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WEALTH KNOWLEDGE

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In this issue......

- Pension freedoms age rising to 57 in 2028 dashes early retirement hopes
- Fears mount despite UK economy growing by 6.6% in July 2020
- Triple-lock pause 'would save £15bn and boost retirees' income'
- Coronavirus prompts most workers to seek lifestyle change

Pension freedoms age rising to 57 in 2028 dashes early retirement hopes

The age at which retirement savers can access their private pensions will increase from 55 to 57 in 2028 confirmed.

Introduced in 2015, existing pension freedom rules offer more options to over-55s when it comes to accessing their pension before retirement.

Over 4.5 million retirement savers have accessed a total value of £37 billion from their private pensions in the last five years.

While these flexible options are scheduled to remain on the table in 2028, they cannot be accessed until a saver's 57th birthday.

As a result, anyone who is currently aged 47 or under will have to wait an extra two years to flexibly access their private pension.

Plans to raise the age threshold were first indicated one year before pension freedoms came in but it was not legislated for.

John Glen, economic secretary to the Treasury, said:

"In 2014, the Government announced it would increase the minimum pension age to 57 from 2028.

"This reflects trends in longevity and encourages individuals to remain in work, while also helping to ensure pension savings provide for later life.

"That announcement set out the timetable for this change well in advance to enable people to make financial plans and will be legislated for in due course."

The move should kick in around the same time as the state pension age rises to 67 for both genders between 2026 and 2028.

Fears mount despite UK economy growing by 6.6% in July 2020

The UK economy bounced back by 6.6% in July, but remains far below pre-coronavirus levels witnessed at the start of the year.

Pubs, hairdressers and restaurants all reopened in July 2020 after being shut for four months to prevent the spread of COVID-19.

The Office for National Statistics (ONS) said July's figure was the third consecutive month of economic growth.

Despite the positive economic news, UK GDP was 11.7% smaller than in February 2020 before lockdown measures were imposed.

The monthly picture reinforced a gloomy outlook, with July's 6.6% increase smaller than the 8.7% economic growth in June.

UK GDP has still only recovered just over half of the lost output caused by COVID-19, according to the ONS.

Many economists are predicting bumps in the road ahead, with the threat of a no-deal Brexit adding to fears that unemployment will rise sharply.

Tej Parikh, chief economist at the Institute of Directors, said:

"Production has picked up quickly after lockdown, but the hard part is still to come and the recovery will start to hit speed bumps into the end of the year.

"Local lockdowns and new restrictions heap uncertainty on businesses, and increased costs from adjusting to the pandemic will only add to companies' cashflow headaches.

"The challenge firms face will only be compounded by the prospect of Brexit-related disruption."

Triple-lock pause 'would save £15bn and boost retirees' income'

Pausing the state pension triple-lock for one year from next April would save £15 billion and help protect senior citizens' income, according to a report.

Earlier this year, the Government was considering scrapping the triple-lock from 2021/22 to recoup billions of pounds spent on COVID-19 support schemes.

The triple-lock system is what determines the annual increase in the state pension by whichever is the highest of average wage growth, price increases, or 2.5%.

In April 2020, the state pension for 2020/21 increased by 3.9% in line with the average earnings increase seen by UK workers in July last year – a rise of £343 for new state pension recipients.

Chancellor Rishi Sunak was reportedly considering moving to a double-lock based on either annual wage growth and inflation to reduce public spending.

But the Pensions Policy Institute (PPI) said the double-lock is flawed, as an increase in wage growth or inflation of 2.5% of more would be equally expensive.

Providing the state pension costs around 4.6% of UK GDP and the PPI suggests a "smoothing mechanism" would keep a lid on those expenses, while also boosting pensioners' income faster than under the double-lock.

Daniela Silcock, head of policy research at the PPI, said:

"Using an earnings smoothing mechanism to inflate the state pension, which, for example, used the average for earnings over 2020/21, (before returning to a triple or double-lock in 2022) would mean that a spike in earnings inflation in 2021 would be less likely to result in a dramatic increase in the cost of the state pension, and could save around £15bn."

Coronavirus prompts most workers to seek lifestyle change

More than half of UK workers plan to make changes to their careers in the next 12 months as a result of the coronavirus pandemic, a report claims.

Most workers have experienced disruption to their daily lives this year, with changes to employment hours and remote working becoming the new norm.

In some cases, people have been juggling home-schooling and childcare with efforts to work from home, while 9.6 million employees have been furloughed.

As a result, research from Aviva showed 53% of 2,445 employees polled intend to make imminent changes to their careers.

Within the 55-64 age group, COVID-19 has prompted one in ten workers to bring forward their retirement plans to next year.

More flexibility is desirable among the rest of those surveyed, with 10% seeking a new role allowing them to work from home more often. That number rises to 16% for respondents based in London, compared to just 3% of those in the east of England.

Some 9% want to quit their current job and completely retrain or learn new skills, while 7% intend to follow a totally different career path in 2021.

Gareth Hemming, MD of personal lines at Aviva, said:

"People planning to work from home in the future on a long-term basis may need to review their home insurance requirements.

"Many policies include cover for office equipment, providing peace of mind for those people who work from home either permanently or occasionally.

"But, a standard home insurance policy may not be adequate if someone wishes to run a business from their home, particularly if they have stock on site or customers visiting their property."