

**STATE PENSION AGE**

Do you know when you'll be reaching  
your SPA?

**TIME FOR EARLY ISAS**

Don't wait til year end for tax-free savings

**ANNUITY RATES IMPROVE**

Guaranteed income offers peace of mind

**SIGNET** FINANCIAL SERVICES

INDEPENDENT FINANCIAL ADVISORS



# Financial **FOCUS**

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SPRING 2025

## Start your tax planning early

*Get 2025/26 off to a good start*





## In this issue...

As the new tax year arrives, the economic and political landscape has shifted since the new calendar year. While the Chancellor grapples with the challenges posed by disappointing growth and demands on the government's resources, the return of Donald Trump in the US has heralded additional turbulence. In this edition we focus on making the most of the new tax year planning opportunities to shore up your finances. Understanding where your earnings will fall in 2025/26 in relation to your tax position is especially important. Part of assessing your financial wellbeing is also taking stock of your preparations for retirement. A surprisingly high number of people with fewer than 15 years to go until they reach their State Pension Age actually have no idea of the date they will receive it. Knowing how much money you will receive and when are critical for planning when, and how, you decide to retire. Whether you choose to buy an annuity should also be part of that planning. Overlooked by many following the advent of pension flexibility, better rates, and funding longer lives, have made them increasingly attractive.

03

### **The next rise in State pension age**

Nearly half of 54-64-year-olds don't know when they will receive their State pension.

04

### **Start your new tax year planning**

Early tax year planning can pay off.

05

### **Benchmarking a living wage**

The National Living Wage is a useful reference point for managing your retirement finances.

06

### **The case for early ISA investment**

Take time and do your research to make the most of tax-free saving in the new tax year.

07

### **Annuities lock in peace of mind**

Annuity rates are up, and are the only way to ensure a guaranteed income.

08

### **The lessons of March 2020**

Five years on it's worth remembering the importance of preparing for the unexpected.

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2

INVESTMENTS

## Riding out market volatility

*The return of Donald Trump to the White House has meant his late-night social media posts have once again been rattling investment markets.*

Sudden movements in the value of shares and bonds – investment volatility – can be unsettling for even the most seasoned investor. Nobody wants to see their portfolio's value take a rollercoaster ride. You could be tempted to retreat to cash and await calmer times. However, that presents another source of discomfort: you have to decide when to reinvest. A better approach may be to stay invested. As an old market adage says, what matters is time in the market, not timing the market.

Like it or not, investment volatility is normal: markets do not move in straight lines and, at times, experience significant swings. If you're a long-term investor, with a financial goal that is years into the future, you should focus on that distant point, not what happens – or is reported as possibly due to happen – in the short term. The long-term trend, not the short-term noise, is what you should follow.

### **DIVERSIFY**

You can limit the impact of market volatility by having a well-diversified portfolio. It's rare for every asset, country and sector to move in the same direction so, for example, if your US equity funds fall in value, your global fixed-interest funds may rise. However, diversification is not a one-off exercise. Market movements can mean that over time portfolio 'drift' can occur – the recent strong relative performance of US shares may mean your portfolio has become too heavily weighted in these assets. Ideally your portfolio should be reviewed and rebalanced each year to stop such a distortion creeping in.

Beyond diversification, an adequate cash reserve prevents you being forced to sell when markets are down. After all an investment loss is only a loss when it's realised. The key to avoiding real loss is to have enough instant access funds should you need them.

One final tip: If you can – and in the 2025 media landscape, it is difficult – try not to become a 24/7 news junkie. It's not good for either your emotional or investment health.

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*Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.*



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## PENSIONS

# Ready for the next rise in State pension age?

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*The State pension remains a cornerstone of most people's retirement plans — yet fewer than half know when they'll receive it.*

**Y**ou may assume it's the 20-somethings, years away from retirement, who are blissfully unaware of their State pension age (SPA). But government research found that 42% of those aged 54 to 64 did not know the exact date they'd be eligible to claim their State pension.

## CREEPING UP

This confusion may be because the SPA has increased in recent years and is due to start rising again next year.

The State pension is currently worth around £11,500 a year, and for now both men and women collect this on their 66th birthday.

■ From April 2026, the State pension age (SPA) will rise incrementally to 67. This will happen over a period of two years, meaning those born after 6 March 1961 won't get their pension until their 67th birthday.

■ Those whose birthdays fall between 6 April 1960 and 5 March 1961 will be in this transitional phase, and should use the government's pension checker (<https://www.gov.uk/check-state-pension>) to find out the exact month their pension becomes payable.

To further complicate matters, the SPA will rise to 68 over a two-year period from 2044 — although there have been proposals to bring this forward to 2037. This remains just a proposal at present, with the current Labour government yet to confirm when a final decision will be made.

## BE PREPARED

Whether you're two, 10 or 20 years from retirement it can help to have a financial plan in place. Knowing when you will receive the State pension, and what it will be worth are important parts of this jigsaw. To receive the full State pension retirees need to have paid national insurance contributions (NICs) for at least 35 years. Checking eligibility in advance means there's time to make additional voluntary payments if there are gaps in your NIC record.

It's also important to get up-to-date valuations from all private and company pensions — alongside other savings and investments — giving a fuller picture of likely income in retirement.

People change jobs on average every five years, so can end up with a hotchpotch of different workplace pension plans. The UK Pension Tracing Service can help locate lost

plans, and it's worth discussing with an adviser the potential benefits of consolidating plans, although care needs to be taken not to lose guaranteed benefits during this process.

## ASSESS YOUR NEED

Underpinning your planning should be an understanding of how much money you're likely to need in retirement. The Pensions and Lifetime Savings Association retirement living standards are a good starting point to build a personal roadmap for your retirement spending. It's worth considering how to use pensions and savings to cover both essential and more discretionary costs.

If there is currently a shortfall, you may want to consider saving more now or working for longer. It's possible to defer the State pension, for example, and receive a higher payment in return. As always, contact us to discuss your plans.

• The Financial Conduct Authority does not regulate tax advice. Tax treatment varies according to individual circumstances and is subject to change.

Occupational pensions are regulated by The Pensions Regulator.

TAX

# Start planning now for the new tax year

*A new tax year starts on 6 April. What actions should you take now to get 2025/26 off to a good start?*

As ever you need to factor in a mix of freezes and changes. There are no changes to:

- The personal allowance, frozen at £12,570 since 2021/22.
- The point at which the personal allowance begins to be tapered away which remains at £100,000, where it started 15 years ago.
- The higher-rate threshold (£50,270 in England and £43,662 in Scotland), which also remains at the same level since 2021/22.

The tax changes from 6 April 2025 include:

- A lower starting point of £5,000 for employer's national insurance contributions (NICs).
- A higher rate of employer's NICs.
- An increased rate of 14% for Business Asset Disposal Relief. The main capital gains tax (CGT) rates rose to 18% for basic-rate

taxpayers and 24% for other taxpayers from 30 October 2024. The annual exempt amount remains frozen at £3,000.

Both the freezes and the changes will produce more revenue for the Exchequer, which makes them important areas to consider in your new-year tax planning.

## PERSONAL ALLOWANCES

Ideally your start-of-year planning should begin with an estimate of your gross (pre-tax) income – not just earnings – over the next 12 months. If that is below the tax-free personal allowance, then look at the options for increasing your income by, for example, rearranging investment holdings with your spouse/civil partner. If you still cannot reach £12,570 and your spouse/civil partner is a basic rate taxpayer, it may be worth claiming the Marriage Allowance. This could jointly save you up to £252 in 2025/26.

At the opposite end of the scale, if your income exceeds £100,000, then you may lose

part or all of your personal allowance. Here, tax planning can help to reduce your gross income. There is a range of ways that this can be achieved, including making pension contributions or restructuring how you hold your investments. You could also transfer investments to your spouse/civil partner, provided you're not complicating their tax position.

## HIGHER-RATE TAX

The Office for Budget Responsibility estimates there will be 6.6 million higher-rate taxpayers in 2025/26, over 2.1 million more than in 2021/22. If you're a member of this rapidly growing club, then the principles of income reduction – and thus tax saving – are broadly the same as for limiting the personal allowance taper.

## SHAREHOLDER DIRECTOR NICs

The change to NICs will affect you if you're a shareholder director as it will increase the cost for your company of paying your salary and bonuses. Even if your salary is only enough to cover the personal allowance, your company's NICs outlay could rise by £657 a year. However, the alternative of drawing dividends is not

## PROTECTION

## Benchmarking a living wage

*The National Living Wage (NLW), the minimum wage paid to workers aged 21 and over, will rise by 6.7% in April to £12.21 per hour equating to around £25,400 a year for a 40-hour working week.*



*Ideally your start-of-year planning should begin with an estimate of your gross (pre-tax) income – not just earnings – over the next 12 months.*

Credit: CC7/Shutterstock.com

necessarily an answer – what your company (and you) save on NICs may be less than the extra corporation tax payable. There are no reliable rules of thumb in making the choice: a calculation based on your circumstances is essential.

### CGT AND ISAS

Gains taxed at the CGT rates suffer less tax than income, especially for higher- and additional-rate taxpayers. ISAs can offer you the opportunity to reduce the CGT you pay, but the maximum subscription is a limiting factor. As ever, the best time to make an ISA investment is at the start of the tax year, so you benefit from the ISA's tax exemptions throughout the year.

For more information on any of the above, or for your own year-beginning tax plan, please talk to us now – there is no need to wait until after 5 April.

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**T**his increase reflects rising living costs, and as such is a key reference point for financial planning,

whether you're working or approaching retirement.

For example, that £25,400 figure is a useful benchmark for income protection. This insurance pays a monthly income to those unable to work through ill-health. Policies cover a percentage of earnings, but it's worth checking whether cover still provides sufficient support and reflects current salary and living costs.

Likewise, it may be time to review life cover. Many take out this insurance early in careers, often when first getting a mortgage. Policies may last for 25 years, but circumstances can change in the

interim, so it's vital to check whether payouts will still support dependants.

### THE PENSION GAP

The increased NLW is also relevant for retirement planning. At more than double the value of the newly increased full State pension the disparity between the two highlights the need for additional pension savings to ensure a reasonable standard of living in retirement. Many retirees may not have housing costs to pay, but the gap between the State pension and NLW shows this benefit alone will only cover basic expenses.

Whether you're still earning, planning for retirement or reviewing financial protection, £25,400 is a number worth remembering.



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# INVESTMENTS

# The case for early ISA investment

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*It pays to be an early bird to ensure you make the most of your annual tax-free ISA allowance.*

**A**ll adults can currently save up to £20,000 per tax year into an ISA – whether that is a cash ISA, an investment account (stocks and shares), or a combination of both. There is often a rush to open these accounts in the final months of the tax year as savers seek to shelter surplus funds and use up their allowance.

This has been particularly evident this year end, amid speculation that Chancellor Rachel Reeves is considering reducing the amount that can be specifically saved into cash ISAs, in a bid to boost money going into the stock market and so more actively support the UK economy.

While it's rarely advisable to make financial decisions based on Budget speculation, ISAs play a key role in building both short- and long-term savings. Opening an ISA at the start of the tax year, rather than scrambling to put your money in at the last minute, allows savers time to choose the most suitable product and gain an extra 12 months of tax-free growth.

## TAX-FREE SHORT-TERM SAVING

ISAs benefit savers of all ages. For those looking to build shorter-term savings, that they may want to access within five years, cash ISAs are the likely option. Here all interest is earned tax free. Standard savings accounts allow basic-rate taxpayers to earn up to £1,000

in interest tax-free per year, but higher-rate taxpayers can earn only £500. Additional-rate taxpayers pay tax on all interest outside ISAs.

## GENERATIONAL CHALLENGES

Cash ISAs may particularly benefit younger 'Gen Z' savers, many of whom have yet to start their savings journey. A recent report found over half of those aged 16–27 had saved nothing in the past two years.

It isn't just this generation struggling to save though. Research suggests six in 10 millennials find it difficult to save for retirement due to high housing and childcare costs.

Generation X (aged 45–60) may be closer to retirement but are not necessarily more confident about savings levels. Fewer than one third of this age group say they are on track to meet their retirement goals – the lowest of any age bracket.



*Opening an ISA early in the tax year gives savers more time to choose the right product and gain an additional 12 months of tax-free growth.*

## BROADER INVESTMENT STRATEGY

For those with longer-term savings goals, stocks and shares ISAs play a crucial role alongside pensions. While investing in equities can be more volatile, historically, they have delivered higher long-term returns, helping savings keep pace with inflation.

By planning ahead and making the most of their ISA allowance early, savers can not only maximise tax-efficient growth but build financial resilience whatever their age.

• *The value of your investment and any income from it can go down as well as up and you may not get back the full amount you invested.*

*Past performance is not a reliable indicator of future performance.*

*Investments do not offer the same level of capital security as deposit accounts.*

*Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.*

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## RETIREMENT

# Annuities lock in peace of mind

*If you want a guaranteed retirement income, there is only one tried and tested option.*

**T**en years ago, when George Osborne made a surprise announcement introducing pension flexibility, the demise of the pension annuity was widely predicted. Annuity sales duly fell by over 40% between 2014 and 2015. Annuity rates also declined sharply: the top rate for a 65-year-old was a less than enticing 4.7% by August 2016.

Yet figures recently released by the Association of British Insurers show annuity sales last year were above their 2014 level and double their 2020 low point. There are several reasons for the annuity revival:

- Long-term interest rates, which underpin annuities, have risen in the past few years. That 2016 rate for a 65-year-old is now around 7.5% (8.0% for smokers).
- Some people who took advantage of the flexibilities when they started taking their retirement income now want more security. The complex mathematics of annuities means that the older the individual, the harder it is for pension flexibility options to

match the guaranteed income an annuity can offer. At age 75 an annuity can provide an income for life of over 9.5%.

- Last autumn's Budget has called into question the benefit of using pension flexibility to build up an inheritance for your family. The current proposals, due to take effect from April 2027, will mean inheritance tax (IHT) is payable on any fund remaining at death unless it passes to a surviving spouse or civil partner. In addition, as now, income tax is chargeable on any benefits if death occurs after age 75. In theory the combined tax rate could be an effective 67%. In practice in some circumstances the rate can be even higher.
- The looming tax change on death benefits has increased the attraction of an alternative way of estate planning with pensions. This involves maximising your retirement income and regularly giving away any surplus to your needs. Under current rules, such regular gifts out of income are exempt from IHT, with no cash limits, subject to meeting HMRC rules.

## TAILORED OPTIONS

The rates quoted above are for a single life annuity with level payments, but you can choose joint annuities and build in fixed or inflation-linked increases. The annuity market is a competitive one, with rates changing rapidly. That, and the fact that once an annuity is in place, it's virtually impossible to change, means advice is vital.

*• The value of your investment can go down as well as up and you may not get back the full amount you invested.*



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# Lack of advice on divorce

*It is a sad truth that almost half of all marriages today end in divorce. A significant proportion of these involve older couples, with around one in three divorces now occurring among the over-50s.*



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Those in this age group typically have more valuable assets, likely to be property, savings or pensions, when compared to younger divorcees. This can add complexity when it comes to reaching a financial settlement, but despite this, only 8% of couples in this age group seek financial advice when separating.

## TAKE SPECIALIST ADVICE

While most couples obtain legal advice on divorce, this does not necessarily cover specialist areas such as valuing pensions – a factor that may explain why 29% of people over 50 waive all rights to a spouse's pension in a divorce. At this stage, there is less time to rebuild wealth before retirement, making it critical to seek expert financial guidance before starting a new life alone.



## NEWS ROUND UP

### 1.1 million miss the deadline

An estimated 1.1 million taxpayers missed the 31 January tax return filing deadline. If you're one of them, you face an array of penalties, including an initial £100 fixed penalty, even if you have no tax to pay, or you have paid the tax due on time. After 3 months, there are additional penalties of £10 per day (to a maximum of £900). You then incur 5% of the tax unpaid at 30 days, together with interest (currently at 7%) on any tax paid late.

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### No change to automatic enrolment

The Department for Work and Pensions has once again left the lower age limit, income thresholds and contribution rates for automatic enrolment in workplace pensions unchanged for the new tax year. The lack of any updating means that, for example, a 21-year-old now qualifies for the full National Living Wage, but not auto-enrolment (which still starts at 22). Most experts also believe the 8% minimum total contribution rate is too low to provide an adequate retirement income.

### NS&I cuts

National Savings & Investments has been busy cutting its variable interest rates. Income Bonds now pay 3.26% (3.30% AER), down from 3.93% (4% AER) at their 2024 peak. The Premium Bond prize rate will be 3.8% from April, against 4.40% in the early part of last year. There has been one rate increase, on the Direct ISA, but its new 3.5% rate is well adrift of the market-leading rates.

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## PLANNING

# The lessons of March 2020

*Five years ago, the UK was at the start of the Covid-19 pandemic.*

On 23 March 2020, Boris Johnson announced the first UK lockdown in response to the Covid-19 pandemic. It was a traumatic period that many of us want to forget, but looking back there were some valuable lessons to be learned:

**1. Don't rely on the social security safety net.** It was immediately clear that the benefit system was incapable of dealing with the massive changes and income loss created by the pandemic. A variety of emergency support measures were rushed through, such as the Coronavirus Job Retention Scheme (aka the furlough scheme).

Five years later, the benefit system has reverted to its pre-pandemic paucity.

**2. Your will should always be kept up to date.** Completing or updating a will is one of those do-it-later tasks that are sometimes left undone for decades. For many, the pandemic was a sharp reminder of the dangers of such procrastination. Suddenly, a will became a vital document.



*The Financial Conduct Authority does not regulate will writing and some forms of estate planning.*

**3. Keep a rainy-day fund.** The government's income replacement schemes took a while to get off the ground and left loopholes. Many never fully replaced the earnings lost. A cash reserve is a key part of financial planning, there to deal with crises.

**4. Take a long-term investment view.** The investment markets fell sharply when the virus hit. The FTSE 100 dropped by from 7,542 at the start of 2020 to 4,994 on 23 March. The index ended the year at 6,461. Panicked investors who sold out as the first lockdown was imposed paid a high price for their short-term approach.

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