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Retired

Long-term care: counting the cost

The economic crisis is prompting over 50s to delay their retirement and to seek work. In the last three months of 2022, there was a marked turnaround in those in their 50s and 60s moving out of inactivity and back into the workforce. The Institute of Fiscal Studies said the squeeze on living standards caused by the highest inflation rate in four decades was the likely reason why more 50 to 64-year-olds were looking for work. With an ageing population, the cost of care is a real concern for over 50's – not only for their own future care costs, but the number of people in their 50s, 60s and 70s caring for elderly parents is increasing. Healthcare analysts Laing Buisson confirmed the cost of care in the UK had risen by almost 10% in the past year to £41,600 a year for a residential care placement and £56,056 for a nursing home placement. The increase in the cost of care means that many people in care will run out of funds, resulting in family members being asked to pay a top-up payment for loved ones' ongoing care costs. However, what many are unaware of is the availability of full financial support. The NHS must pay the full cost of care fees for those who have significant ongoing healthcare needs. If a patient's needs primarily fall under health (be they physical or mental), rather than social care, they are entitled to a free package of care paid for by the NHS called NHS continuing healthcare (CHC). Funding is not related to an individual's wealth. Despite an ageing population, NHS England figures show the number of people eligible for funding has dropped by 18% in the past five years. There is also a clear postcode lottery, with people in the north of England more likely to receive funding than those in the south. If a person's care is not the responsibility of the NHS, it is the responsibility of the local authority. However, unlike the NHS, the local authority is able to assess the individuals' ability to pay. Currently in England, if a person has capital of more than £23,250 (£50,000 in Wales), they will have to meet the full cost of care. CHC is often referred to as 'fully funded care' and is a package of care arranged and funded solely by the NHS. It can be received both in a private care home or at the home of the individual. The full NHS funding is not based on a diagnosis of an illness, or the fact an individual is being well cared for. It is based on the type and amount of care someone requires to meet their needs. Retrospective claims for unassessed periods of care can also be made if a person has been in care for some time or have since died with more than £400mn being paid out by the NHS in redress for past periods of care.

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Parents

Thousands of graduates now have £100,000 student debt

Thousands of graduates have now accumulated student loans totalling more than £100,000 after years of high interest. Data obtained following a Freedom of Information request reveals, for the first time, the true size of the loans faced by some students, and an explosion in the number of borrowers facing six-figure loan debt. The Student Loans company has reported that 8,135 borrowers who are on Plan 2 loans – given to those from England or Wales who started university after the introduction of £9,000 per year tuition fees in 2012 – now owe more than £100,000 as of March this year. It has also revealed that 806,851 students now have balances of between £50,000 and £100,000, a huge increase on the 38,773 from back in 2018. The Labour government under Tony Blair passed the Teaching and Higher Education Act 1998 which introduced tuition fees of £1,000 per academic year to start in September 1998, and the Student Loans Company was formed the same year to provide funding. Now tuition fees are up to £9,250. The Student Loans Company said there were several reasons why some students are facing such large amounts of debt, including being on longer courses of five or six years, or receiving additional years' funding due to personal or family issues such as having to take a year out. Labour leader Sir Keir Starmer has said that the party will not be able to afford to scrap fees altogether. The shadow education secretary, Bridget Phillipson, said in June that that the tuition fee system was "broken" and that it would be possible to reduce the monthly repayments "for every single new graduate without adding a penny to government borrowing or general taxation". She said Labour would not be increasing government spending on this, but the party was accused of "pork barrel politics" for not providing details or funding plans. Student loans act like more of a tax than a debt and those on Plan 2 loans only repay 9% of what they earn over a £27,295 threshold. If the loan is not fully repaid, it is wiped after 30 years – although the rules are changing for new students starting studies this year, which means they will make repayments for longer and start doing so from a lower salary level.

All

One in eight bank branches to close this year

More than one in eight bank branches that were open at the start of 2023 are expected to be closed by December, according to new research. Based on analysis from ATM provider Link from the Financial Times, this would mean almost three-fifths of the network would have vanished since 2015. In total, 636 bank branches are due to close by the end of this year, while another 42 have already been announced for 2024. Meanwhile, consumer group Which? estimates, after this year's closures, there will be just over 4,000 branches left across the UK with 5,600 having closed since January 2015. By region, more than 100 branches are either closing or will be closed in London in 2023, while cities such as Southampton, Norwich, Dundee and Leeds will lose multiple branches by the end of this year. It comes just a month after the government set out a new free access to cash framework, which would see the majority of people and businesses no further than three miles away from withdrawing cash. The banks have been closing branches for years, but the process considerably accelerated during the coronavirus pandemic and with the increase of digital transactions. The speed of the branch closures in recent years has been mitigated to some degree by certain actions by the banks themselves, including the introduction of mobile branches, ad hoc in-person services in some public buildings such as town halls and libraries, banking pods which are semi-permanent structures in shopping centres and the provision of some services by certain banks at post offices. But the closures have raised concerns that many people have a diminishing ability to access cash. The government addressed the problem last month, with a framework document that aims to ensure that the majority of people and businesses would have to travel no more than three miles to access cash free of charge. "While the country is moving further away from using coins and notes with the number of online payments rising from 45% to 85% in the past 10 years, cash can still be an integral part of many businesses and people's lives," the Treasury said. The Financial Conduct Authority (FCA) can hold banks and building societies to the new rules, and has the power to fine them if they do not. Some banks have signed up to the cashback without purchase initiative, which means bank customers can get cash at the till of their local grocery store, without needing to make a purchase or pay a fee. Cash, which is estimated to be used by 5.4 million adults in the UK, still plays a significant role in the economy. Figures from the Nationwide Building Society show the use of cash may be increasing. There were 30.2 million cash withdrawals from Nationwide auto-tellers last year, a 19% increase on 2021.

All

UK services sector shrinks for first time since January

The UK services sector contracted last month for the first time since January as the downturn facing businesses deepened, according to an influential survey. The S&P Global/CIPS UK services PMI survey showed a reading of 49.5 in August, down from 51.5 in July. It was the first time the index has shown a negative reading since the start of the year, with any score below 50 indicating that activity across the industry has shrunk. British businesses are coming up against feeble demand from customers who are being squeezed by rising interest rates, lower disposable incomes, and worries about the outlook for the economy, the survey found. Firms in the services sector – which includes everything from restaurants and hotels, education and healthcare, to transport and the arts – saw a slight decline in levels of new work since January. It marked a return to falling sales volumes in August as people and businesses were more cautious to spend. Dr John Glen, chief economist at the Chartered Institute of Procurement & Supply (CIPS), said: "August painted a concerning picture of the services sector as the cooling economic effects of higher interest rates started to impact on spending and confidence, reducing the number of new orders at the fastest rate since December 2022. Analysts say this, combined with punishing costs of living and doing business, mainly due to higher energy bills, fuel prices and salary inflation, meant supply chain managers voiced their disquiet at the direction of travel for the service sector which fell into contraction this month. Higher wages are still pushing up businesses expenses, but overall cost inflation appears to be cooling, hitting the joint-lowest rate for more than two years. Firms across the sector also put the brakes on hiring staff last month as business conditions stayed subdued, according to the closely-watched report. Some businesses reported having excess capacity in the wake of decreasing customer demand.

All

Financial ingredients for the ‘sandwich generation’

Leading employee benefits provider, Unum UK, warns that carers’ financial and mental well-being is currently a major cause for concern, as over 1 in 5 workers consider themselves in the ‘sandwich generation’ (juggling dual caring responsibilities for children and ageing relatives). According to research carried out by Opinium:

- 13% have felt compelled to leave an employer unsupportive of their caring duties.
- 35% said their dual responsibilities had affected their mental health.
- 20% say they are less productive at work due to their caring responsibilities.
- 16% have had to take days off sick to manage their dual caring responsibilities.
- 26% wanted employers to improve access to mental health assistance.

Carers are also more likely to be in debt, especially in the cost-of-living crisis. A survey by Carers UK of 12,400 current unpaid carers found that one in six (16%) are now in debt as they try to manage their monthly costs. An average of 600 UK workers leave work to care every day. Yet despite unpaid carers in England and Wales contributing a staggering £445 million to the economy every day — that’s £162 billion per year — the government pays carers just £76.75 a week providing they look after someone for at least 35 hours per week. At an hourly rate, that works out to £2.19 per hour. For context, the National Living Wage for an adult aged 23+ is almost five times higher, at £10.42 per hour. Many carers also take on caring responsibilities despite having long-term health conditions or disabilities of their own. Carers UK reveals that 60% of carers had a long-term health condition or disability. An Office for National Statistics survey conducted in autumn 2022 found that 1 in 6 (16%) Great British adults experience moderate to severe depressive symptoms. However, among those undertaking unpaid care for at least 35 hours a week, the prevalence of moderate to severe depressive symptoms more than doubled to 37%.

All

Pension Protection Fund consults on plans to halve its 2024/25 levy

The Pension Protection Fund (PPF) has launched a consultation on its proposed 2024/25 levy rules, revealing plans to cut the 2024/25 levy estimate to £100m, half of the 2023/24 level. The consultation is also seeking views on the options to maintain a levy of £100m in the longer term, given current legislative constraints on the PPF's ability to cut the levy without damaging its ability to respond to a funding challenge should one arise. The PPF's Annual Report recently showed that the lifeboat is in a very strong financial position, having previously cut the levy from £390 million in 2022/23 to £200 million in the current year. The latest cut to the levy continues this trend, meaning that the lifeboat has cut the levy by almost 85% since 2020/21, with almost all levy payers expected to see their levy fall compared to the current year. For the 2024/25 year, the PPF confirmed that it intends to increase the Levy Scaling Factor (LSF) slightly 0.40, and the scheme-based Levy Multiplier (SLM) will change to 0.000015, while the risk-based levy cap is set to remain at 0.25% of scheme liabilities. Further cuts are unlikely, however, as governing legislation places limits on how much can be charged and the extent to which the levy can be increased from year to year, which also limits how much the PPF can allow the levy to fall without damaging its ability to respond to a funding challenge should one arise. Given this, the PPF confirmed that it is aiming to ensure the levy remains at or above £100 million in future years, acknowledging that, as the number of schemes paying a risk-based levy would otherwise continue to decline, more substantial changes are likely to be necessary to maintain a levy of £100 million in future years. The consultation stated: "The simplest option is to continue to increase the levy scaling factor. However, if bond yields remain at their current levels, we would expect the proportion of schemes paying a risk-based levy to fall." However, the PPF confirmed that it would reconsider the approach to future levy estimates if the legislative approach was to change, as was suggested in the recent departmental review of the PPF. The final rules for the 2024/25 levy year are set to be published in December 2023, along with the PPF's policy statement which finalises its proposals for change following feedback to this consultation.

All

Teenagers to benefit from workplace pension age changes

The UK Government has now enacted the new Pensions (Extension of Automatic Enrolment) Act 2023, heralding two key future enhancements to auto-enrolment. From a future date, still to be agreed, minimum contributions from both employers and employees will gradually increase to 8% of earnings from the first £1, rather than being based on 8% of earnings over £6,240 per year. Secondly, employees will in future be auto-enrolled into their employer's workplace pension scheme from age 18 rather than having to wait until they reach age 22. Pension experts at Aegon said the removal of the £6,240 'offset' will provide a major boost to workplace savers of all ages, with those further from retirement benefiting most. While the detailed timetable and a likely phased approach is still to be consulted on, a 22-year-old could boost their retirement fund at age 68 by £93,400 (£37,500 in today's money after allowing for the effects of inflation). This will mean a small increase in personal contributions, equivalent to £20.80 per month for a basic rate taxpayer, which will be introduced in stages. Experts said that the biggest winners are those joining the workforce at 18-years-old. They could gain £105,300 from the removal of the offset, and a further £44,700 from being automatically entitled to an extra four years of pension contributions and investment growth. In total, this could lift their retirement funds at age 68 - their expected State Pension age - by £150,000 (£55,700 in today's money). Workplace pension pots based on the offset being gradually removed over three years:

- A 22-year-old could see their pension value boosted by £93,400 (£37,500 in today's money) by age 68.
- A 30-year-old could see their pension value boosted by £59,200 (£27,900 in today's money) by age 68.
- A 40-year-old could see their pension value boosted by £31,300 (£18,000 in today's money) by age 68.
- A 55-year-old could see their pension value boosted by £8,600 (£6,600 in today's money) by age 68.

All

UK rental costs in August rose at fastest pace since records began

The growth in rental prices hit a new record high for the second month in a row in August, as the national rental crisis deepens, official data shows. Rents in London jumped by 5.9% year-on-year, the fastest pace since records began in 2006, according to the Office for National Statistics. Across the UK, rent growth hit a new record high for the sixteenth month in a row, with costs climbing by 5.5% – the highest rate since national data began in 2016. A massive imbalance between supply and demand has driven a surge in rental prices that began in the second half of 2021. Wales recorded the fastest pace of growth in the country in August at 6.5%, matching the pace of growth set in July, which was the highest since at least 2010. In Scotland, where rent controls on existing lets have incentivised landlords to raise prices on new deals, rent growth hit a new record high of 6%. This was the highest pace of growth since at least 2012 and nearly triple the last peak of 2.1% set in 2015. After London, the West Midlands recorded the fastest pace of growth in England at 5.8%. The ONS data tracks average rents across new and existing lets, whereas other indexes track only rents on newly let properties. Pressure on landlords from high mortgage rates and rising demand from tenants has been pushing up rental costs. With fewer properties available to rent in many areas, the mismatch between supply and demand has made renting more expensive. Last month, official figures, covering existing as well as new lettings, showed the rising cost of renting was at its highest level since comparable records began. Legislation going through Parliament will ban tenants from being evicted without justification - a move which landlords claim is leading some to leave the sector - but campaigners have said progress made by MPs on the new law is slow. Meanwhile stiff competition among tenants for a smaller pool of rental property is leading to rising rents. Activity in the wider market among buyers and sellers has been relatively slow owing to higher mortgage rates and the general economic climate. Property portal Rightmove said more than a third (36%) of properties listed for sale had gone through at least one price reduction in order to try to attract buyers, which is the highest figure recorded since January 2011. It said the typical asking price in September was 0.4% lower than a year ago, but was up slightly compared with last month.

All

The latest on the pensions triple lock

The state pension is set to have another bumper rise next April after the latest employment figures show that wage growth is up 8.5% in the three months to July. Here we explain how the triple lock works and whether it will stay. The full basic state pension rises each year in line with the highest of three factors: earning growth, inflation or 2.5%. This system is known as the triple lock. Due to soaring inflation, the state pension increased more than 10% this April, costing the Treasury £124bn. Prime Minister Rishi Sunak has promised that the commitment will stay, despite wages growing by 8.5% in July. The rise in state pension will also see millions more retirees paying more in income tax. But is the triple lock affordable? According to the Institute for Fiscal Studies, the government could be spending as much as £45billion on the state pension. The CPI inflation figure used in the triple lock is released in October, while the wage growth element came out in September and was 8.5%. That means that the state pension will increase by at least 8.5% in April 2024, meaning:

- Full state pension – £11,501 per year
- Basic state pension – £8,812.80
- The personal allowance is currently £12,570 and will stay frozen at that rate until 2027/28.

If the state pension rises by just 3% on average, it will breach the personal allowance by April 2027, according to wealth manager Evelyn Partners.

- April 2024: 8.5% triple lock increase takes new flat rate state pension to £11,501
- April 2025: 3.0% increase = £11,846
- April 2026: 3.0% increase = £12,201
- April 2027: 3.0% increase = £12,567

For now, the triple lock is staying. The Prime Minister, Rishi Sunak, promised that despite high wage growth figures in July it would remain in place. The triple lock has long been criticised by some economists, who believe it is too expensive to maintain. Around 60% of the total UK spend on welfare payments goes to pensioners. New analysis from The Times shows that by 2025 spending on the state pension will cost Britain more than education, policing and defence combined. Meanwhile research from the Institute for Fiscal Studies (IFS) shows that an additional £11bn per year is being spent on state pensions as a result of the triple lock. If the triple lock is kept in place, the state pension could potentially be worth between £10,900 to £13,400 per year by 2050 in today's terms, according to estimates from the IFS – an additional £45 billion. The current Conservative government have pledged to keep the triple lock in place until at least 2024. Opposition parties, including Labour, also support the policy.

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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