



## WEALTH KNOWLEDGE

OCTOBER 2019

In this issue.....

- One in four over-60s in employment opt out of workplace pensions
- Parents become 'one of the UK's biggest mortgage lenders'
- Loan charge could be scrapped by November after official review
- UK expats in the EU get state pension uprating until 2023

### One in four over-60s in employment opt out of workplace pensions

**Around a quarter of people over 60 and in employment are believed to be opting out of saving into workplace pensions through auto-enrolment, a report claims.**

Government figures showed there were more than 1.7 million over-60s in full-time employment at the end of June 2019.

Employed over-60s qualify for workplace pensions if they earn over £10,000 a year and are yet to reach their state pension age.

Most employed people in their early 60s have to wait until their 66th birthday to become eligible for the state pension.

Eligible employees put in at least 5% of their qualifying earnings, while their employer is obliged to contribute at least 3%.

Royal London claimed 23% of employed sexagenarians were opting out, much higher than the 10% national opt-out average.

That could mean more than 285,000 60 to 66-year-olds are potentially missing out on employer contributions and government tax relief.

Helen Morrissey, pension specialist at Royal London, said:

"It is understandable that someone at the age of 60 might think it is too late to save enough to make a difference to their retirement income but they are wrong.

"Our figures show older workers are throwing away thousands of pounds on retirement income by opting out of their scheme.

"Anyone thinking of opting out of their auto-enrolment workplace pension scheme should think twice before doing so."

### Parents become 'one of the UK's biggest mortgage lenders'

**Parents who help their adult children take their first steps on the property ladder are among the highest ranking mortgage lenders in the UK, according to Legal & General (L&G).**

Research showed the average parental contribution so far this year stands at £24,100 – an increase of £6,000 on last year.

The 'bank of mum and dad' gifted £6.3 billion in 2019, enough to make parents the 10th largest mortgage lender in the UK.

Tapping into lending attitudes, 56% who would or have helped family with property purchases regarded it as "a nice thing to do", while 19% felt they had a responsibility to help.

Cash (53%) remained the most popular funding source in 2019, while 22% of over-55s withdrew money from their pensions.

Chris Knight, chief executive at L&G retail retirement, said:

"Parents and grandparents across the UK want to see their loved ones settled in homes of their own and are giving generously.

"Thousands are still dependent on the bank of mum and dad to take their first or next step on Britain's housing ladder.

"This generosity is inspiring, but many are making big financial decisions without adequate planning or professional advice."

Despite their generosity, many respondents said delving deeper into their savings left them facing an uncertain retirement.

More than a quarter (26%) feared running out of money in retirement, while 15% accepted a lower standard of living and 6% delayed their retirement after helping family.

## Loan charge could be scrapped by November after official review

**Chancellor Sajid Javid has announced an official review of the loan charge that applies to disguised remuneration schemes.**

HMRC was authorised by parliament to pursue individuals and companies that used the schemes dating back to 1999.

The aim of the measure was to crack down on people who received income through such loans instead of through salary, and avoided paying income tax.

Up to 50,000 people who had been paid through loans from offshore trusts were warned they may face huge tax bills.

They were issued with a 5 April 2019 deadline to either settle or declare their tax bills, or face a 45% charge on all loans advanced through the schemes.

Concerns were raised over the policy's effect on individuals, who were being penalised for using what was a legal scheme.

As a result, the review was launched to determine whether or not retrospective tax bills are the best way to deal with the issue.

Jesse Norman, Financial Secretary to the Treasury, said:

"Disguised remuneration schemes are highly-contrived attempts to avoid tax, but it is right to consider if the loan charge is the appropriate way of tackling them.

"The Government fully appreciates the concerns expressed about the loan charge by individuals, campaigners, and MPs."

The findings of the review are expected in mid-November 2019.

Between 2016 and April 2019, the Treasury has recouped more than £1 billion from settlements with those affected.

Most of those affected by the loan charge work in the business services sector, which includes management and IT consultants.

Around one in ten are in the construction industry, with others affected operating in the medical and teaching sectors.

## UK expats in the EU get state pension uprating until 2023

**Annual state pension increases for expats living in Europe will only be guaranteed for the next three years, if the UK leaves the EU without a deal.**

The Department for Work and Pensions (DWP) confirmed plans to annually increase the pension benefit for around 500,000 UK expats until March 2023.

The Government hopes to renegotiate the existing uprating agreement to ensure it continues beyond that point.

The basic state pension is uprated by whichever is the higher of 2.5% average wage growth or by price increases, determined by the Consumer Price Index.

The state pension has already been uprated for UK expats in the EU for 2019/20, and this will be in place until 31 March 2020.

Amber Rudd, former work and pensions secretary, said:

"This will reassure hundreds of thousands of people living in the EU that their UK state pensions will continue to rise significantly each year, however we leave [the EU]."

Another ex-pension secretary argued it would have the opposite effect and labelled the announcement as "deeply worrying".