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Technical Update No. 80 21st June 2021

All

Cash use plummets

Consumers kept their cash and cards in their pockets last year, as lockdowns cut the number of payments made for the first time in six years, banks say. More than eight out of 10 payments by consumers are spontaneous but options were limited by the Covid crisis. The total number of payments was down on the previous year, but when people did spend money they were increasingly likely to use contactless technology. Covid concerns meant shoppers were encouraged to use it instead of cash. The contactless limit was hurriedly raised at the start of the pandemic to £45 per use, from £30. Ministers are planning to allow that limit to be increased to £100 later this year. The total number of payments made by consumers last year fell by 13% compared to the previous year, to 31 billion, according to a UK Finance report. Contactless payments accounted for 27% of these transactions. They were most commonly made in supermarkets; these were among the relatively small list of outlets which were able to remain open throughout the pandemic. Nine out of 10 people shopped online and they were increasingly likely to spend via this method during lockdowns. Payments made via smartphones and other digital devices also increased, primarily among the younger generations. In contrast, cash use fell. The number of payments made with notes and coins dropped by 35%. This continued a trend of recent years and also reflected the reduced opportunities to pay for things during lockdowns. It still accounted for 17% of all payments, making it the second most-popular way to pay behind debit cards. While it is still too early to say if this is a permanent change to people's behaviour as, in many other parts of people's lives, the pandemic has also affected UK payment markets.

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How much do you need for a happy retirement?

Two-person households need an average annual income of £26,000 for a comfortable retirement, the latest Which? research has found. With the past year altering many people's spending habits or potentially accelerating their plans for retirement, finding out how much money is needed to finance a reasonable standard of living in later life has taken on an increased importance. Which? surveyed nearly 7,000 retirees in February about their spending to develop retirement income targets for one-person and two-person households. The findings can be used as a guide to how much people are likely to spend and how much they might need to save, factoring in the state pension and tax bills. Couples need a pot of around £155,000 alongside their state pension to produce the annual income for a comfortable retirement of £26,000 via pension drawdown – or just over £265,000 through a joint-life annuity. Two-person households would need around £442,000 in a drawdown plan to fund the luxury retirement target (£41,000 per year) – or £589,000 if they have taken the full 25% tax-free lump sum available at the outset. If you opt for the guaranteed income provided by a joint-life annuity, you will require an initial fund of around £757,000. For single-person households, achieving a comfortable retirement would mean a pot of around £192,290 alongside the state pension to get to an annual income of £19,000 via pension drawdown, or £305,710 through an annuity. For a retirement at the 'essential' level, single-person households would need £77,350 in a pension drawdown or £123,365 to buy an annuity plan to meet an annual target income of £13,000. A couple receiving the current average amount of £155 each per week will get just over £16,000 a year to add to private pensions. Pension drawdown figures are based on the savers withdrawing all of their income over 20 years from the age of 65, with investment growth of 3%, inflation at 1% and charges levied at 0.75%. The amount of savings required is also much higher if you want your income to be guaranteed until you die, by buying an annuity rather than relying on stock market returns, which can be very volatile. A couple would need combined savings of £265,420 to buy an annuity at 65, not including inflation and paying 50% to the surviving partner, to help them generate the target sum. An individual would require a pot worth £305,710 to buy an annuity that helped them reach their target income People need to save even more for a luxurious retirement, defined by Which? as including long haul holidays to farther flung destinations, health club membership, expensive meals out and a new car every five years.

Investor / Saver / Retired / Employee

Over 50s sleepwalking into retirement nightmare

A growing number of people are at risk of being unable to afford a decent standard of living after retirement, according to a new report released today. The report, 'What is an adequate retirement income?' estimates a quarter of people approaching retirement, the equivalent to five million people, are at risk of missing out on the income they need. The report by the Pensions Policy Institute, sponsored by the Centre for Ageing Better, warns millions of people in their 50s and 60s are running out of time to prepare financially for retirement. The research found a low state pension, increasing unemployment and the transition to workplace pension schemes reliant on employee contributions are all factors leading to this risk. It warns this is an immediate cause for concern for those currently in their 50s and 60s. Not only that, but generations to come also risk being pushed into poverty if action is not taken to address financial insecurity in retirement, the report warned. It found 90 percent of people of all ages with Defined Contribution pensions may be at risk of falling short on their expected retirement income. Despite recent measures such as auto-enrolment having resulted in more people saving into their workplace pensions, savers aged over 50 spend less time in auto-enrolment schemes and consequently benefit less. Most pension contributions remain inadequate, and challenges for savers have been exacerbated by COVID-19. The report also highlighted that those aged over 50 had the highest redundancy rate during the pandemic and warns that this age group is more likely than younger groups to experience long-term unemployment. Worryingly, increasing job losses and unemployment levels may result in the generation currently approaching retirement being pushed out of work and left with a pension that does not provide them a decent standard of living. The report calls for a new consensus on what adequacy means, urging the Government to build a consensus between employers, industry, unions and individual stakeholders on what an adequate income in retirement is. Furthermore, Ageing Better is calling on employers to match workplace pension contributions at a higher rate, as well as better support for groups at risk of financial insecurity.

All

Inflation rises above bank’s target

British inflation unexpectedly jumped above the Bank of England's target in May when it hit 2.1%, part of a post-lockdown climb in prices that is expected to gather pace. The acceleration of the consumer price index from April's 1.5% largely reflected how weak inflation was in May 2020 when the economy was reeling from its first tight lockdown. The figure representing the first time inflation has gone above the Bank of England's 2% target in almost two years and was above all 33 forecasts in a Reuters poll of economists which had pointed to a rise in inflation to 1.8%. Investors around the world are assessing the risks of a sustained jump in prices, especially in the United States where annual inflation hit 5.0% in May, the highest in almost 13 years, and where President Joe Biden has proposed a $6 trillion stimulus package. Whether the upside news proves temporary or persistent, it is clearly a hawkish surprise. Of course, some major uncertainties, such as the end of the furlough scheme in September, remain. But if the upside surprises continue, calls for a rate rise on the Monetary Policy Committee may grow louder. The CPI data showed fuel prices in May were almost 18% higher than a year earlier while clothing and footwear costs rose by 2.1% as people, emerging from their lockdown isolation, bought new outfits. The price data was collected on or around May 11, before pubs and restaurants were allowed to serve customers indoors and cinemas and hotels reopened from May 17. The Bank of England has said it expects inflation to hit 2.5% by the end of this year before settling back to its 2% target as the impact of post-lockdown energy price rises fades along with other cost pressures, such as bottlenecks in supply chains.

Property Owner

Cladding property nightmare

Reserve funds raided to pay for replacement cladding are predicted to cause a surge in dilapidated homes. While management firms' emergency funds are drained to pay for the removal of dangerous cladding, desperate leaseholders will be forced to inhabit dilapidated buildings with rising service charges and falling property values. A building safety crisis across the UK has emerged, four years on from the catastrophe of the Grenfell Tower fire. Experts have warned that the cost of making homes safe will set off a new, years-long disaster of missed repairs and pots built up from service charges to cover basic maintenance costs, have been looted by management companies. The money has been used to pay for temporary fire-safety measures, such as 'waking watches'; personnel employed to walk round a building at night. Mary-Anne Bowring of Ringley, which manages more than 12,000 properties, said freeholders have abandoned all other repairs to carry out the fire safety works. There are apartment blocks where 100% of the reserve funds have been spent on replacing cladding. Experts have warned that leaseholders will be in for a shock when all the work is complete. They will receive a £120,000 bill for lift replacements, for instance, but there will be nothing in the kitty to pay for them. This will be the long Covid of the building safety crisis. According to ARMA, the average block has only £84,000 left in reserves, which is worrying when it is considered that a new roof could cost several hundred thousand.

All

Pensions triple lock could cost £4bn

Chancellor Rishi Sunak has said the triple lock on pensions remains government policy after it emerged that he may have to spend £4bn more on pensioners from next year if he sticks to the pledge. Sunak was grilled on the issue in a recent interview with GB News, after ONS data published earlier in the week revealed there was a record jump in earnings. The triple-lock pledge ensures that pensions rise annually by the highest out of average earnings growth, inflation or 2.5%. This means Sunak would need to link pensions to earnings growth if it remained at this level. However, the ONS said the 5.6% increase has been distorted following a big fall in earnings during the first lockdown last year, while many jobs axed in the pandemic were lower-paid roles. During the interview with Andrew Neil, Sunak was asked whether he would be prepared to pay the bill amid criticism over the funding provided to help children catch up on missed school lessons. "The triple lock is the government policy but I can't pre-empt, there's a statutory review that happens in the autumn through a parliamentary process and it's not right for me to pre-empt that," the Chancellor said. Sunak claimed the figures were "speculation" and when questioned on whether he would pay the bill if earnings turned out to be the highest, he said: "That's how the triple lock works. That is the government policy." Pension experts have already highlighted concerns about fairness between the generations, with many of the working population facing pay freezes amid the coronavirus crisis. The Treasury, which has already hinted that it faces a balancing act with the issue, said the focus was to "ensure fairness for both pensioners and taxpayers", according to the Financial Times.

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