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WEALTH KNOWLEDGE

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In this month's Wealth Knowledge... A third of people plan to work over the age of 65. Saving for a holiday is more popular than saving for retirement. HMRC collected more than £3 billion in inheritance tax in 2012/13. And, we look at ways to manage employee absence.

Flexible retirement the norm

Attitudes towards retirement have become more flexible since the default retirement age was abolished in 2011, according to a report by Scottish Widows.

The research shows that the traditional idea of stopping work completely at 65 is no longer the norm.

Important findings:

- 34% of people over 55 plan to continue working after the age of 65
- 33% want to keep working in some way as they approach retirement
- 22% want to stop working altogether as soon as possible
- 15% of men and 9% of women have started working again after retiring.

However, there is a split between those who want to work and those who have to.

Reasons for working past 65:

- don't feel old enough to retire (54%)
- want to continue their professional development (24%)
- need to supplement their pensions (44%)
- need to support their family financially (18%)
- have a mortgage or debt to pay off (13%).

Retirement planning

The report also found that people are leaving retirement planning until later in life - 45% of people over 55 haven't made any retirement plans at all.

If you are around 10 years from retirement and haven't thought about your finances, there is still plenty of time to plan. There are 2 key areas to research:

Costs

Estimate your outgoings in retirement. For example, you might save money on commuting but spend more on holidays.

You also need to consider existing debts such as mortgage repayments and if you want to help others financially.

Assets

Knowing the value of your assets will give you an idea of your potential income. You should:

- ask for a state pension forecast
- get an estimate of the size of your pension pot
- track down all your work pensions
- think about other assets that could provide income such as shares or property.

Armed with this information, you'll be in a better position to plan the retirement you want.

Holidays most popular reason to save

Almost half (45%) of adults save money each month but only 32% are saving for a specific purpose, research by Aviva has found.

The 3 most popular reasons to save are:

- holidays (38%)
- rainy day funds (38%)
- pension (24%).

The research also revealed how adults are saving:

- 66% have bank or building society savings accounts
- 46% use cash ISAs
- 32% keep some savings in cash.

Rodney Prezeau, consumer platform managing director for Aviva, said:

"It's worrying that many who are investing for the long term seem to be putting their cash into vehicles which are generally more suited to shorter-term savings.

"Cash ISAs certainly have their place, but we'd encourage consumers to look at long-term benefits if they are planning to save for many years or even decades, for example if they're putting money away for retirement or for children's university fees.

"A stocks and shares ISA with its tax advantages is one of the ways people can save if they have a long-term goal in mind and don't need instant access to their savings."

[Get in touch to discuss your savings today.](#)

Inheritance tax bills increase

The average inheritance tax (IHT) bill increased by almost £5,000 in the 2012/13 tax year.

Analysis of the most current HMRC data by Prudential found the average IHT bill was £170,000 - a 5% rise on the previous year.

In total 17,900 estates paid £3.05 billion in IHT in 2012/13 - a 15% increase compared to the year before.

IHT nil-rate band

The nil-rate band for IHT is set at £325,000 until 2021/22.

However, from April 2017, individuals will have an additional nil-rate band of £100,000 when they pass a family home on to children or grandchildren. This will potentially allow individuals to leave an estate including a family home worth up to £425,000 without paying IHT.

This family home allowance will be gradually increased until it reaches £175,000 by 2020/21.

Any unused nil-rate band can be transferred to a surviving spouse, meaning that by 2020/21 a couple could have a combined IHT threshold of £1 million.

The exact details of the new rules will be confirmed after a technical consultation.

Les Cameron, a tax specialist at Prudential, said:

"As the total amount of IHT paid increases, so does the value of careful tax planning for anyone looking to cascade as much of their wealth to their families as possible.

"It is almost never too early for many people to discuss future financial plans for them and their families."

[Talk to us about IHT planning today.](#)

Managing short-term employee absence

Employees take an average of 6.9 days off work each year, costing businesses £554 per person, according to a report by the CIPD.

The report revealed that monitoring and deterring absence are the most common approaches for managing short-term absence.

These include:

- return to work interviews (61%)
- reviewing attendance (52%)
- asking staff to report sickness information to their line manager (17%).

However, some businesses also offer support to staff such as:

- flexible working (62%)
- well-being benefits (34%)
- private medical insurance (25%).

Writing in the report, Dr Jill Miller, research adviser at the CIPD, said:

"We believe an effective absence management approach is one which is coupled with a focus on health promotion and employee well-being.

"Proactively supporting well-being can prevent people from going off sick, or deal with an issue before it becomes a real problem."

Setting targets

40% of businesses have made reducing absence a target but only a quarter achieved their goal in 2014.

Corinne Williams, head of HR at Simplyhealth which sponsored the report, said:

"Having a target isn't enough; organisations need to link it to their overarching business strategy and continually measure and evaluate it to ensure it remains on track.

"Managing absence is a continual process, and should be done with both the business objectives and employee well-being in mind."

[Speak to us about supporting employee well-being.](#)

Important Information

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future. ISA and pension eligibility also depend upon individual circumstances. FCA regulation applies to certain

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