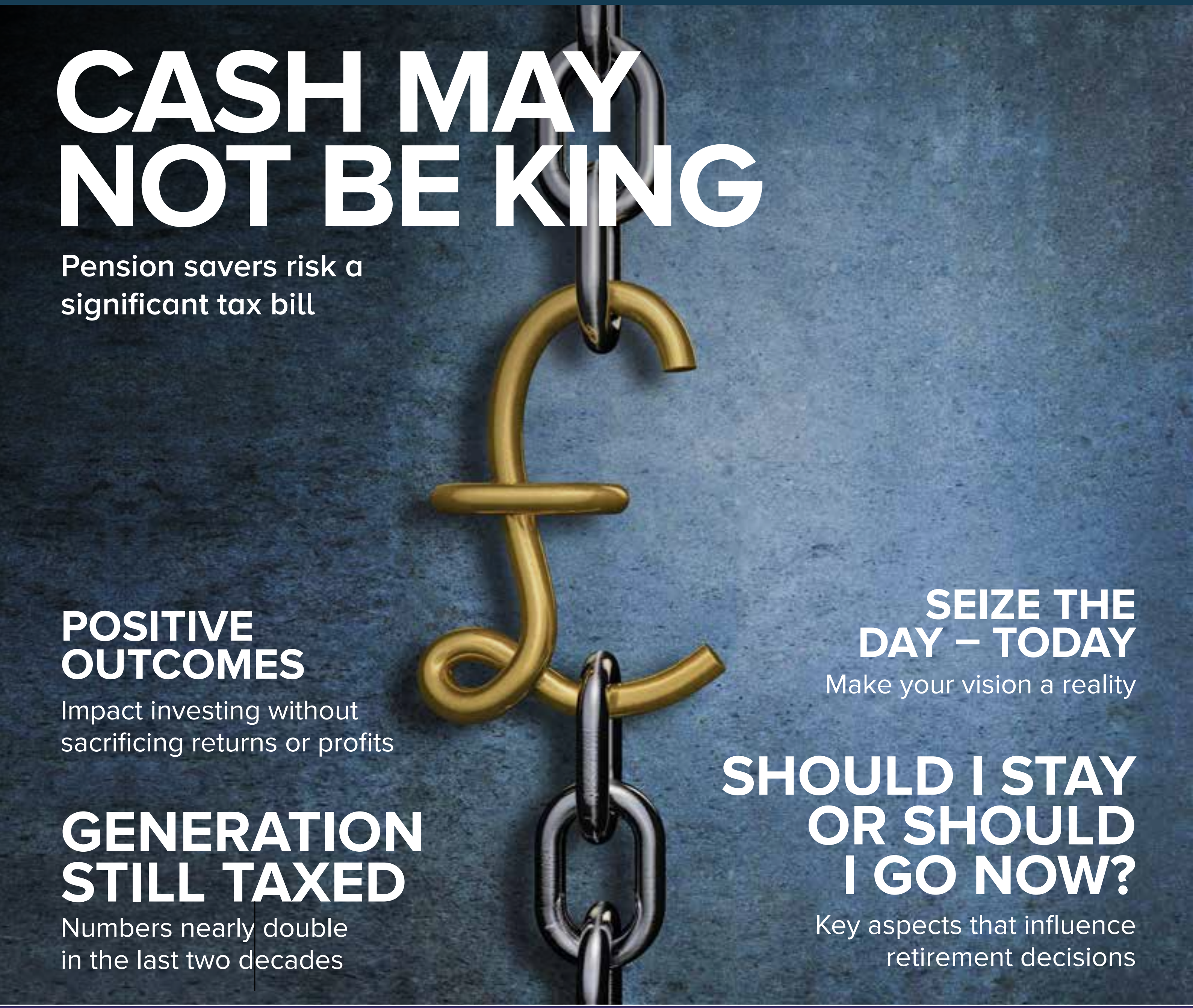
smartmoney

WTK Financial Services Ltd

SEPTEMBER/OCTOBER 2018



CASH MAY NOT BE KING

Pension savers risk a significant tax bill

POSITIVE OUTCOMES

Impact investing without sacrificing returns or profits

GENERATION STILL TAXED

Numbers nearly double in the last two decades

SEIZE THE DAY – TODAY

Make your vision a reality

SHOULD I STAY OR SHOULD I GO NOW?

Key aspects that influence retirement decisions

WTK Financial Services Ltd, 5 Bretton Hall Offices, Chester Road, Bretton, Chester, CH4 0DF
T: 01244 660793 **F:** 01244 660323 **E:** info@wtkltd.co.uk **W:** www.wtkltd.co.uk

INSIDE THIS ISSUE

As the poet and playwright Oscar Wilde once commented, 'When I was young I thought that money was the most important thing in life; now that I am old I know that it is.' And with these pertinent words in mind, inside this issue we look at a number of topics designed to keep you up to date and help you plan to meet any changes in your life and financial circumstances.

For most people over the age of 55, it is now possible to cash in or unlock all of your pension. How you take these benefits will depend on the type of scheme you have and how you want to take benefits. On page 06, we consider the concerns that have been raised that some savers may risk running out of cash if they siphon too much out of their pension pots.

For those looking to make the world a better place but not wanting to sacrifice returns or profits, impact investing aims to support a positive social or environmental impact, as well as looking to achieve compelling financial returns at the heart of sustainable investing. Turn to page 11 to read the full article.

Exactly how much you'll need for a comfortable retirement will depend largely on your cost of living and lifestyle choices. For many people, retirement is about sun-soaked holidays, leisurely rounds of golf and that boat they've always coveted. On page 04, we look at why you need to reassess your own situation.

Also inside this issue on page 12, the number of taxpaying pensioners has nearly doubled over the last two decades. With talk of also requiring pensioners to pay National Insurance on any earnings or even on pensions, the older population may start thinking of themselves as 'Generation still taxed'.

A full list of the articles featured in this issue appears opposite – we hope you enjoy reading them.

CONTENTS

LATER RETIREMENT

Workers extend their careers for a multitude of reasons

When do you plan to retire? Saving for your retirement is a lifelong undertaking – and if you want to enjoy a comfortable retirement, you can't start planning soon enough. The more you contribute to a pension now, the better chance you'll have of that money growing and funding your retirement in later life.

But the proportion of UK employees who say they will work beyond the age of 65 has remained at three quarters (72%) for the second year running, significantly higher than in 2016 (67%) and 2015 (61%), according to latest research[1].

Nearly half (47%) of those who say they expect to work beyond 65 will be older than 70 before they retire, up from 37% in 2017, while almost a fifth (17%) expect to be older than 75. Workers aged 35–44 are most likely to say they expect to retire after their 75th birthday (27%).

EMPLOYEES WORKING FOR LONGER

A series of economic factors are driving employees to work for longer. The rising cost of living is forcing over 20 million into later retirement[2]. In fact, nine in ten (90%) UK employees say that the rising cost of living is the main reason why they expect to work beyond 65, with 87% saying the same of poor returns on savings due to low interest rates.

DIVERSE SET OF WORKFORCE SKILLS

Opinions remain divided about the UK's ageing workforce as it brings a new set of challenges for workers to contend with. Over a third (36%) believe that an ageing workforce might mean that older workers will have to re-train or learn new skills to stay in work, while three in ten (30%) think it could make it harder for young people to move up the career ladder. But more than two fifths (41%) are positive that a mix of older and younger employees creates a workforce with a wider range of skills, which is beneficial for employees and employers alike.

PROMOTING OLDER WORKPLACE EMPLOYEES

This comes as just 6% think the Government is helping to promote older workers, down from one in ten (11%) following last year's announcement of an increase in the State Pension age[3]. So far, only 13% think that employers are encouraging older employees to stay in the workplace, and little more than a sixth (15%) believe that older people are appreciated and respected in the working environment.

Support for older workers in the workplace can come in many different forms, but often the simplest are the most effective. Nearly half of employees (45%) think flexible working or part-time opportunities are most important when it comes to supporting an ageing workforce. Out of those planning to work beyond State Pension age, 60% say that they would be more likely to work for an employer that offered health and well-being benefits.

STIGMA SURROUNDING OLDER WORKERS

The combination of an increase in the cost of living, poor returns on savings and inflation continues to impact the UK's retirement plans. This is the second year in a row that the findings indicate that more than 70% of the country's workforce expect to work beyond the age of 65, and there is no sign that this trend will slow down any time soon.

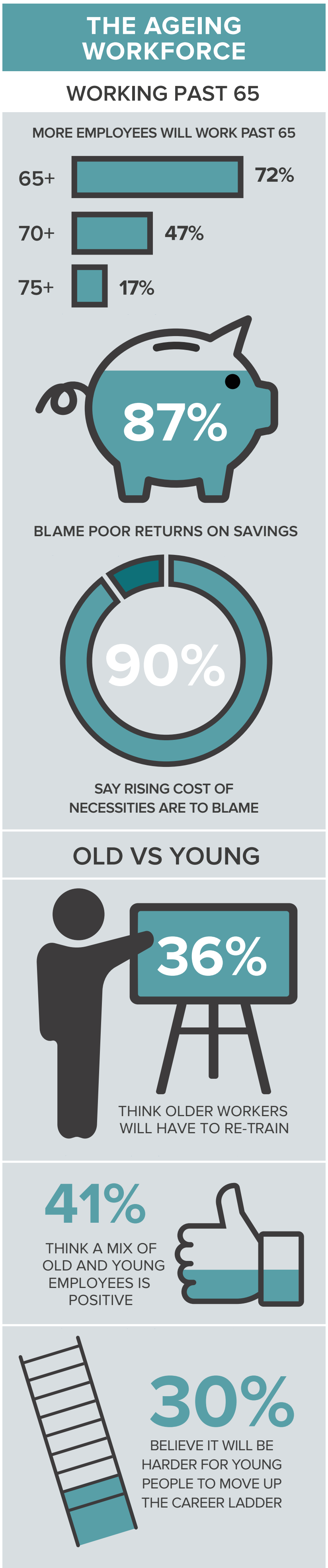
But even as an older workforce becomes more common, the stigma surrounding older workers is proving hard to shake. Employers now have the opportunity to capitalise on the skills of two or even three generations, but only if they address potential generational divides and the changing needs of their employees. ◀

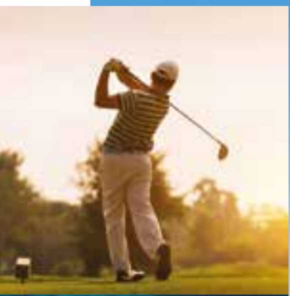
Source data:

[1] Research conducted by Canada Life using ONS Employment Figures, May 2018.

[2] Research conducted by Canada Life using ONS Employment Figures, May 2018.

[3] Proposed new timetable for State Pension age increases, 19 July 2017.





SEIZE THE DAY - TODAY

Make your vision a reality

Exactly how much you'll need for a comfortable retirement will depend largely on your cost of living and lifestyle choices. For many people, retirement is about sun-soaked holidays, leisurely rounds of golf and that boat they've always coveted.

But retirement is not what it used to be, with more of us working longer to build up our decided retirement income. So it's essential to reassess how much you're saving into your pension if you want to make your own vision a reality. For many people, retirement may seem a long way off, and saving into a pension isn't always a top priority.

But the simple truth is the earlier you start, the easier it will be. If you have less time to invest, then the amount of money that you have to save is likely to be higher to make sure your retirement planning is on track. We've provided some ideas to help improve and boost your savings for a more comfortable retirement.

STARTING POINT FOR YOUR RETIREMENT PLAN

Working out what pensions you already have should be a starting point for your retirement plan. Locate the latest statements you have for all your pensions, including from previous employers and personal pensions. You can also get a forecast of your state pension via www.gov.uk/check-state-pension.

You should be sent an annual statement for each of your pension schemes, including any employer-based arrangements and personal pension plans, even if you are no longer contributing to them. If you don't have up-to-date statements, you can ask for these to be sent to you. You may also be able to access pension values online via your pension company/scheme website.

VALUING YOUR PENSION

As well as telling you what your pension is worth now, annual statements will also detail what your pension might be worth at retirement.

These forecasts (don't think of them as anything more than rough estimates) will be based on a range of assumptions including investment growth and inflation between now and retirement.

It is important to consider the effect of inflation because, over time, this can significantly reduce the spending power of your pension.

COST OF YOUR LIFESTYLE

Whether your pension will be enough to pay for the retirement you want will depend on the

savings pot you amass, as well as the cost of your lifestyle when you retire.

Working out what income you will need in retirement may not be straightforward, however. Your life in retirement will be different from your working life; some costs may go up, while others will reduce.

You may spend more on holidays and leisure (especially in the earlier years of retirement), but your housing costs may be lower. While you may no longer have the costs of bringing up children, you may still want to help them financially, and there could be grandchildren to think of. In your later retirement years, you could have care costs. The traditional rule of thumb has been a target pension income of two thirds of your salary.

KNOW YOUR MAGIC NUMBER

Having accounted for the State Pension and any defined benefit scheme pension, you need to calculate how much money you will need to save to produce the remainder of your target income. This can depend on factors such as the age you want to retire, income yields available on investments, how much prices rise during your retirement and how long you live for – and how much you have put aside already.

If you contribute through a workplace pension, your employer will also contribute on your behalf, and you could qualify for National Insurance savings using a so-called 'salary sacrifice' arrangement. Employer top-ups in particular can significantly increase the value of your pension contributions, so it is worth checking that you are making the most of any workplace generosity offered.

It's also important to be aware that there is a limit on the size of overall pension savings you can accumulate – currently £1.03 million (for 2018/19, and rising annually in line with inflation) – without facing a hefty tax charge of up to 55% on the excess.

This Lifetime Allowance (LTA) for pensions could also be a challenge for people whose retirement savings are currently less than £1 million, as well as individuals with sizeable final salary pension entitlements. Investment growth and ongoing contributions could lead to your breaching the LTA in future.

ALTERNATIVE WEALTH OPPORTUNITIES

Pensions are not the only way to save for retirement. Tax-efficient Individual Savings Accounts (ISAs) are a popular savings option, while many people see property – particularly in the form of buy-to-let – as their retirement nest egg.

TIMING IS EVERYTHING

Pension freedoms have now given retirees considerable flexibility over how they draw an income or withdraw lump sums from their accumulated retirement savings. Pension savings can be accessed from age 55. You no longer have to purchase an annuity – an income stream for life – and you can choose how much income you take and when to take it.

You could take your whole pension fund as cash in one go – with 25% being tax-free and the rest taxable. Other options include taking a lump sum now, with further withdrawals when you want, or an ongoing regular income (via so-called drawdown or an annuity). However, the danger of these pension freedoms is that people withdraw too much money too quickly and risk running out of money before they die.

It is also possible to pass on your pension savings completely free of tax. So, as well as being a tax-efficient way to invest, pensions can be a very useful way to reduce Inheritance Tax bills.

SEIZE THE DAY – TODAY

Too many people fail to seriously consider how they are going to manage financially in retirement until they are about to retire. It is only then that they discover that their pension is not on target to meet their retirement aspirations.

When you are living a busy life, it can be difficult to find time to consider your long-term plans. Your mortgage or your children's education might be more immediate financial priorities; your career or running your business can make more pressing demands on your time. However, getting your pension on track as soon as possible could save you and your family a financial headache later on.

Another reason to take advantage of existing pension tax breaks is that there is no guarantee they will be there in the future. The Government has already cut the annual allowance to £40,000 – and as little as £10,000 for very high earners – while reducing the lifetime allowance from its £1.8 million peak in 2011/12. Higher-rate Income Tax relief on contributions could be next, so it makes sense to make the most of what's on offer now. ◀

A PENSION IS A LONG-TERM INVESTMENT.

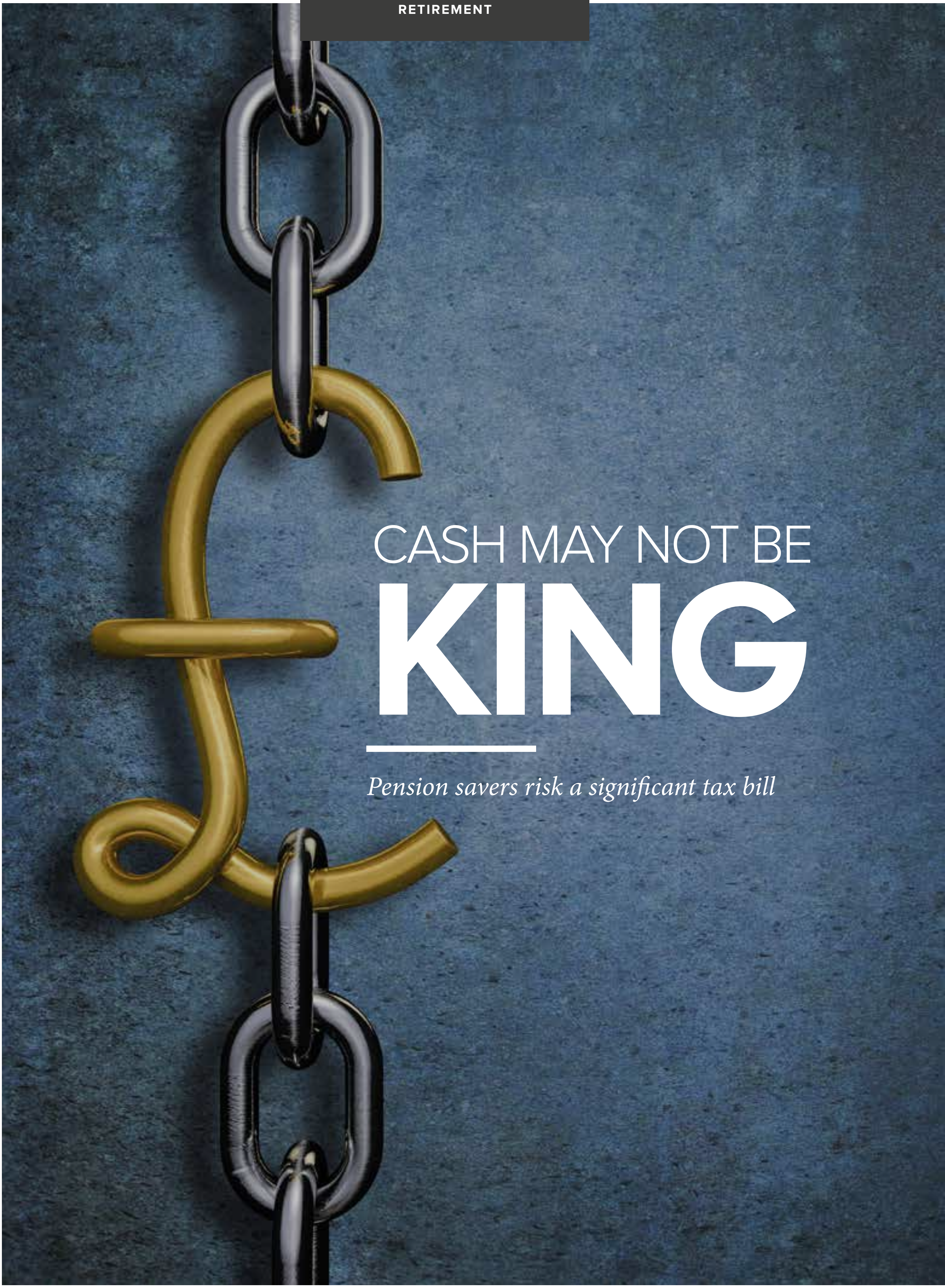
THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

YOUR HOME OR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.



CASH MAY NOT BE KING

Pension savers risk a significant tax bill

For most people over the age of 55, it is now possible to cash in or unlock all of your pension. How you take these benefits will depend on the type of scheme you have and how you want to take benefits. But concerns have been raised that some savers may risk running out of cash if they siphon too much out of their pension pots.

There are a number of downsides to taking too much cash from your pension, especially if you are doing it earlier than expected. However, around one in ten (10%) planning to retire this year expect to withdraw their entire pension savings as one lump sum, risking a significant tax bill and an impact on their future retirement income.

The findings[1] are part of unique annual research – now in its 11th year – into the financial plans and aspirations of people planning to retire in the year ahead and shows that, in total, one in five (20%) retiring this year will risk avoidable tax bills by taking out more than the tax-free 25% limit on withdrawals.

TWO THIRDS PLANNING ON RETIRING EARLY

However, they are not necessarily spending all the cash – the main reason given by those taking all their fund in one go was to invest in other areas such as property, a savings account or an investment fund (71%). Interestingly, around two thirds (66%) of people are planning on retiring early.

Since the launch of pension freedom reforms in April 2015, more than 1.1 million people aged 55-plus have withdrawn around £15,744 billion[2] in flexible payments.

TAKING ADVANTAGE OF PENSION FREEDOMS

Government estimates[3] show that around £2.6 billion was paid in tax by people taking advantage of pension freedoms in the 2015/16 and 2016/17 tax years, with another £1.1 billion raised in the 2017/18 tax year.

The most popular use of the cash is for holidays, with 34% planning to spend the money on trips. Around (25%) will spend the money on home improvements, while one in five (20%) will gift the money to their children or grandchildren. Other popular uses include buying cars or paying off mortgages. ◀

Source data:

[1] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.

[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/675350/Pensions_Flexibility_Jan_ 2018.pdf

[3] http://obr.uk/overview-of-the-november-2017-economic-and-fiscal-outlook/

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAX PLANNING.

WHAT YOU NEED TO ASK YOURSELF BEFORE CASHING IN YOUR PENSION POT

Q: Have you considered what the tax implications are?
At the heart of any pension transaction you undertake, tax planning is a major consideration. Only the first 25% of the amount that you drawdown from your pension pot is tax-free, and the remaining 75% is taxed as earned income.

Q: Will your money last the duration of your retirement years?
Before taking the cash, it is crucial to think about whether you will have enough money to last the duration of your retirement. It's not a one-off decision: you should regularly review your choices throughout your retirement, as your needs evolve and income needs may change.

Q: Will your pension scheme allow you to cash in your pension pot?
If you're convinced that cashing in your pension pot is the right move for you, you need to ensure that your pension scheme allows you to do so. If not, it means that you'll need to transfer your savings into a suitable pension scheme to be able to access your cash.

Q: Are you aware of the companies running pension scams?
Pension savers getting scammed out of their retirement savings is a real issue. The problem is that many of these scams look perfectly legitimate so are not easy to spot. Others offer investment returns which are too good to be true. You can visit the FCA's ScamSmart website, which includes a warning list of companies operating without authorisation or running scams – www.fca.org.uk/scamsmart.

Q: Have you sought professional financial advice about your plans?
Not seeking professional financial advice can be very risky, especially when it comes to deciding how eventually to take your pension. If you get it wrong, it could be very costly and have a considerable impact on your retirement lifestyle and standard of living. We'll make sure that the action you take is the right one for you, your family and your needs.

FINANCIAL PROTECTION

Families left in a precarious situation if the unforeseen were to happen

We all intend that our plans will come good. But making sure that you and your family can cope if you fall ill or die prematurely is something we can too easily put to one side. In particular, a recent study identified that financial protection is something that millions of fathers in the UK, and their families, could benefit from.

More than half (58%) of men in the UK with dependent children have no life insurance, meaning that just over 4.5 million dads[1] are leaving their families in a precarious situation if the unforeseen were to happen. Worryingly, this has increased by five percentage points compared with 2017, a year-on-year increase of around 542,000 individuals[2].

FINANCIAL HARDSHIP

Despite a fifth (20%) of dads admitting their household wouldn't survive financially if they lost their income due to long-term illness, only 18% have a critical illness policy, leaving many more millions at risk of financial hardship if they were to become seriously ill.

- **Critical illness insurance –** this doesn't usually pay out if you pass away, so it's not always suitable if you want to make sure your family are provided for after you've gone. This is where life insurance comes in.
- **Life insurance –** this insurance usually only pays out if you pass away. It's designed to help your family maintain their lifestyle after you've gone, for example, to pay off a mortgage or other loans and provide for children's university fees.

Many insurers will offer both types of cover combined.

NO SAVINGS

If they were unable to work due to serious illness, 16% of fathers say they could only pay their household bills for a minimum of three months. More than two fifths (45%) say they'd have to dip into their savings to manage financially, but 17% admit that their savings would last for a maximum of just three months, and 12% say they have no savings at all.

On top of this, many fathers are leaving themselves and their families unprepared for other aspects of illness or bereavement. 16% of them aren't sure who would take care of them if they fell ill, and more than two fifths (42%) don't have the protection of a Will, power of attorney, guardianship or trust arrangement in place for their families.

RISKY POSITION

This is an especially risky position for the two thirds (66%) of UK fathers who are the main breadwinner in the family, and it's clear that many are in lack of a 'Plan B'.

Many fathers don't consider having insurance as a necessity, with 16% of those without saying they don't see critical illness cover as a financial priority, and 20% saying they don't think they need it. The value of protection, however, is to provide long-term peace of mind about having financial security in place for your dependents.

SEEK ADVICE

Life is full of uncertainties – and while we insure cars, houses and even holiday arrangements, when it comes to ourselves and our family, often insurance is overlooked and undervalued. The simple truth is we can get too ill to carry on working or tragically die too soon, either through serious illness or accident. These events are random, and they can potentially affect us all.

Recent changes to bereavement benefits, and their continued unavailability to those in cohabiting relationships, mean that it's more important than ever for fathers to review their financial protection needs and seek advice to make sure their household is covered.

UNFORESEEN CIRCUMSTANCE

The impact of losing the family breadwinner can be devastating – missed mortgage repayments, savings depleted, your home being sold, your family's standard of living eroded, with stress and worry all too evident.

Whether it is your family or other loved ones, it's essential to make sure that the people and things that matter to you are taken care of – whatever life throws at you. ◀

Source data:

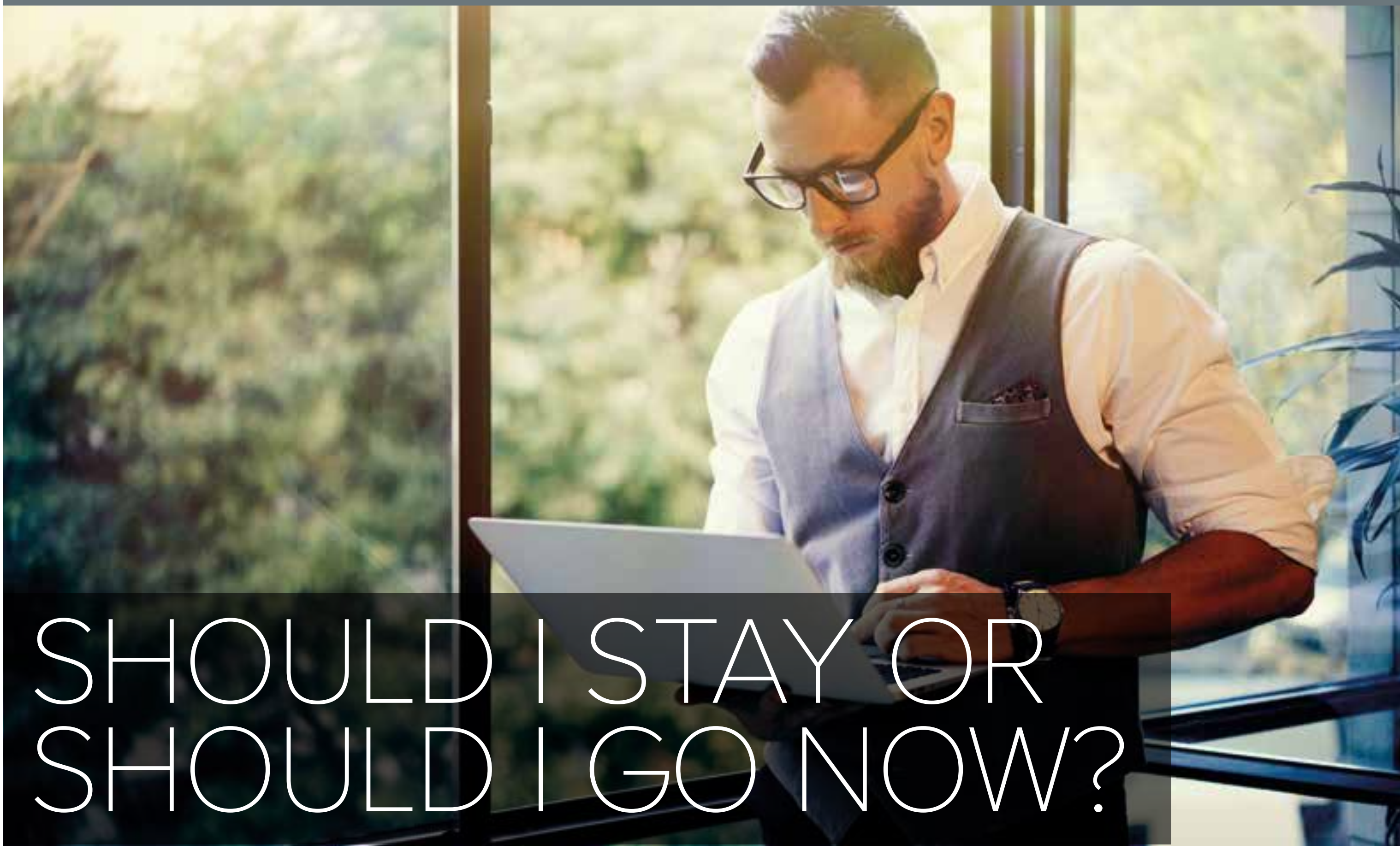
All figures, unless otherwise stated, are from Opinium Research. The survey was conducted online between 5 and 12 April 2018, with a sample of 5,022 nationally representative UK adults.

[1] Percentage of adult population that are fathers with dependents = 762/5022 = 15.17%; 15.17% of adult population of 51,767,000 = 7,854,730 million; 58% of these don't have cover so 4,545,848 million

[2] Percentage of adult population that are fathers with dependents = 735/5077 = 14.48%; 14.48% of adult population of 51,767,000 = 7,495,861 million; 53% of these don't have cover so 4,003,721. Difference of 542,127 compared with 2017

PROTECTION PLANS USUALLY HAVE NO CASH IN VALUE AT ANY TIME AND WILL CEASE AT THE END OF THE TERM. IF PREMIUMS ARE NOT MAINTAINED, THEN COVER WILL LAPSE.

CRITICAL ILLNESS PLANS MAY NOT COVER ALL THE DEFINITIONS OF A CRITICAL ILLNESS. THE DEFINITIONS VARY BETWEEN PROVIDERS AND WILL BE DESCRIBED IN THE KEY FEATURES AND POLICY DOCUMENTS IF YOU GO AHEAD WITH A PLAN.



SHOULD I STAY OR SHOULD I GO NOW?

Key aspects that influence retirement decisions

Whatever you want to do when you retire, the better prepared you are, the more rewarding it will be. It's important to assess the key aspects that will influence your retirement, as the decisions you make can have a real impact on your savings. There are some important considerations to think about.

TIMING

- Drawing savings too early is likely to result in lower returns and/or lower lifetime income
- Drawing savings later may not result in higher returns – this depends on how you invest and use your savings

CAPITAL REQUIREMENTS

- Many people withdraw capital from their pension savings not because they 'need' it but because they can, and they end up just retaining it in a less tax-efficient environment
- Meeting income needs from capital could be extremely efficient – it may even be necessary

INCOME REQUIREMENTS

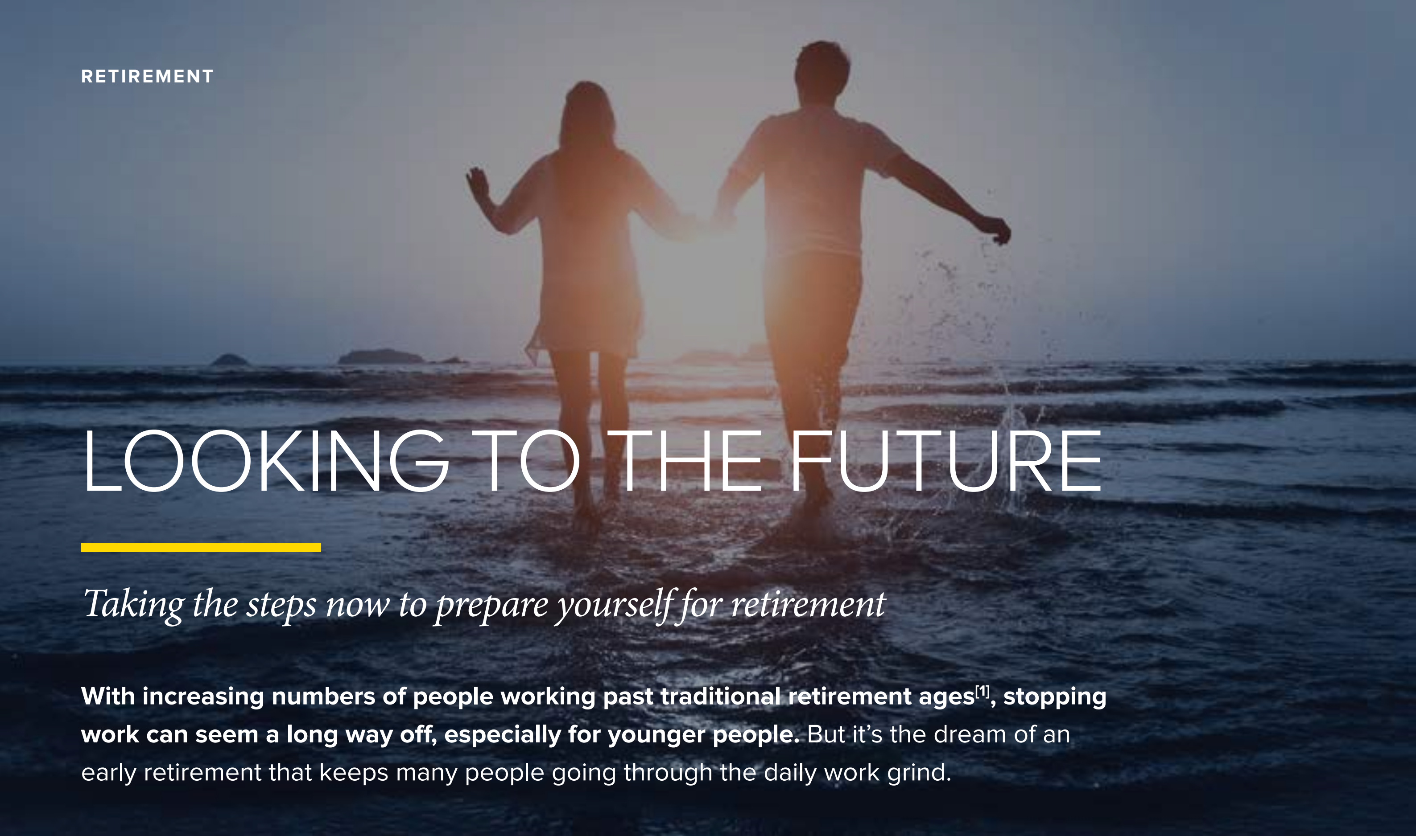
- There are choices to make between generating income now versus providing for your future
- You may also continue earning some income during retirement through paid work, business ventures or even lucrative hobbies
- Your income needs are likely to vary over time, and some expenses are fixed while others are variable. Most critically, long-term care can prove expensive
- Your income preferences are also key – having a known stable income source may be preferable to having a higher but less stable income
- Generating surplus income is inefficient from a tax perspective

ATTITUDE TO RISK

This is the trade-off between relative safety (which you may choose out of concern) and taking risk (which you may choose with an aim of achieving growth). Your attitude may also change as you accumulate wealth (because you have more to lose) and as you get older (because you have less time to recover if your investments fall in value). But risk is never completely eroded – even with cash or an annuity.

You also need to ask yourself some of the following questions:

- What is my life expectancy, and how much money will I need to achieve my retirement plans?
- How could my income and capital needs change in the future?
- Do I have an effective plan to leave a financial legacy?
- How much money would my spouse/partner need if I die before them?
- How might I protect against the effect of inflation?



LOOKING TO THE FUTURE

Taking the steps now to prepare yourself for retirement

With increasing numbers of people working past traditional retirement ages[1], stopping work can seem a long way off, especially for younger people. But it's the dream of an early retirement that keeps many people going through the daily work grind.

Fantasies of a round-the-world cruise, sundowners on a seaside terrace or writing a best-selling novel can make work endurable. The good news for many is that the dream of an early retirement is being realised[2], with nearly two thirds (60%) of those stopping work this year doing so before their expected State Pension age or company pension retirement date.

ESCAPE THE DAILY GRIND

It appears that those planning to escape the daily grind early feel the most comfortable when it comes to their financial situation in retirement – with over half (56%) saying they feel financially well prepared, compared with 49% of those working towards their expected retirement date. That's reflected in the numbers taking financial advice – 68% of early retirees are seeking professional advice compared with 60% of those working until their projected retirement age.

The opportunities that retirement brings are limitless, with travelling or spending long periods abroad high on many people's wish lists. The average age of those retiring early is 57, and early retirees are planning to make the most of their free time – over a third (37%) plan to take up a new hobby or sport, 27% will start voluntary or charity work, and nearly a fifth (17%) are planning a long-term holiday or gap year.

MEETING YOUR LIFE GOALS

But early retirement also can bring with it the challenges of meeting your life goals, such as funding a child's education and their wedding, along with bearing household expenses long after you've retired because of increasing life expectancy.

To retire earlier requires planning, discipline and paying close attention to your savings and investments. But the sacrifices and extra effort are worth it to enable you to have more opportunities to spend time with the people you care about.

REASONS TO START SAVING FOR RETIREMENT EARLY

YOU'LL PREPARE IN A MORE RELAXED WAY

Saving for 30 years instead of 10 means you can put away less money each month and reach the same target. It'll also mean you have cash left over to spend on yourself in the meantime.

EARN MORE THANKS TO COMPOUND INTEREST

If you start saving today, you'll earn more because interest payments build up – every interest payment you receive starts earning corresponding interest itself right away.

YOU WILL ENJOY GREATER PEACE OF MIND

Putting in place a plan for your retirement means you can start looking forward to a more comfortable retirement. You'll feel more confident about life after work knowing things are taken care of from a financial perspective.

YOU COULD RETIRE EARLIER

If you manage your wealth and retirement planning wisely, you might find you're ready to retire younger than you'd imagined. Give yourself more time for the things you've always dreamed of doing.

PLAN WHEN YOU HAVE MORE DISPOSABLE INCOME

It's normally the case that you have more disposable income from your twenties into your early forties. Later in life, you may find that you have more responsibilities – children's education and mortgage payments, for example – and find it harder to put money into your retirement fund every month. Start early while you have extra funds. ◀

Source data:

[1] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/fivefactsaboutolderpeopleatwork/2016 -10-01

[2] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.

POSITIVE OUTCOMES

Impact investing without sacrificing returns or profits

For those looking to make the world a better place, but not wanting to sacrifice returns or profits, impact investing aims to support a positive social or environmental impact as well as looking to achieve compelling financial returns at the heart of sustainable investing.

The term 'impact investing' was first coined in 2007, although the practice developed over years beforehand. It seeks to generate both social change and a return on capital and ends the old dichotomy where business was seen solely as a way to make a profit, while social progress was better achieved only through philanthropy or public policy.

NOT A RECENT PHENOMENON

Socially responsible investing is not a recent phenomenon – it can actually be traced back several centuries. Early initiatives were all based on the exclusion of controversial sectors such as tobacco or armaments rather than on investing in businesses which have the power to do good. That's what impact investing is seeking to achieve, and it has begun to gain traction.

The upward swing of impact investing is being led by millennials. This type of investing considers a company's commitment to corporate social responsibility (CSR), or the sense of duty to positively serve society as a whole, before becoming involved with that company. This societal impact differs depending on the industry and the specific company within that industry, but some common examples include giving back to the community by helping the less fortunate or investing in sustainable energy practices.

SOCIAL AND ENVIRONMENTAL THEMES

Once the preserve of the super-rich, individuals and families would come together to identify promising opportunities to make money and do good at the same time. But, increasingly, investor impact strategies are now covering a broader range of social and environmental themes and, in many cases, harness the latest technology or pioneer delivery systems to gain efficiencies and reach those most in need.

Impact investments can be made in both emerging and developed markets and target a range of returns depending on an investor's strategic goals. The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, micro finance, and affordable and accessible basic services including housing, healthcare and education.

CHALLENGING PREVIOUS LONG-HELD VIEWS

Impact investing challenges the previous long-held views that social and environmental issues should be addressed only by philanthropic donations, and that market investments should focus exclusively on achieving financial returns.

The impact investing market directs capital to enterprises that generate social or environmental benefits, and offers diverse and viable opportunities for investors to advance social and environmental solutions through investments that also produce financial returns. ◀

SOME IMPACT INVESTMENTS MAY BE MORE EXPENSIVE THAN OTHER TYPES OF INVESTMENTS AND BE RISKIER AND GENERALLY PROVIDE LESS CHOICE IN THE MARKET PLACE.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

GENERATION STILL TAXED

Numbers nearly double in the last two decades

With so much choice on offer, and with frequent rule changes and distinct tax benefits to consider, finding the right vehicle for your retirement planning is essential.

Add to this the number of taxpaying pensioners nearly doubling over the last two decades, and with talk of also requiring pensioners to pay National Insurance on any earnings or even on pensions, the older population may start thinking of themselves as 'Generation still taxed'.

DETAILED FIGURES

The analysis[1] shows that between the mid-1990s and the mid-2010s, the number of taxpayers over the age of 65 nearly doubled from 3.32 million in 1995/96 to 6.49 million in 2015/16, the last year for which detailed figures are available. It is estimated that the number has broadly stabilised since then and stands at around 6.37 million in 2018/19.

The data covered every local authority in the UK and provided separate information for men and women. The data relates to the 6.87 million taxpayers over State Pension age in 2015/16 and includes around 400,000 women over State Pension age but under the age of 65.

EMPLOYMENT INCOME

Amongst the 6.87 million taxpaying pensioners, the average annual tax bill is £3,522. For the 3.87 million men, the average bill is £4,341; for the 3 million women, the average is £2,467. More than a quarter of taxpaying pensioners are still in paid work – 1.5 million have employment income, and 0.5 million have income from self-employment.

The total amount of Income Tax paid by pensioners in 2015/16 was around £24 billion. Of this, around £21 billion came from England, £1.7 billion from Scotland, £0.8 billion from Wales and £0.4 billion from Northern Ireland.

LOCAL AUTHORITIES

The five local authorities with the highest total tax bill by pensioners were Surrey (£961 million), Hampshire (£763 million), Essex (£756 million), Greater Manchester (£646 million) and Kent (£645 million). This means that pensioners in Surrey are paying more in Income Tax than pensioners across the whole of Wales.

When planning for retirement, it is vital to remember that the tax office will still want a slice of your income, which reinforces the need to put aside enough to secure a decent standard of living, even after the taxman has had his slice. ◀

Source data:

[1] Royal London Freedom of Information Act request – data for 2015/16 for taxpayers over pension age, broken down for each local authority in the UK and for men and women separately. Data gives the number of pensioner taxpayers in each area and how much tax they pay. It also shows how many have income from self-employment, employment, pensions, property and other sources.

Published by **Goldmine Media Limited**
Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL

goldmine media