

Financial Landscape

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Carpenter Rees Ltd

New State Pension age

How will it affect your retirement plans?



Will you be one of the millions of workers who will have to work an extra year before retiring after the Government announced that it would be extending the retirement age to 68? New plans announced in July this year mean that the rise in the State Pension age to 68 will now happen in 2039, affecting people born between 6 April 1970 and 5 April 1978.

The rise in the pension age will be phased in between 2037 and 2039, rather than from 2044 as was originally proposed. Those affected are currently between the ages of 39 and 47, but the exact date that you receive your State Pension will depend on the year you were born. This announcement is aimed at catching up with years of increasing life expectancy, even if recent indications suggest that growth has slowed.

HAVING TO WAIT A YEAR LONGER

Six million men and women will have to wait a year longer than they expected to get their State Pension, the Government has announced. The announcement was made by the Secretary of State for Work and Pensions, David Gauke.

WAITING FOR FUTURE ANNOUNCEMENTS

The announcement is based on the recommendations of the Cridland report, which proposed the change. The change will affect those born between 6 April 1970 and 5 April 1978. Anyone younger than 39 will have to wait for future announcements to learn what their precise pension age will be.

STATE PENSION AGE UNDER THE LATEST PLANS (JULY 2017)

YOUR DATE OF BIRTH	STATE PENSION AGE
After 6 April 1978	68
6 April 1970 to 5 April 1978	67 years 1 month to 68 years*
6 April 1960 to 5 April 1970	66 years 1 month to 67 years*
6 December 1953 to 5 April 1960	65 years 3 months to 66 years*

*Depends on exact date of birth

NO EXCEPTIONAL CHANGES TO THE DATA

John Cridland also said that the State Pension age should not increase more than one year in any ten-year period, assuming that there are no exceptional changes to the data used. This would give those generations affected by changes adequate time to save and plan.

PROTECTED FOR FUTURE GENERATIONS

'As life expectancy continues to rise and the number of people in receipt of State Pension increases, we need to ensure that we have a fair and sustainable system that is reflective of modern life and protected for future generations,' Mr Gauke told MPs.

SAVING HARDER FOR OUR OWN RETIREMENT

The Government has also committed to regular reviews of the State Pension age in the years ahead, which inevitably raises the prospect of further rises. It seems evident that the Government is taking a gradually declining role in supporting retirement income. A combination of increases in life expectancy, and the growing number of retirees relative to the working age population, means that individuals will now have to save harder for their own retirement. ■

WHERE WILL YOUR RETIREMENT TAKE YOU?

To find out more about the different pensions and savings options you could utilise, or to discuss your requirements, please contact us.

11 Ashbrook Office Park, Longstone Road, Manchester M22 5LB

T: 03330 100777 F: 03330 100888 E: hello@carpenter-rees.co.uk

www.carpenter-rees.co.uk

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Carpenter Rees
Financial planning for people and business.

Family succession planning

Taking advice early and developing a personal financial plan is crucial to meeting long-term goals

Succession planning may be one of the most challenging experiences facing any leader, especially an entrepreneurial business person who has built a family business from scratch, so it is crucial to get right. For a family business, transition is a once-in-a-lifetime decision. Perhaps no challenge has as much potential to exacerbate the special stresses – or, conversely, highlight the special advantages – of operating a family business.

PROSPERITY FOR GENERATIONS TO COME

A good succession plan can be the first step in maintaining the strength of an enterprise and the family's prosperity for generations to come. Discussing how a family business should continue beyond the career, or even the life, of the founder can be difficult, as it often crosses business and personal spheres. Issues around succession planning make up four of the top ten worries keeping family business owners awake at night, according to research from Close Brothers Asset Management (CBAM), conducted by Family Business United.

SECOND AND THIRD GENERATIONS

The challenges faced by the second and third generations are substantially different from that faced by the first generation. Also, given that the first generation of business owners are often highly entrepreneurial, they may tend to overlook succession planning until the last moment. This makes the process even harder.

MAINTAINING FAMILY VALUES

A survey of family businesses found that management succession planning was a worry for 39% of business owners, while 35% cited engaging and developing the next generation as a concern. Ownership succession and developing responsible future owners were stated as worries by more than a third (34%) of business owners. The same number also highlighted identifying and maintaining family values as an ongoing concern.

REMAINING A PROFITABLE BUSINESS

The day-to-day running of the business came in as the top worry for family business owners, with 40% saying that continuing to develop and remain a profitable business was a key concern. Personal finances also stood out, with worries about planning for later life highlighted by 38% of owners.

REGULATION AND LEGISLATION ARE WORRIES

Outside of family businesses' immediate control, four in ten (39%) business owners said red tape, regulation and legislation were worries. Family businesses employ almost 12 million people^[1] and turn over an estimated £1.3 trillion each year, over a third of the turnover of the private sector^[2].

FAMILY-OWNED SMALL BUSINESSES

UK Small and Medium-sized Enterprises (SMEs) face a multitude of challenges, and family-owned small businesses can have an especially hard time navigating regulation and adapting to changing policy while remaining loyal to their unique set of family values. All this must be done in addition to running a profitable business.

CRUCIAL TO ALLEVIATING ANXIETY

Succession planning is naturally a significant concern for family businesses and requires careful consideration. Not only must owners consider developing their replacement, and ensure family values are adhered to, but they must also plan for their own retirement. Taking advice early

and developing a personal financial plan is crucial to alleviating anxiety and meeting long-term goals.

TOP TEN WORRIES KEEPING FAMILY BUSINESS OWNERS AWAKE AT NIGHT

1. Continuing to develop and remain a profitable business
2. Management succession planning
3. Red tape, regulation and legislation
4. Planning for later life
5. Engaging and developing the next generation
6. Ownership succession and developing responsible future owners
7. Identifying and maintaining family values
8. Extracting value from the business
9. Taxation
10. Developing effective marketing, social media and PR strategies

LOOKING TO DEVELOP A SUSTAINABLE ORGANISATION FOR YEARS TO COME?

Handing a family business to the next generation is a major process, from selecting and developing the successors to protecting the brand reputation and retaining knowledge. However, the effort is crucial to develop a sustainable organisation for years to come. To discuss your requirements, please contact us for further information.

Source data:

The research was commissioned by Close Brothers Asset Management and conducted by Family Business United in Q4 2015. 173 family businesses were surveyed across the UK.

[1] Figures from Oxford Economics for the Institute of Family Business (IFB)

[2] Figures from research conducted by Family Business United (2015)

Planning for your retirement

Getting ready to slow things down

One of the critical aspects of retirement planning is how you structure your financial affairs to make sure you have sufficient money if and when you stop working.

Making sure you have enough money in retirement to enable you to spend your time the way you want to, doing those things you always intended to do, is likely to be at the heart of planning for your retirement.

TOO COMPLICATED TO THINK ABOUT

People surveyed for BlackRock's Investor Pulse survey stated that their biggest financial priority was 'funding a comfortable retirement'. Yet many people spend more time planning their holiday than their own retirement – perhaps because planning for retirement seems too complicated to think about?

DON'T KNOW WHERE TO START

We are all living longer, the State Pension Age is increasing and pensions legislation is ever-changing. Understandably, we want an active, comfortable retirement but often don't know where to start the savings process. If confusion and a lack of understanding around your retirement needs have led you to put off planning and saving anything, you're not alone. In fact, over half of people in the UK are in the same position.

You can start now though. Planning will help you think about the changes you could make and enable you to take steps towards securing a better future.

STEP 1 – TARGET KNOW WHAT YOU NEED – SET YOURSELF A TARGET

The closer you are to retirement, the more likely you are to know how much income you will need to cover your outgoings. If you have longer to go until retirement, it is still good to have an idea of what you are aiming for – and you can review this each year as you get closer.

STEP 2 – PLAN KNOW WHAT YOU ALREADY HAVE

The second step is simple – understanding what you have already saved. Knowing what you already have will help you to understand how far you are towards your retirement target. If you have a lot of different pensions, it may be worth considering bringing those all together into one account if appropriate.

STEP 3 – ACTION WHAT YOU NEED TO THINK ABOUT

- Are you contributing the right amount?
- Are you invested in the right kind of fund?
- When can you realistically retire?

Don't put off planning for retirement. By following these simple steps and

reviewing your retirement plan at least once a year, you are planning for a better future. ■

HOW CLOSE ARE YOU TO ACHIEVING YOUR RETIREMENT GOALS?

We will help you understand your own situation using our expertise, because only then can you start to talk about what you want and need in order to form your retirement goals. When we know these, we can identify how close or not you are to achieving those goals based on your current planning. Don't leave it to chance – contact us to discuss your requirements.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.



Afar into the land of Nod

Getting the sleep you need in this 24/7 age

In a climate where mobile phones are glued to hands, eyes are fixed to screens and free time is increasingly precious, switching off to get a good night's sleep is becoming ever more difficult.

When it comes to sleep, everyone does it. In fact, we spend a third of our lives doing it. Margaret Thatcher claimed she only needed four hours of it. American investor and businessman Thomas Edison even declared that it was a waste of time!

HOW MANY HOURS OF SLEEP DO WE REQUIRE?

Sleep is fundamentally important to our daytime performance. In the workplace, we do a lot of high-order executive functions – communicating, recalling memories, problem-solving and being focused to name a few. But how does a lack of sleep affect these functions?

These processes are run by an area of your brain called the 'prefrontal cortex', which is one of the most vulnerable areas to be affected by sleep deprivation. When we experience poor sleep, we encounter reduced focus and attention, our creativity is dulled, our risk of accidents increases, and our ability to manage our emotions is significantly affected. In other words: a bad sleep equals a bad day at work.

An intriguing Dutch study from 2003 entitled *The Cumulative Cost of Additional Wakefulness* by Hans P.A. Van Dongen PhD tested cognitive performance of people who'd slept for eight hours against people that had experienced total sleep deprivation (zero hours). Van Dongen then tested the cognitive performance of people who had had two weeks of six-hour sleeps. He discovered the cognitive performance of the six-hour sleeps after five nights was equivalent to cognitive

performance of the zero-hours sleepers after two nights.

This highlights that partial sleep deprivation does also have a detrimental impact on us. Many of us sleep deprive ourselves in the week by sleeping for five or six hours and trying to catch up on the weekend, but the bottom line is that there is no real way to recoup lost sleep.

There's also no specific answer to the question, 'How many hours of sleep do we require?' Our sleep need is determined by genetics, so while the average proportion of the population needs an average of seven or eight hours, there are also a small percentage of people who might need anything from a range of four to twelve. Essentially, you know you're getting the right amount of sleep if you wake up feeling refreshed.

TURN OFF TO SWITCH OFF

The technology we're surrounded by could be one contributing factor to poor-quality snoozing. One of the main issues is the blue light that laptops, phones and TVs emit. The light suppresses the production of melatonin (the hormone that helps control your sleep cycle) and will trick your mind into thinking it's time to wake up. Sending a late-night email or checking Facebook before bed hampers melatonin production and keeps your brain in an active state.

Not all technology is bad though. Those of us with Apple's latest iOS 10 operating system will have noticed the introduction of the 'Bedtime' app, which enables you to notify your iPhone how many hours you'd

like to sleep. Your phone will then alert you to when you're nearing your bedtime and wake you with a gradual alarm.

Sleep patterns can also be affected by seasonal change. Melatonin is affected by exposure to light and how tired you feel. Bright light slows down this production and makes us feel more awake, so we often feel more tired and sluggish during the winter and have more energy during the summer and spring.

In 2011, a survey of 6,700 people by the UK's Mental Health Foundation found that just over one third of respondents were classified as 'good sleepers', while more than a third were categorised as possibly having chronic insomnia.

SLEEP HYGIENE

Falling asleep may seem like an impossible dream when you're awake at 3am, but good sleep is more under your control than you might think. Following healthy sleep habits can make the difference between restlessness and restful slumber. Researchers have identified a variety of practices and habits – known as 'sleep hygiene' – that can help anyone maximise the hours they spend sleeping, even those whose sleep is affected by insomnia, jet lag or shift work.

Sleep hygiene may sound unimaginative, but it may just be the best way to get the sleep you need in this 24/7 age. Here are some simple tips for making the sleep of your dreams a nightly reality:

- Keep in sync with your body's natural sleep/wake cycle
- Control your exposure to light
- Exercise vigorously during the day
- Be smart about what you eat and drink
- Wind down and clear your head
- Improve your sleep environment

**"From breakfast on through all the day
At home among my friends I stay,
But every night I go abroad
Afar into the land of Nod"**

'The Land of Nod' by Robert Louis Stevenson

