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# WEALTH KNOWLEDGE

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In this issue......

- Frenzied rush sees mortgage borrowing hit record high
- UK economy set to grow at fastest rate for 70 years
- IFS: Auto-enrolment significantly narrowed gender pension gap
- 'Most families in the UK have no estate planning strategy'

## Frenzied rush sees mortgage borrowing hit record high

**UK homeowners borrowed a record £11.8 billion more on mortgages than they repaid in March 2021.**

Figures from the Bank of England showed the net-borrowing level was the highest of any comparable month since records began in April 1993.

The previous record of £10.4bn was set in October 2006.

The spike in demand was fuelled by a three-month extension to the stamp duty holiday and low mortgage rates.

In July 2020, stamp duty was cut on residential purchases of up to £500,000 in England and Northern Ireland.

Mortgage approvals slowed from 87,700 in February to 82,700 in March as the original deadline loomed on 31 March 2021.

But Chancellor Rishi Sunak used his Spring Budget on 3 March 2021 to extend the stamp duty deadline until 30 June 2021.

Last month, some high-street lenders started offering mortgages to borrowers with just a 5% deposit under a new Government scheme.

These factors encouraged some homeowners to move in time to beat the revised deadline, or to borrow more to improve their current property.

Mortgage borrowing in March 2021 was £5.6bn higher than in February 2021, when the net-borrowing level stood at £6.2bn.

The central bank said the strength of net lending reflected gross lending, which hit another new high of £35.6bn in March 2021.

## UK economy set to grow at fastest rate for 70 years

**The UK will experience its strongest economic growth in more than 70 years in 2021, according to the Bank of England.**

With government support for workers and businesses and as COVID-19 restrictions ease, UK GDP is now expected to recover by 7.25% this year.

Should this come to fruition, it would be the strongest annual growth since official records began in 1949.

However, it comes after the UK economy shrank 9.9% last year – the sharpest drop recorded in 300 years following the start of the pandemic.

The Bank of England expects the economic recovery to gather pace as high streets reopen this month, potentially prompting a mini spending boom.

The UK's rapid vaccine rollout should embolden consumers, with GDP expected to return to its pre-pandemic size before the end of 2021.

Extending the furlough scheme and support for the self-employed is also helping to limit job losses, the Bank said.

Andrew Bailey, governor of the Bank of England, said:

"On the basis of the forecast we've issued today, by the end of this year, output in the economy will be back to where it was at the end of 2019."

Policymakers also voted unanimously in favour of continuing to hold interest rates at a record low of 0.1%.

## IFS: Auto-enrolment significantly narrowed gender pension gap

**More women now save into defined-contribution workplace pensions because of automatic enrolment, according to the Institute for Fiscal Studies (IFS).**

Auto-enrolment is the norm for employees aged between 22 and state pension age, earning £10,000 or more a year.

Overall participation levels into defined-contribution workplace pensions among both genders has significantly improved over the last decade, with more than 10.2 million savers automatically enrolled by the end of 2019.

Since auto-enrolment launched in October 2012, the IFS said female employees are now only slightly less likely to be saving into a workplace pension at all ages than men.

Before this point, the number of employees saving into workplace pensions was broadly similar until they reached their early 30s, at which point the gender pension participation gap began to open up.

The IFS said there were three main drivers that could explain this difference in pension income between men and women.

The first is a difference in the length of working lives, the second is different savings rates with both genders making varying contributions, and the last is a difference in investment strategies, particularly with attitudes to risk.

Laurence O'Brien, research economist at the IFS, said:

"Importantly, the role of these potential drivers has changed over time. The labour market attachment of mothers has changed, final-salary pensions have been reformed to career average schemes, and auto-enrolment has been introduced.

"This means that gaps in pension income today may reflect labour markets and pension arrangements from many years ago, and the gap in future pension income for current working age individuals may be quite different."

The IFS also called on the Government to nudge employees to increase their pension contributions in line with key life events, such as student loans coming to an end, children leaving home, or mortgages being paid off.

### 'Most families in the UK have no estate planning strategy'

**The majority of families in the UK do not have an estate planning strategy in place, a new report has claimed.**

Schroders polled around 1,000 parents over the age of 60 and found that 78% of respondents had no estate planning strategy.

A good estate plan can enable individuals to reduce, or even mitigate altogether, any potential inheritance tax liability that may arise for their beneficiaries.

Having a plan in place to handle this efficiently is crucial when it comes to passing wealth on smoothly, avoiding family disputes and managing any tax bill.

Despite the obvious benefits, 43% of parents had never discussed later-life planning with their children but 72% intend to pass on wealth to their children.

Just 13% of respondents said they would pass their wealth onto their children during their own lifetimes, despite gifts being a useful inheritance tax planning strategy.

The report laid bare the difficulties many families in the UK face when talking about money.

Some 65% said they rarely (or never) discussed inheritance with their children and of the 22% that did have an estate plan, 48% said their children know exactly what the plan entails.

Mark Duckworth, chief executive at Schroders, said:

"Over £5.5 trillion will move hands between generations in the UK between now and 2055, peaking in 2035.

"More needs to be done to encourage stronger engagement with long-term financial planning.

"With some guidance and a plan in place, families can overcome the feelings of worry and start having the conversations they need to plan for their future."