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All

State pension on track to rise 10%

The state pension is on course to top £10,000 a year if the Government keeps its promise to reinstate the 'triple lock' on annual increases. The popular guarantee means the state pension is raised by the highest of inflation, wages growth or 2.5% - but it was ditched last year because the pandemic temporarily skewed the earnings figure. The inflation rate will be highest this year, so the state pension increase should be decided by the September CPI figure, which is due out on 19 October. Inflation in August was running at 9.9%, down from 10.1%. The latest earnings growth figure, based on total pay including bonuses, was 5.5%. But older people waiting anxiously to find out what state pension increase they will get next April might find it still lags behind prices. Inflation could stick at around 10% during the key month of September, but rise further this winter despite the Government's freeze on the energy price cap. Last year, the triple lock was suspended because wage rises were distorted as the labour market recovered from the impact of Covid-19. But this year, sky high inflation is taking a severe toll on pensioners struggling to pay household bills. If the 9.9% inflation rate from August was used, pensioners on the post-2016 full rate state pension of £185.15 a week or around £9,600 a year would see a rise to £203.50 a week or £10,600 a year. Those on the old basic rate would see a jump from £141.85 a week or around £7,400 a year to £155.90 or £8,100 a year. During the Tory leadership campaign, Prime Minister Liz Truss promised to reinstate the triple lock this year but is likely to come under pressure to U-turn due to the squeeze on public finances. There is overwhelming support for the triple lock among pensioners, though less among younger generations.

Property Owner

Mortgage shock looms as interest rates rise

Homeowners breathed a sigh of relief when the government finally announced a policy to prevent energy bills skyrocketing, but the cost-of-living crisis is far from over. The next thing to worry about is your mortgage. The historic low loan deals that buyers were blessed with for the past 12 years have been swept away by the Bank of England base rate rises this year. In 2020 you could fix your mortgage for two years at an average rate of 2.24%, according to comparison site Moneyfacts. The best buys were far lower – less than 1% in many cases. Now the average two-year fix is 4.09%. On a £500,000 25-year mortgage that will mean your monthly repayments rise by almost £500. In fact, if you can remortgage now, you can count yourself lucky – experts are predicting things will be far, far worse next year. So, what can you do to prepare yourself? If you can remortgage, now is the time to do it. Rates are still going up, so locking in now will save you money. Even if your current deal doesn't end for some time, you can shop around for a mortgage now. If you can afford to, consider overpaying your mortgage. Borrowers who are still enjoying a low mortgage interest rate can overpay now to help erode their balance more quickly and leave them with a smaller mortgage when their current deal ends. When it is time to remortgage, you could lengthen your mortgage term to lower your monthly repayments. For example, a £200,000 mortgage at 3% would cost £948 a month on a 25-year-term or £843 over 30 years. Just remember, the longer it takes you to repay your mortgage debt, the more interest you will pay.

All

Four day working week trial is largely positive

A trial underway to find out the impact of a four-day working week in the UK has largely been successful, revealed a survey of those participating in the experiment. In June this year, 70 companies and more than 3,300 workers agreed to participate in the largest ever four-day working week pilot in the UK. The trial is currently in its fourth month. So far, a total 88% of respondents to a survey on the trial stated that the four-day week was working well for them, reported AFP. The chief executive at Trio Media, a participant in the trial, added that "productivity has remained high, with an increase in wellness for the team, along with our business performing 44% better financially". Other companies taking part in the trial are from a wide range of sectors, including banking, care, online retail, IT software training, housing, animation studios, hospitality, and more. According to reports, researchers are also working with each participating organisation to measure the impact on productivity in the business and wellbeing of its workers, as well as the impact on the environment and gender equality. The government-backed, four-day-week trials are also due to begin later this year in Spain and Scotland.

Retired / Employee

Tax traps to avoid for over 65s returning to work

Recent labour market data from the Office for National Statistics (ONS) suggested over-65s are returning to work in large numbers. They may be looking to keep occupied or bolster their finances further - but regardless of the reason behind their decision, there are important implications to bear in mind. Specifically, the consequences of returning to work relate directly to the pension a person may have been ploughing their cash into for hopes of a comfortable retirement. Experts suggest there may be a possible “pension taxation trap” that Britons who are returning to work should consider. For those who do return to work, care must be taken in respect of future pension funding, as they might have triggered the Money Purchase Annual Allowance (MPAA). This will restrict any future pension funding to £4,000 per tax-year. It could be an issue if they join their new employer pension scheme as, based upon contribution rates of 8%, a salary of over £50,000 would result in contributions exceeding £4,000 per tax-year. The individual would be personally taxed on any excess above £4,000. The MPAA means the total amount which can be contributed to a person’s pension each tax year on which they will receive tax relief is reduced to £4,000 annually. Understandably, this could be a shock blow for those who trigger the allowance, substantially reducing their savings potential by 90%. Individual advice is always recommended.

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