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Independent Financial Advisors

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Out and About in the Financial World

Welcome to our newsletter sharing items that we feel may be of interest to you, our clients, as well as your family and friends.

If you read anything of interest and we can be of further help please don't hesitate to give us a call.

Annuity rates hit highest level in more than a decade

Rates have risen by 35% over the past year. Someone aged 65 with a £100,000 pension can now get an annuity income of £6,637 per year (single life, level, five year guarantee). Last September you would only receive around £4,900 per year. The last time they were this high was March 2010 when a 65-year old male could get £6,678. Annuity rates are determined by long-term gilt yields which are affected by many factors - including interest rates. Annuity rates had been in decline since the Global Financial Crisis and hit an all-time low in the aftermath of the Brexit vote.

Helen Morrissey, Senior Pensions and Retirement Analyst at Hargreaves Lansdown:

"Annuity rates continue to soar – increasing by 35% this year alone – reaching a level not seen for more than a decade. If we see a further interest rate rises, then we could see these rates rise still further in the coming weeks.

Annuities once ruled the roost in retirement income but the low rates on offer meant they faced criticism that they offered poor value for money. The introduction of Freedom and Choice, which gave people much more flexibility over how they took their pension, saw their use decline hugely. These rising rates could encourage people who wouldn't have thought of purchasing an annuity this time last year to give them serious consideration.

Many people will have a need for some level of guaranteed income during retirement and so annuities should always form a part of any retirement income conversation. Once an annuity is bought it cannot be unwound and this can concern would-be annuitants who don't want to lock into a rate that then subsequently rises. However, you are under no obligation to annuitise your pension in one go. A good approach could be to annuitise in stages, securing income to meet your needs as you need it. This gives you the opportunity to secure higher rates as you age, and you may also qualify for a further boost to your income through an enhanced annuity if you develop a medical condition at a later point. It also gives you the chance to keep the remainder of your pension invested for longer where it can hopefully benefit from investment growth."

Source: ACTUARIAL POST

If you would like to discuss an annuity give us a call.

Be aware of tax year end deadlines!

1. Use your ISA allowance.
2. Contribute to your pension.
3. Reduce your inheritance tax bill.
4. Use your capital gains tax allowance.

Need to take action? Please contact us.

UK state pension age may rise to 68 in 2030's, reports say.

An article in the Sun claimed the UK state pension age (SPA) is likely to rise to 68 sooner than many had expected. At the moment, nothing has been confirmed, but we should know more within a few months, possibly weeks.

The government is duty-bound to regularly review the SPA, and it is understood it must publish the results of the latest review by 7 May this year – but the Sun reported that the chancellor, Jeremy Hunt, was looking at announcing the move as early as the 15 March budget.

It claimed the Treasury wanted the change to 68 to come in as early as 2035 – affecting those who are 54 and under today. Some have talked about the change possibly taking effect in 2034.

For people reaching SPA now, it will be 66 for women and men. For those born after 5 April 1960, there will be a phased increase in SPA to 67, and eventually 68. The SPA is due to rise from 66 to 67 by 2028. The next increase, to 68, is not due to happen until between 2044 and 2046, affecting those born after April 1977. However, there has often been speculation this could be brought forward. Indeed, an official review in 2017 concluded that the next report should consider whether the increase to 68 should be moved to 2037-2039. To be fair to the government, it has always said the timetable for the increase in the SPA could change.

Having to wait longer for your state pension could have a huge impact on millions of people, many of whom are struggling financially. In the current 2022-23 tax year, the full "new state pension" – for those who became pensioners after 6 April 2016 – is £185.15 a week. The full "basic state pension", for those who reached SPA before that date, is £141.85 a week.

The financial impact of an accelerated SPA rise to 68 would depend on the timing. The website Interactive Investor calculates that bringing forward the increase to 68 from its latest date of 2046 to 2034 could mean a "lost year" of full state pension of £13,594 for workers aged 57, rising to £16,902 for workers aged 46.

The flipside – according to investment firm AJ Bell – is that the move "could be a huge money-spinner" for the government, raising tens of billions of pounds in revenue.

Source: The Guardian 25 Jan 2023

If this could affect your retirement plans call us.

Heads Up All Parents & Grandparents!

Martin Lewis has issued an urgent warning for anyone aged 12 to 20, whom he says could have "a hidden" £2,000 in savings. A million Child Trust Funds have gone unclaimed, which means that they could have money sitting in a bank account that they did not know about.

Child Trust Funds are tax-free savings accounts, set up by the government for anyone born between September 1, 2002 and January 2, 2011. The savings locked money away until 18 and some will be 18 now, so the money is no longer locked away. The initial accounts were loaded with £250 - or £500 for anyone from a low-income family - with the option for family to continue adding to the pot afterwards.

Of the 6.3 million accounts that were created, Gov.uk estimates that a million of them are "lost" meaning people have lost track of them or are unaware that they have them. So a million people could have a "hidden £2,000 in savings" that they "know nothing about" and people should check if this is them. Gov.uk estimates that the average trust fund now has £2,100 in it.

For more information visit: https://www.moneysavingexpert.com/banking/savings/reclaim-child-trust-fund/