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All

Over 50s employment prospects hit hardest by pandemic

Official data reveals a large proportion of over-50s have worked fewer hours and are more likely to have been made redundant in the wake of the pandemic. The figures from the Office for National Statistics showed that workers aged 50 and over were more likely to report working fewer hours than usual, with those over 65 most likely to say they had worked reduced hours. The over-50s also made up more than a quarter of the 1.3 million people who were furloughed, and 3 in 10 of those workers on furlough believe there is a 50% or higher chance that they will lose their job when the scheme ends. Between December 2020 and February 2021, the employment rate for those aged 50 to 64 fell from 72% to 71%, and for those aged 65 years and over it fell from 11.5% to 10%. Those over 50 also saw the highest increase in redundancy over the same period, more than doubling from 4.3 to 9.7 per thousand and representing the highest redundancy rate across age groups in the latest quarter. The figures also showed that one in eight workers aged 50 and over have changed their retirement plans as a result of the pandemic, with 8% planning to retire later than originally planned. Last month, the Resolution Foundation reported that, after almost consistent employment growth for older workers since the mid-1990s, since the start of the pandemic, employment among workers aged 50 to 69 dropped 1.4 percentage points. The figures indicate a growing gap between those who have choices over many aspects of their lives, including where and when to work and timing of retirement, and those who are in a situation with much lower control – in less secure jobs with little or no choice over decisions around retirement. But this talent doesn't need to be wasted and creating an age-inclusive culture is the key to make sure everyone can feel included at work.

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The economy bounces back

The Bank of England has upgraded its growth forecast for the coronavirus-hit UK economy and signalled it will not raise interest rates in the near term - despite seeing a looming spike in inflation ahead. The latest meeting of the central bank's interest rate-setting committee left policy unchanged, with rates remaining at their COVID-19 crisis low of 0.1% as analysts had widely expected. Its £895bn programme of asset purchases, known as quantitative easing, was also kept static. But its quarterly Monetary Policy Report said that the vaccine-led recovery from the sharpest hit to the economy in over 300 years in 2020 was clearly under way at a greater speed than initially expected. The Bank said it now saw growth of 7.25% during 2021, which would be the strongest since 1941. It now sees GDP falling by just 1.5% in the lockdown-hit first quarter compared to the plunge of over 4% feared in February. The report said GDP is expected to rise sharply in 2021 second quarter, although activity in that quarter is likely to remain on average around 5% below its level in the fourth quarter of 2019. GDP is expected to recover strongly to pre-COVID levels over the remainder of this year in the absence of most restrictions on domestic economic activity. The Bank forecast that consumer spending would be a main driver of the recovery - with people spending an estimated 10% of their accumulated lockdown savings. But it warned of potential "downside risks" to its outlook from new coronavirus variants - and Governor Andrew Bailey told a news conference people should not get "carried away" by the recovery. Mr Bailey also said it was too early to judge what impact Brexit had delivered. The Bank's predictions for acceleration in growth were backed up by a closely-watched survey of firms, which pointed to the largest leap in business activity since 2013 in April for the services sector. The IHS Markit/CIPS Purchasing Managers' Index (PMI) recorded a reading of 61 - up from 56.3 in March - with any reading above 50 indicating growth. It noted "sharp increases" in both business and consumer spending as coronavirus restrictions continued to ease.

All

Two in three retirees will run out of money

Two-thirds (66%) of those retiring in 2021 will exhaust their pension savings before they die, according to research by Standard Life Aberdeen. Lockdown and worries over the pandemic and job security have persuaded more people to accelerate their retirement plans which may leave them short of funds. It found that more than a third (37%) of those close to retirement have chosen to leave their job early. The findings are from the fund house's inaugural 'Class of' report which surveyed 2,000 adults who are due to retire in the next 12 months. Although they plan to spend less a year in retirement than they currently do (on average £21,000 against £29,000 respectively), a lack of savings has been identified as problem. Based on this £21,000 figure, a retiree would need savings of around £390,000 on top of their state pension for a 30-year retirement. But the average pension pot for the Class of 2021 is £366,000 with a third (33%) admitting to having less than £100,000 saved away. Women who are close to retirement were less likely to feel confident they are financially ready to finish working than men. The report found a third (34%) of women were feeling very confident financially about finishing work against two in five (43%) men. The survey also found people had apprehensions about retiring during a pandemic. More than half (51%) were worried about not being able to do things they planned, while two-fifths (43%) were concerned they would not be able to see friends and family.

All

Mortgage lending breaks new records

Mortgage lending is tracking the hyper-active sales market and in March hit the highest level since records began in April 1993, the Bank of England has reported. Its latest Money and Credit report reveals that net mortgage borrowing hit £11.8 billion driven by 82,700 house purchases, although this is fewer transactions than the recent all-time peak of 103,000 recorded by the Bank of England in November last year. But the amount borrowed during March remains a huge leap when compared to February, when borrowing hit £6.2 billion. Just over a year ago the Bank of England cut its base lending rate to 0.25%. Mortgage market momentum has been growing month on month since the start of the year and, while the Bank of England today reports that net mortgage borrowing reached an 18-year high, figures show that April is set to outperform March, believe commentators. Data shows that £150bn of property transactions were completed in the first 15 weeks of 2021. Running ten weeks ahead of a typical year, this level of sales wouldn't normally be achieved until the end of June. Mortgage approvals are always a good indicator of future direction of travel for the market. And although these numbers are a little lower than the previous month, they reinforce what experts have been seeing on the ground – buyers are determined to move although many know the log jam in the system will mean they won't be able to take advantage of the stamp duty concession before the tapering begins at the end of June.

All

No cause for inflation alarm

The Governor of the Bank of England has warned that inflation was likely to be "a bit bumpy" this year but insisted there was little reason to panic over the medium term. His comments come shortly after the central bank upgraded its outlook for the U.K. economy. The central bank now believes the U.K. is on track for growth of 7.25% this year, slightly above analyst expectations and up from a previous estimate of 5%. The U.K.'s comparatively quick vaccination rollout, a decline in the number of Covid-19 cases nationwide and the gradual easing of restrictions on economic activity were cited as reasons that led the central bank to revise its 2021 growth forecast. On inflation, the Bank of England said it expects the consumer prices index to temporarily climb above its 2% target toward the end of this year, predominantly driven by developments in commodity prices. It sees inflation returning to around 2% over the medium term. The consensus is that there will be an upturn in inflation this year because there are so-called base effects. At the moment, though, the Bank of England is not seeing evidence that alarms them.

Investor / Saver / Employee / Business Owner

Multi-jobbers miss out on pensions

People who hold more than one job are at risk of a poorer retirement due to missing out on employer pension contributions. Auto-enrolment was introduced in order to encourage people to save more in their pensions during their working years, due to concerns that we aren't putting enough money aside. Under the scheme, employers are required to open a pension on their employees' behalf, and then contribute to that pension, though employees are entitled to opt out. Crucially though, employees need to earn at least £10,000 a year to qualify for the scheme, and that's where the issue faced by multi-jobbers becomes clear. There are inevitably some workers who earn at least that much across their various employments, but because they do not earn at least £10,000 from one single employer, they are not enrolled in a workplace pension and so miss out on those valuable employer contributions. The study from Scottish Widows found that almost half (49%) of those who are employed in more than one job but are earning less than the threshold are not enrolled in their company pension. That's in contrast to less than a quarter (23%) of all employees who are not enrolled. Previous research has highlighted that millions are currently excluded from the workplace pension scheme, while more than 100,000 single mothers have been locked out during the pandemic. Importantly, while you need to earn £10,000 in order to qualify for automatic enrolment, so long as you earn above £6,240 you can opt into your company's pension, with your employer legally required to contribute too at a rate of 3% of your salary. Even if you earn less than this you can opt into the pension, though the employer isn't compelled to contribute. However, this doesn't seem to be particularly well known. Scottish Widows found that almost half (48%) of those it spoke to did not know that those earning between these bands could opt in and that bosses had to contribute, while two in five thought that all workers were automatically enrolled, irrespective of what they earn. Worryingly, the study found that around one in 20 people who have multiple jobs and at least one paying under the £10,000 threshold have been refused entry into the company pension by their bosses.

Investor / Saver

Is the bitcoin bubble about to burst?

Although you don't hear it, bitcoin has crashed. A crash is classically a 25% fall in a sudden sharp move. Bitcoin has formed bubbles, suffered slumps, and rebounded before. It may soon have to repeat the feat. Meanwhile, a big crypto selloff can be expected to create a significant headwind for broader tech stocks. It would be wise, however, to assume that bitcoin could still rise again. A 20%+ fall in a few days for an asset whose total worth is more than $1 trillion certainly matters; but in the context of bitcoin's past experience, this isn't so remarkable. It barely brings the price back to its 50-day moving average, a good measure of the short-term trend. If we look at the last five years for bitcoin, on a logarithmic scale, last weekend's excitement isn't visible. It might be time for crypto to take one of its habitual downdrafts. That could mean a lot of people will lose money. But it isn't the same thing as predicting the demise of crypto assets. Cryptocurrencies are neither a storage of value nor an income-generating asset. Their only rationale is to speculate on price appreciation. Cryptocurrency enthusiasts bank on the idea that bitcoin is limited in supply. Therefore, digital currencies are allegedly far more attractive than fiat currencies, which get printed uncontrollably. However, cryptocurrencies can be hard forked. Bitcoin has been hard forked several times already. Bitcoin's supply has grown faster than the number of dollars since its inception. Moreover, there are more than 4000 altcoins that have been created out of nothing. That's far more than the number of fiat currencies in existence. The facts are that there is neither scarcity nor supply limits in the most prominent cryptocurrencies. Bubbles had some typical characteristics historically. Valuations indicated little chance of positive real return and buyers base their case on something different. Throughout history, successive market manias have been rationalized with the argument that history is no longer a reliable guide to the future. Instead, market participants argued that "This time is different". Another common feature of a bubble is the overblown growth story. The running gag is that it took 20 years to grow 6k into 250k with Amazon stocks. The same increase materialized, with some altcoins, within two weeks. Irrational exuberance is another typical characteristic of bubbles. Cryptocurrencies check all marks of distinct bubble characteristics. Public interest seems to have peaked, according to google searches. Search interest for the "bitcoin" and "cryptocurrency" strings is fading. Time will tell if public sentiment peaked and the last marginal buyer is in already. Buying demand seems to fade from a technical angle as well. Bitcoin is representative for most cryptocurrencies and momentum started weakening during the past few months. There was a divergence between the most recent price high and strength, which indicates fading buying demand. Bitcoin looks like a bubble, smells like a bubble, and sounds like a bubble. That's based on fundamental, behavioural, and technical evidence. The alleged benefits of cryptocurrencies are mostly selling stories. Their sole economic purpose is speculation that a price bubble keeps on inflating. There is nothing wrong with investing in bubbles for early adopters. However, being late to the party is often a disaster for investors. The bottom line is that the crypto bubble is probably bursting sooner rather than later.

Investing in Bitcoin is considered to be a high risk investment strategy and advice is always recommended to ensure individual suitability.

Retired / Estate Planner

Pensions are now an even better way to avoid inheritance tax

The Supreme Court has ruled that there should be no charge to inheritance tax on a transfer to an individual's personal pension plan. The case was brought to the Supreme Court when Mrs Rachel Staveley who, before she passed away in 2006, transferred her pension fund from a company pension under section 32 of the Finance Act 1981 to an Axa personal pension plan. If she had remained in the company scheme, her pension would have been exempt from inheritance tax (IHT), however, transferring it to a personal pension plan meant it was subject to the government tax. The court found that the intention of this transfer before Staveley's death was to avoid any pension funds reverting to the business and consequently providing these funds for her divorced husband, who is a partner at the business that they both founded. Because Staveley was terminally ill with cancer, HM Revenue and Customs (HMRC) treated her actions as a transfer of value, followed by an omission to act as she did not draw any benefits during her lifetime. Therefore, it was concluded that this transfer was not intended to reward these funds to her sons, the beneficiaries primarily, but to avoid these funds going into the business' hands. Despite this, the court found that the decision to neglect income benefits during Staveley's lifetime did create an increased value of the funds, however, HMRC appealed this, and the appeal was allowed. The Supreme Court decision in the Staveley case has clarified that intention is crucial when a pension transfer or switch is made in terminal ill health. Where there is an intention to give benefits which did not exist before, such as a DB to DC transfer, it will be subject to IHT. But a discretionary DC to DC switch may be completed without worry of IHT if it is for genuine commercial reasons and the beneficiaries on the expression of wish form stay the same. As always, financial advice is key.

Past performance is not a guarantee to future performance. You may get back less than invested.

Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts and reliefs from taxation are subject to change. The FCA does not regulate tax advice.

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