pensions gap (private pensions) between male employees and female employees. Women are less likely than men to have a private pension and many that do, have less invested. Perhaps missing out on contributions when caring for children or elderly relatives, or not earning enough to qualify because of low paid or part time work.

Non-earners can pay up to £3,600 into their pension each year, including tax relief, and earners can pay up to 100 per cent of their earnings, capped at £60,000 per tax year to receive tax relief.

Here's a few tips to improve your pension.

1. Start early

Contribute as much as you can to your pension and start early! Making the most of compound interest, which is a bit like earning interest on your interest.

2. Catch up after any career breaks

Women taking a career break for maternity leave or reducing working hours to care for children or other family members can lose out. While it might not seem like much, taking a break from work can mean taking a break from pension contributions, potentially making a difference to the eventual size of your retirement pot.

After a career break it may be worthwhile increasing the amount you pay into a pension to catch up.

3. Calculate your pension gap

Compare your projected retirement income with current savings and expected pension benefits to help you identify any potential shortfall in your retirement fund (pension gap).

4. Increase contributions later on

If you're older and your children have left home and your outgoings reduced, it may make sense to increase your pension contributions. Contributing extra income over a number of years, together with growth and tax relief could make quite a difference to your retirement.

5. Check your national insurance credits

Make sure you have your full 35 years of national insurance contributions to get the full state pension. If there are any missing years you can make voluntary national insurance contributions to top it up.

6. Ask for a pay rise

An obvious way to get more into your pension is to earn more money. Your employer will have to pay more into your pension, and your own contributions will also increase.

7. Consider working part-time

Working part-time during your retirement years can provide additional income and help you stay active and engaged.

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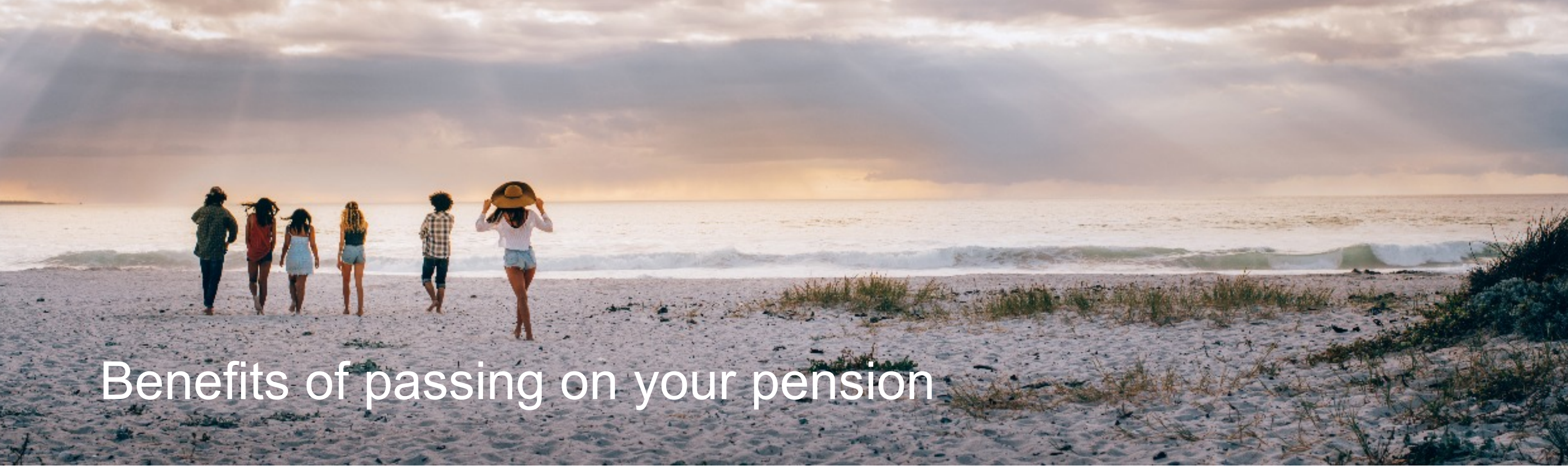

Benefits of passing on your pension

Providing security for your loved ones to enjoy, long after you are gone

Whilst it's not an easy thing to talk about, passing on your pension can have a large impact on those you leave behind. The way that you decide to take your pension may affect what you can do with your pension when you pass away. The rules for pension death benefits will vary depending on the type of pension you have and your age when you pass away.

What can be passed on from your pension will always depend on your pension scheme; it's always worth speaking with your financial adviser or pension provider to find out more information.

Usually a defined contribution pension pot can be inherited by anyone and a defined benefit pension can only be paid to a dependant (but a DB lump sum death benefit can be paid to anyone within the scheme rules).

Defined contribution pensions

The main pension rule governing defined contribution pensions in death is your age when you die and whether you've already started drawing your pension.

An annuity after death can be a little more complicated. Especially if you have already started receiving income and you are outside your guaranteed period. You would need to check what death benefits your pension scheme offers, to see how much your beneficiary could still benefit.

Defined benefit pensions

Defined benefit pensions work a little differently as their value is linked to your salary and how many years you've worked for your employer. The main pension rule governing defined benefit pensions in death is whether you were retired before you died.

Nominate a beneficiary

It can be really important to keep information up to date with your pension provider as your wishes and circumstances change. Ask them for a form to nominate who should inherit your pension.

Who can classify as a dependant?

A dependant is someone who is financially dependent on you. Which could include:

- Your legally married husband, wife or your civil partner;
- A long-term unmarried partner – they can be treated as financially dependent, even where the relationship was one of financial interdependence;
- Former husband or wife (if they were married to you when you were first entitled to take the benefits from your pension) or civil partner (if they were your civil partner when you were first entitled to take the benefits from your pension);
- Children under the age of 23, or older if they suffer mental or physical incapacity or are still receiving full time educational or vocational training.

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Estate planning and Inheritance Tax Planning are not regulated by the Financial Conduct Authority.

Tax treatment varies according to individual circumstance and is subject to change.

Don’t fall into any retirement pitfalls

In order to avoid retirement mistakes, you should try and be realistic about your plans and think ahead. Especially with events outside of our control like high inflation and fluctuating savings rates.

1. Misunderstanding the cost of living in retirement

It’s important when saving for retirement not to underestimate how much you need to set aside, otherwise you could be left with a significant shortfall once you stop working. Everyone’s circumstances, needs and desires in retirement are different and it may be that you need more money than you think.

2. Underestimating the length of your retirement

The pension freedoms have given people the opportunity to take money from pension pots early, often before planned retirement ages. This could potentially be storing up trouble for the future, especially if people are underestimating how long these pensions need to last.

3. Relying on your home as your pension

Property can be a reasonable long-term investment, but you shouldn’t put all your money into your home at the expense of your pension. Pensions can have many advantages over property, including tax relief and employer contributions (in the case of most workplace pensions).

4. Not reviewing your pensions

Many people think that just having a pension means they will be financially prepared for retirement, but they don’t always understand that it’s necessary to review these plans on a regular basis in order to get the most out of your returns. If you find you have a shortfall, you may still be able to take steps to increase the chances that your pension pot will be able to achieve the income you want when you retire.

A pension review with a financial adviser could be a wise move, it may give you the chance to go over everything to see if you are heading where you want to.

5. Not assessing all your retirement options

It’s important that you spend time assessing all your options and get good advice, it could be a wise move to seek professional financial advice.

To better understand the choices for using your pension pot, a useful start is Pension Wise – the free and impartial service backed by the government.

6. You don’t have to stop work completely

Phased retirement can offer many advantages and not just financial. Winding down into retirement can give you time to build up new hobbies helping to enable a smooth transition into full retirement.

7. Falling victim to a scam

For most people in the UK, their pension savings can be one of their largest financial assets, saving towards their retirement over the course of their working lives.

Unfortunately, because of the size of individual pension pots, pension savings can be an attractive target for criminals. It’s always best to check who you are dealing with and be on your guard if you’re approached about your pension.

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Investing for our next generation

Rising food and energy costs, house prices, the rental market and university loans can add to financial challenges young people face in becoming financially independent.

Many parents and grandparents are now taking proactive measures to provide a financial safety net for their children and grandchildren.

Putting money aside for your child can be a great gift for their future, not only can they start their adult lives with some savings but getting them involved early with savings can teach them important lessons about money.

Start Early!

The earlier you can start investing money for your children, the more chance it has to grow before they need it as an adult.

Interest on savings for children

There's usually no tax to pay on children's accounts. Tell HMRC if, in the tax year, the child gets more than £100 in interest from money given by a parent. The parent will have to pay tax on all the interest if it's above their own Personal Savings Allowance.

You must also tell HMRC if a child has an income over their Personal Allowance, eg from a trust. The child will have to pay the tax on this.

The £100 limit doesn't apply to money given by grandparents, relatives or friends or in a Junior ISA or Child Trust Fund.

Regular savings account

If you're able to commit to making monthly contributions, then a regular savings account could be a good option as interest rates can be pretty generous and you don't have to pay in much.

There are usually stringent withdrawal limits: withdrawals will either be unavailable, or you'll face losing interest. You may be liable to pay tax: again, the £100 rule applies.

Junior Individual Savings Account (ISA)

There are 2 types of Junior ISA: a cash Junior ISA (no tax is payable on the interest) and a stocks and shares Junior ISA. For example your cash is invested and you will not pay tax on any capital growth or dividends you receive. Your child can have one or both types of Junior ISA.

Only a parent or guardian can open a Junior ISA and manage the account, but the money belongs to the child. The child can take control of the account when they're 16, but cannot withdraw the money until they turn 18.

In the 2023 to 2024 tax year, the savings limit for Junior ISAs is £9,000.

Premium Bonds

Premium Bonds are a fun way to save, with the chance to win tax-free prizes each month. They can be great if you fancy winning tax-free prizes or want to buy a savings gift for children under 16.

Not so great if you want guaranteed returns or are concerned about inflation.

The Financial Conduct Authority does not regulate premium bonds, estate planning, tax advice or wills or trusts.

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

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Autumn Statement Highlights

An Autumn Statement for growth

On Wednesday 22nd November, Jeremy Hunt the Chancellor of the Exchequer announced his Autumn Statement.

"In today's Autumn Statement for Growth our choice is not big government, high spending and high tax because we know that leads to less growth, not more. Instead we reduce debt, cut taxes and reward work. We deliver world class education. We build domestic sustainable energy."

As part of Jeremy Hunt's plan to "make work pay" he announced cuts to national insurance and an increase to the minimum wage.

Personal Tax

The main 12% rate of employee national insurance contributions (NICs) on earnings between £12,570 and £50,270 are to be cut by 2% to 10% from January 6th 2024.

Business Tax

From April the government is reducing the main rate of Class 4 self-employed NICs from 9% to 8%, and will abolish the outdated and needlessly complex Class 2 self-employed NICs, reforming and simplifying the tax system.

Welfare Reforms

To better help the long-term unemployed into work, the government is expanding Additional Jobcentre Support, extending and expanding the Restart programme in England and Wales, and strengthening sanctions for those who choose not to engage with measures that help them find work.

Benefits are to be increased by 6.7%. There will be tougher requirements for those who claim benefits to look for work. People claiming benefits may face mandatory work experience if they do not find a job within 18 months.

National Living Wage

The national living wage will increase by more than a £1 an hour from April to £11.44 and will be extended to 21-year-olds.

Housing Support

The government will raise Local Housing Allowance rates to support low-income households with increasing rent costs.

Pension Triple Lock

The government will continue to protect pensioner incomes by maintaining the Triple Lock and up-rating the basic State Pension, new State Pension and Pension Credit standard minimum guarantee for 2024-25 in line with average earnings growth of 8.5%

Growth Sectors

Targeted support was announced for digital technology, green industries, life sciences, advanced manufacturing and creative industries. This included making available £4.5 billion to unlock investment in strategic manufacturing sectors.

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