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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 reach 14 year high

Could now be the best time to buy a pension annuity?

We live in difficult financial times. The cost of living crisis is hitting us all. But if you're nearing retirement or already retired, the current economic clouds could have a very important silver lining – annuities.

Once you've bought an annuity, it's a very stable way of funding your retirement. They're one of the few ways you can get a guaranteed retirement income for the rest of your life. And pension annuity rates have been at a long-term high. In fact, at the end of 2022 they were the highest they've been since 2008.

An annuity could be right for you if you're worried about current financial conditions and want a guaranteed income. Though you do need to be aged 55 plus and usually need to spend at least £5,000 to buy one.

It could be a particularly good choice if you're in poor health or well into your retirement. Many providers offer enhanced annuities that pay out more to people with common health issues. And as a rule, the older you are, the better pension annuity rate you'll get.

Of course, that can also be an argument for waiting a bit to buy your annuity. And with interest rates going up, providers might keep putting rates up for everyone. In the end, deciding when to buy one will depend on your personal needs and circumstances.

Remember also that it's not an either/or choice. You could spend some of your pot on an annuity, creating a guaranteed income to (for example) cover your ongoing living costs. Then you could draw money down from the rest of your pot if and when you need some extra cash.

You will need to make sure your annuity fits in with the rest of your finances. Depending on your circumstances, you might have to pay tax on your annuity income. It could also affect any means-tested benefits you're getting. And there's one key point to always bear in mind: once you've bought a pension annuity and your cancellation period has ended, you can't:

- change it
- cash it in
- surrender it.

So it's very important to make sure that you choose the right annuity, and set it up in the right way for you. You should shop around and get professional guidance. It's definitely worth talking to a financial adviser.

Legal & General website 11 August 2023

If you wish further information or to discuss purchasing an annuity call us.

Martin Lewis: Urgent warning for savers as base rate held at 5.25%

MSE Team 22 September 2023

You should open a fixed savings account NOW in case rates are cut, MoneySavingExpert.com founder Martin Lewis has warned. His message comes as the Bank of England this week voted to maintain the current base rate at 5.25% following 14 consecutive rises. This rate is used by the central bank to charge other banks and lenders when they borrow money – and so it influences what borrowers pay and what savers earn.

We're likely to see savings rates drop – so savers should act now

Read the full article: https://www.moneysavingexpert.com/news/2023/09/martin-lewis-urgent-savings-warning/

We do not view holding a large amount of cash as a good long term asset so speak to us first if you are considering this.

Is your property your pension?

House price growth has slowed to a three-year low, raising questions for homeowners relying on property for their pension.

Property was once seen as the ideal retirement asset for homeowners, with high house price growth helping downsizers release cash to fund their golden years. But with house price growth slowing, can property still be relied on for your retirement?

The latest Wealth Index Report from financial planning firm Saltus, which surveyed more than 2,000 high net worth individuals, found one in 30 respondents intend to use their home's value to fund 100% of their retirement, while on average, respondents said they expect their property to provide funding almost half.

Megan Jenkins, partner at Saltus, says that while historically property has proved to be a fairly solid investment for a pension, relying on your home may not be the wisest move nowadays. "If you are solely reliant on one asset as a significant portion of your retirement provision and that asset were to crash or fall in value, you have no backup. Property is one of the least liquid assets you can own. If you are looking to downsize to release funds, you are relying on being able to release enough spendable capital at the right time to fund your retirement."

The main risks are the cost of buying your new home does not leave as much as you would hope to live on, you may be forced to sell at a lower cost than you had hoped and may not be able to sell at all in the current market, meaning not having access to the capital when it is needed.

"If you are looking, for example, to downsize to fund your retirement you should look to do this in plenty of time - the house buying and selling process can be a long one, particularly in a slow market - so it is important to downsize well in advance of when you actually need the funds," Jenkins adds.

Property is still worth considering for your pension, says Scott Taylor-Barr, financial adviser at Barnsdale Financial Management, as part of a wider strategy. "Any well-constructed retirement plan should have a basket of different assets such as pensions, ISAs and property. This allows different elements to be accessed at separate times when the market conditions are optimal, so if the property market is down at the time you wish to retire you can access cash from some of your other assets and leave the property to recover before you sell it or raise cash against it with a lifetime mortgage."

As with all investing and financial planning, diversification is key. Call us.

October is Free Wills Month

Free Wills Month brings together a group of well-respected charities to offer members of the public aged 55 and over the opportunity to have their simple Wills written or updated free of charge by using participating solicitors in locations across England, Northern Ireland and Wales.
Free Wills Month allows you to provide for family and friends and leave a gift to your chosen charities too.
https://freewillsmonth.org.uk/