Dandelion
Making money make sense for you

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Rising prices add almost 20% to retirement costs

It can be difficult to understand what funds you'll need to finance the retirement you dream about and how this compares to your projected pensions income. It's even harder to keep track when the cost of living is spiralling.

Setting standards
The Pensions and Lifetime Savings Association (PLSA) developed its Retirement Living Standards[1] to help us to picture what kind of lifestyle we could have in retirement at different levels and what a range of common goods and services would cost for each level.

The cost of a **Minimum** lifestyle for a single person has increased from £10,900 in 2021 to £12,800 in 2022, a rise of 18%. For a couple, an income of £16,700 required in 2021 rose to £19,900 (19% increase). Costs factored into this lifestyle include – £96 for a couple's weekly food shop, eating out about once a month, a week's annual holiday in the UK and some affordable leisure activities about twice a week. But there is no budget to run a car.

Want more than the minimum?
At the **Comfortable** Retirement Living Standard, retirees can expect more luxuries like regular beauty treatments, three weeks' holiday in Europe each year and theatre trips. The weekly food shop for a couple in this lifestyle amounts to £238 per week. At this level, the cost of living increased 11% to £37,300 for one person and 10% to £54,500 for a two-person household.

How much do I need to save?
For a comfortable retirement PLSA estimate that a couple who are both in receipt of the full new State Pension would need to accumulate a retirement pot of £328,000 each, based on an annuity rate of £6,200 per £100,000.

Your lifestyle, your choice
If you're concerned about your retirement planning we can help you prepare for the lifestyle you want to enjoy. Retirement planning involves visualising your key goals for your retirement years and setting up a plan to help you achieve those goals through financial planning.

[1]PLSA, 2023

Take advantage of the new tax year

A new tax year has begun and with it comes the chance to start your tax planning early, but why rush when there's almost a year to go? Here are a few reasons:

- You can take advantage of various tax allowances available for the year, such as your Individual Savings Account (ISA) and pension annual allowances
- You're likely to benefit from having your money invested for longer. Some interesting research[2] has found that an investor could potentially lose up to £25,000 over 25 years by investing the maximum into their ISA at the end of the tax year rather than at the start
- If you can't invest a lump sum, you can set up a regular payment into your ISA or pension, to spread the cost over 12 months
- Avoiding the last minute rush allows you to get everything done
- You can establish a system for keeping track of all your income, expenses and other financial transactions throughout the year, helping you to budget
- There is time to research your options and get financial advice to make informed decisions.

Why not get the new tax year off to the best start – get in touch.

[2]Vanguard, 2023

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INSIDE THIS ISSUE:

Spring Budget Recap

Jeremy Hunt delivered the Spring Budget on 15 March declaring it *"A Budget for Growth."* The fiscal update included a range of new measures, but kicked off with the latest economic projections from the Office for Budget Responsibility (OBR):

- The UK economy is expected to contract by 0.2% this year, with growth then predicted to hit 1.8% in 2024 and 2.5% in 2025, a technical recession is expected to be avoided in 2023
- Inflation is predicted to fall from an average rate of 10.7% in Q4 2022 to 2.9% by the end of this year. This decline is partly due to the three-month extension to the household Energy Price Guarantee (EPG), which the government confirmed on 15 March.

The Chancellor's strategy for growth focuses on four pillars *'Everywhere, Enterprise, Employment and Education.'* Key areas of focus within these pillars include:

- Investment for *'Levelling-Up'* initiatives
- Providing the right conditions for businesses to succeed
- New measures to get people back to work, including childcare support.

Pensions

The spotlight fell on pensions. To encourage over-50s to extend their working lives, the government is increasing tax relief limits on pension contributions and pots:

- The Annual Allowance will be raised from £40,000 to £60,000 from April 2023; the Lifetime Allowance (LTA) charge will be removed from April 2023, and the LTA will be abolished from April 2024
- The maximum amount that can be accessed tax free (Pension Commencement Lump Sum) will be frozen at its current level of £268,275 (25% of current LTA)
- From April, the minimum Tapered Annual Allowance (TAA) and the Money Purchase Annual Allowance (MPAA) will increase from £4,000 to £10,000. The adjusted income threshold for the TAA will also rise, from £240,000 to £260,000.

In addition, previously announced State Pension increases from April 2023 are as follows:

- Basic State Pension – increase to £156.20 per week
- Full new State Pension – increase to £203.85 per week.

Digital pound likely this decade

The Treasury and the Bank of England have started consultations on a potential digital pound, or central bank digital currency (CBDC), that could be used by households and businesses instead of cash for everyday payments in-store and online. Chancellor Jeremy Hunt said, *"We want to investigate what is possible first, whilst always making sure we protect financial stability."* He added that CBDC could be a new *"trusted and accessible"* way to pay. No decision has been taken at this stage when to introduce CBDC and it is unlikely to be built until at least 2025.

Are you a financial secret keeper?

Research[3] has shown that nearly two in five people in a relationship in the UK are committing *'financial infidelity'* which includes *'deceptions'* such as having secret credit cards or savings accounts and hiding purchases from partners. Although just over two thirds of couples (67%) have a joint current account and 51% have joint savings accounts, 38% of those surveyed have *'money stashed away'* that their partner is unaware of. For 32% of respondents, their motivation for having a secret account is because they want to keep some control, or maintain some independence of their finances, while a quarter (25%) want to be able to treat themselves without their partner knowing.

[3]Aviva, 2023

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Over 50 and re-joining the workforce? Remember your pension

It's estimated that the number of people aged 50 to 64 who are economically inactive sits at 3.6 million, which is 300,000 higher than pre-pandemic[4]. There is no doubt that the UK's economic growth will, in part, be reliant on getting the over-50s back into work, as mentioned in the Budget.

If you retired early but are now having second thoughts and considering re-joining the workforce, here are a few essential pension tips:

- Find out if your new employer has a waiting period before auto-enrolling you into its workplace pension scheme. You could choose to opt into the scheme earlier to benefit from additional contributions
- Check how much you can save in your pension. As announced in the Budget, tax relief on pensions has changed. If you have any questions about your pension and how much you can contribute, get in touch
- Check whether your employer will match any additional contributions you make over your minimum 4% level
- Your employer may offer you the option to exchange some of your salary in return for a pension contribution, which the employer then pays into your pension scheme along with their pension contribution. This can prove to be extremely tax-efficient
- Decide how you want your contributions to be invested and select a realistic retirement date
- If you're self-employed, set up a personal pension
- Don't forget to review your other pension pots and investments to take account of your changed circumstances and ensure you have sufficient to be able to retire comfortably when the time comes.

[4]Centre for Ageing Better, 2023

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Bringing clarity to your decision-making

In today's increasingly complex and challenging world, financial advice to help people navigate through life's journey is more important than ever; a point vividly highlighted by a new study from the Financial Services Compensation Scheme (FSCS)[5] which raises fears over the consequences of a worrying financial *'advice gap.'*

Scammers' paradise

FSCS research shows that almost two-thirds of UK adults with savings, investments or a mortgage have not sought regulated financial advice in the last five years. Caroline Rainbird, Chief Executive of FSCS, warned that this financial *'advice gap'* is a concern, as it puts people *"at greater risk of making poor decisions about their money"* by leaving them open to scammers who *"prey on people's fears and exploit any gaps in their financial knowledge."*

We can support you

This warning highlights the key role we can play in helping people like you take control of your finances. Expert advice provides clarity to financial decision-making and thereby works towards ensuring people avoid taking any undue risks or making costly mistakes with their hard-earned cash.

Advice is for all

Another worrying finding from the FSCS survey was that over half of all adults who hold a financial product believe professional advice is just for the wealthy. This is clearly a commonly held misconception, but the reality is that everyone can benefit from expert help, not just wealthy individuals holding a complicated array of assets.

Building a relationship

Taking the time to construct a clear and tailored plan that meets each client's unique set of needs and circumstances is one of the keys to making sound financial decisions. In addition, developing a strong and enduring relationship by holding regular reviews builds in the flexibility for plans to be adapted when life events inevitably dictate change.

Time for a review

We're always here to help bring clarity to your financial decision-making as you progress on life's exciting journey. So please do get in touch – it would be great to talk with you.

[5]FSCS, 2023

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Baffled and confused? We speak your language

Financial jargon can be confusing and overwhelming. A new study[6] has revealed that seven in ten UK adults are puzzled by financial jargon.

Age gap

The research also found that those aged under 25 are least likely to feel puzzled by financial jargon, with around half (52%) of those aged 18 to 24 stating this, compared to 69% across all age groups. However, there may be an explanation as to why this age group are less confused by financial jargon – they simply might not have heard of certain financial products or terms. For example, less than two thirds of UK adults (61%) in this age group report hearing the term *'pension'* compared to 97% of those aged 55 and above. In contrast, 18 to 24-year-olds are the group most likely to be aware of the term *'ESG fund'* (Environmental, Social and Governance).

But even if you have heard a term, it doesn't necessarily show that you understand its meaning. Just 61% of people who are aware of an *'ESG fund'* feel confident of its meaning.

Lost in translation

One of the biggest challenges when it comes to financial jargon is that it often feels like a language unto itself. Even if you're a skilled communicator in other areas, financial terminology may use specialist jargon that can leave you feeling lost.

We speak your language

Ultimately, it's important to remember that financial jargon is a tool for communicating complex concepts and ideas. We can explain everything you need to know in plain English. Get in touch – whatever your age!

[6]Aviva, 2022

Review your resilience

Awareness of the importance of protection has risen since the pandemic and led many to reassess their financial and personal priorities. It's sensible to review your protection cover once a year and to discuss it with those close to you to make sure it still meets your needs.

Have the conversation

Only half (52%) of unmarried adults who are in a relationship know whether their partner has a life insurance policy and more than a quarter (27%) of those who do know are unaware of the policy's value[7].

Many people assume they will automatically be entitled to the life insurance payout in the event of their partner's death. This may not necessarily be the case. So, consider whether the policy should be put in trust to ensure the proceeds go where you want them to.

Prepare for financial shocks

How would you cope if you became ill? Would you have to rely on your partner, or struggle on trying to work? Almost one in five (19%) working adults say they would have to rely on their partner's income or savings if they were unable to work, with 19% struggling to pay their mortgage or rent if they were unable to work for two months due to illness or injury. Some 11% would resort to taking on debt such as a loan, overdraft, or credit cards[8].

It makes sense to review your situation carefully if you're self-employed too. Only 6% of self-employed workers have an income protection policy and millions of self-employed people consider they would have to carry on working if they suffered an illness or injury.

[7]Scottish Widows, 2023, [8]LV=, 2023

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It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.

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The information contained within this newsletter is for information only purposes and does not constitute financial advice. The purpose of this newsletter is to provide technical and general guidance and should not be interpreted as a personal recommendation or advice.

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All details are correct at time of writing – March 2023.

IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.