# WEALTH PERSPECTIVES

Issue 5 I November 2013

## The Retirement Times Are A-Changin'

By 2028 the state pension age for men and women will be 67.

## Harness the POWER of your own SUPER COMPUTER

Your brain is the equal of any other brain on this planet.

## ARE YOU IN THE *driving seat of your* RETIREMENT PLANS?

Making plans for your retirement is like keeping your car on the road.

TAYLOR BURKE

CAERUS Capital Group

# WELCOME TO THE FIFTH EDITION of WEALTH PERSPECTIVES

**Welcome to the fifth issue of our Client magazine, Wealth Perspectives. In the following pages, experts from leading Pension and Investment companies share their views on the issues that affect your finances.**

**Keith Carby, Chairman and CEO of CAERUS Capital Group,** looks at how much is enough, when it comes to planning for your retirement.

With the pension landscape ever changing, **Bob Champion, Retirement Proposition Lead at Skandia,** explains the challenges facing the teenagers of the 1960s as they approach retirement.

**John Joe McGinley, Head of Business Brain at Aegon,** explains how to harness the power of your own super computer to help you achieve your goals.

**Tristan Edwards, National Account Manager at AXA,** takes a look at what retirement planning means for you and how you can keep your plans on course.

**John Pollock, CEO of Legal & General,** looks at how long your savings might last in the event of you being too ill to work.

**If you wish to discuss your finances or any of the issues raised in this edition, please do get in touch.**

Best wishes

*Colin Burke*

*Sandra Taylor*

Partners: Colin Burke & Sandra Taylor
**Taylor Burke Partnership**

**Sandra Taylor**

**Colin Burke**

# In this issue:



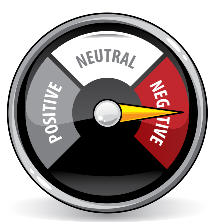
# THE SENTIMENT

## The Sentiment provides an outlook on the different asset classes.

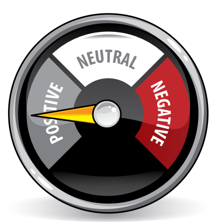
MANSARD CAPITAL

Mansard Capital is a specialist Investment Manager providing discretionary management services, multi-asset solutions and alternative Investment funds to private Clients and institutions.

### Equities

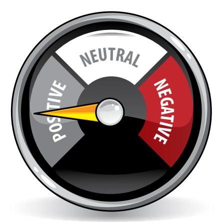



### Government Bonds



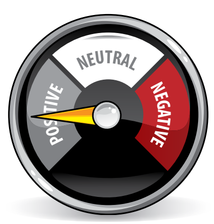

### Other Bonds


### Alternatives




### Property


### Cash




### Sterling


### Dollar


Please note, this information is for indicative purposes only and that forecasts are not a reliable indicator of future results.

# HOW MUCH *is enough?*

**Keith Carby**
Chairman & CEO
**CAERUS Capital Group**

## Just over a year ago, the first employees began automatic enrolment into workplace pensions. It is expected that up to 11 million workers will be automatically enrolled into a workplace pension over the next six years[1]. Those working for larger employers will go first, with small and medium sized employers following.

A workplace pension is a way of saving for retirement arranged by an individual's employer, sometimes referred to as a 'company pension', or 'occupational pension'. You may have seen a number of advertisements on the television, over the last few months, featuring Karren Brady and Theo Paphitis, highlighting the benefits of these.

Any worker earning over £9,440[2] a year (this figure will be reviewed every year) will be automatically enrolled into a workplace pension by their employer. The minimum percentage contribution will be made on anything the worker earns over £5,668, up to a maximum limit of £41,450.

Whilst being in a company pension will, no doubt, help many workers, in terms of bridging their retirement provision shortfall, they should not be lulled into a false sense of security. Millions of people are not saving enough to have the income they want in retirement, and, at the same time, life expectancy in the UK is increasing. People are expecting to live longer in retirement and to be more active than previous generations.

Will a company pension provide you with enough in retirement? The answer to that question is really two-fold. First of all, you need to understand what 'is enough' and secondly, calculate how much your pension will provide you with – then you will be in a position to know whether this is enough, or too little.

With the state pension paying £110.15[3] per week, you need to work out what, in addition to this, you will require in retirement. This will depend on your goals and what you wish to spend your retirement doing.

With the average UK wage at £24,827[4], if you wanted only half of this, in addition to the state pension, then you would require a pension fund of £340,655[5].

Key to having the correct amount of money in retirement is planning what you want to do and working out how much it will cost. Your Financial Adviser will be able to review your pension plans, be these company pensions, state pension, private pensions, or other sources of income – for example, buy-to-lets, which will provide you with an ongoing income – in order to calculate if you will have enough money to provide you with the lifestyle that you want when you retire.

1. HTTP://WWW.DWP.GOV.UK/DOCS/AUTO-KEY-FACTS-ENROLMENT-BOOKLET.PDF
2. HTTPS://WWW.GOV.UK/WORKPLACE-PENSIONS/WHAT-YOU-YOUR-EMPLOYER-AND-THE-GOVERNMENT-PAY
3. HTTPS://WWW.GOV.UK/STATE-PENSION/WHAT-YOULL-GET
4. HTTP://CAREER-ADVICE.MONSTER.CO.UK/SALARY-BENEFITS/PAY-SALARY-ADVICE/UK-AVERAGE-SALARY-GRAPHS/ARTICLE.ASPX
5. ANNUITY RATE BASE ON MONEY ADVICE SERVICE ANNUITY COMPARISON BEST BUY, FOR SINGLE, MALE AGE 65, INCREASING IN LINE WITH RPI

# The Retirement Times Are A-Changin'

## There are many issues facing those 1960s teenagers now moving into retirement. Bob Champion explains.

**Bob Dylan's 'The Times they are A-Changin' summarised how teenagers in the 1960s saw the future. A future that was very different from what previous generations had experienced. Yet their vision for retirement would had been little different to that portrayed in the Beatles song from the same era – 'When I'm 64'.**

This song portrays a couple (when the man is 64), he mending fuses, she knitting, occasional Sunday rides, digging weeds and scrimping and saving.

If you are from that generation, as you approach 64, is that what you are expecting?

The times are a-changin'. If you are healthy, you may well expect a more active lifestyle than the Beatles portrayed. However, the need to 'scrimp and save' in its widest sense, may be necessary to deliver all that you wish for and to meet the risks to be faced today.

Here are some of the changes which are on the horizon, that could impact you.

The State Pension Age for women is already increasing to 65. Between 2018 and 2020 it increases for men and women to age 66, and to age 67 by 2028.

For those reaching State Pension Age after 2016 the current complex state pension and pension tax credit provision will be replaced by a flat rate pension. There will be winners and losers as a result of this transition.

In the 1960s, a 64 year old male would expect on average to live another 12 years. Today he will expect to live a further 19 years*, but this increase in life expectancy comes at a price. 50% of males who reach age 85 can expect to have at least 6 months of care, and a recent House of Lords report on ageing expects an 83% increase in the numbers suffering from dementia, by 2036.

From 2016, those with savings of more than £118,000 will have to pay for their care, up from today's £23,000. Savings for this purpose includes the value of any house they own. Above this amount, individuals will have to pay for their care subject to a cap of £72,000. Importantly, the £72,000 cap only applies to care provision, not 'hotel costs', that is the cost of accommodation in a care home.

To fund these proposals, the amount at which inheritance tax begins to be paid will be frozen at £325,000 until 2019. Assuming inflation averages at 2.5% per annum, by 2019 this will then be lower in real terms than at any time since 1996. Many more people are therefore going to need to consider estate planning.

**State Pension Age for women is already increasing to 65. Between 2018 and 2020 it increases for men and women to age 66 and to age 67 by 2028.**

The effect on annuity rates of people living longer, and a low interest rate environment, has been such that our 1960s teenagers cannot see value in the rates on offer. The House of Lords report states this is often because individuals underestimate how long they will live, on average by up to 6 years.

Although their pension provision on its own may not be sufficient to meet their income needs, many 1960s teenagers will have other income and sizeable investments, including their home and ISAs that can be managed to deliver better solutions for them. Employers can no longer force an employee to retire at a fixed age without justifiable reason. The largest growth in new business start-ups is in the 50 plus age group. Many of these are not out of need but lifestyle changes. There is evidence that, after a short period of retirement, many are returning to work part time, again from lifestyle choice.

1960s teenagers are not about to "retire". They are entering their later life stage facing a number of risks and challenges. This later life could last 30 or 40 years. The risks they need to consider are –

- **Investment –** including making the wrong decisions at the wrong time and taking too little risk.
- **Health –** living expenses rise because of having to finance care needs.
- **Longevity –** ensuring enough income is available if life extends longer than expected.
- **Inflation –** the impacts of inflation on living standards over time.
- **Excess spending –** depleting assets too fast by spending more than they can sustain.

I have just scratched the surface of the challenges 1960s teenagers face in later life. Not many are prepared and are going to need guidance. If you are worried about your retirement plans, contact your Financial Adviser.

*Source: Office for National Statistics

**Bob Champion**
Retirement Proposition Lead
**Skandia**

# Harness the POWER of your own SUPER COMPUTER

**I came across a brilliant quote from H M Warner, one of the founding fathers of cinema, who once said "Who the hell wants to hear actors talk?" I always have a sly smile whenever people try and predict the future, and the best one has to be Thomas Watson, Chairman of IBM, who in 1943 said "I think there is a world market for maybe five computers."**

We now have computers in every aspect of human existence, but no matter the pace of technological change, the human brain is still the most powerful and flexible computer on earth. So powerful, it has invented all the computers on earth. It has invented everything from super computers to moon landings to sliced bread.

Your brain is the equal of any other brain on this planet. You are its sole proprietor, the only one who can summon forth its awesome power to make your wishes come true. You are literally your computer, brimming with the power to make your ideas a reality.

But that still leaves us with the intriguing question, *"What will you ask your brain to do?"*

Before you can make your wishes – or let's call them goals – come true, you must decide what to wish for.

When people don't get what they want from life it's usually because they don't know what they want. They grind through work, one week to another, reacting to crises and problems and, perhaps, day dreaming about being more proactive and in control. Does that sound familiar?

What I want to help you with are goal setting tools that can help you use your own super computer to help you take the driving seat and regain control.

Goal setting is a powerful process for thinking about your ideal future, and for motivating yourself to turn this vision of the future into reality.

## Setting Goals

The process of setting goals helps you choose where you want to go in life, your career and business.

## Your goals should not be a state secret. Be proud of your goals.

By knowing precisely what you want to achieve, you know where you have to concentrate your efforts.

You'll also quickly spot the distractions that would otherwise lure you from your course.

More than this, properly set goals can be incredibly motivating, and as you get into the habit of setting and achieving goals, you'll find that your self-confidence builds fast.

Goal setting techniques are used by top-level athletes, successful business people and achievers in all fields. They give you long-term vision and short-term motivation. They focus your acquisition of knowledge and help you to organize your time and your resources so that you can make the very most of your life.

### Get your goals going

Here are some ideas that can help anyone start setting goals now.

### Set goals that mean something to you

Too many people set meaningless goals and then wonder why they don't achieve them. If you don't believe in them then they will never be fulfilled. The purpose of goal setting is to make a positive impact in your life or business. A goal needs to be motivational and if you can visualise the impact it will make on you, then you have a higher chance of achieving success.

### Goals should be achievable but stretching

Yes, goals need to be achievable, but if they are too easy to achieve, where is the challenge? Yes, we all need the motivation that achievement brings, but always try to stretch yourself when you set your goals.

### Be specific

Write down your goals and the steps required to achieve them. Use plain English and terminology you are comfortable with.

### Make your goals part of your DNA

You need to commit to the goals you have chosen. They should become part of your daily routine.

### Share your goals

Your goals should not be a state secret. Be proud of your goals. Share them with friends, family and colleagues. They can help you achieve them.

### Have a plan

You need to prioritise your goals. No matter if your goals are short or long term objectives, they require commitment and need to be worked on daily. Don't indulge in what is known as self-sabotage by committing to a number of goals at a time. Time is limited so use it wisely. Identify what are the most important goals for you and commit to them and follow the plan you have agreed with yourself.

### Make your goals come to life

Use visualisation techniques to ensure you know what success looks like for each of your goals. This can be very powerful as you peer positively into the future, showing yourself what life can be like if you achieve your goals.

### Have a deadline

A goal without a defined deadline is one that you have not fully committed to and one which, to be frank, will not be achieved. Always have a deadline for your goals.

### Review your goals

Life changes, events happen and our circumstances change. Take time to regularly review your goals. Are they still relevant? Will they take your life and business forward? Do they still motivate you? Also, continually review how you are achieving your goals. Can you improve what works and what has failed?

### Be good to yourself

If you have achieved your goals do not be afraid to reward yourself.

If we always do what we have always done, we will never change. Once we set out goals we have to ensure we allocate time every day to work on them or, to be frank, they will never happen. Remember the words of Abraham Lincoln "A goal properly set is halfway realised."

I urge you all to set goals and use your own super computer, now!

AEGON

**John Joe McGinley**
Head of
Business Brain
**Aegon**

# ARE YOU IN THE *driving seat* of your RETIREMENT PLANS?

AXA LIFE INVEST
redefining / standards

**Tristan Edwards**
National Account Manager
**AXA Life Invest**

# WHAT DOES RETIREMENT MEAN TO YOU?

An escape from the alarm clock and the daily commute? A chance to try out that hobby that you always wanted time to explore? Or, perhaps, the opportunity to take life at a slower pace and focus on the important things. Whatever retirement means to you, it is something you need to finance, and, therefore, something you need to plan for.

When should you start your retirement planning? Worryingly, research we've carried out among Financial Advisers tells us that one in four consumers are waiting until just six months before they want to retire to get professional advice[1]. In addition, our research found that 75% of Financial Advisers recommend that consumers should seek advice at least seven years in advance of their retirement date.

Why? Because it's no longer the case that you should wait until the day you retire to take your retirement savings to buy a lifetime annuity, and that's the job done. There are many pros and cons that you need to consider, and risks that you should be aware of, which you should discuss regularly with your Financial Adviser.

If you are seven to ten years from your retirement, ask yourself these questions:

- Do I know what income I can expect from my retirement savings when I retire?
- Is this income less than I need to maintain my lifestyle when I retire?
- Would I prefer to know what my retirement savings will be worth when I retire, or to know what income I can expect from my savings when I retire?
- Would I prefer to have a guaranteed stream of income for the rest of my life, or to have more income today and take the chance that it will last for the rest of my life?

Making plans for your retirement is like keeping your car on the road. To reach your destination, you need to look at the indicators and dials on your car dashboard.

For example, the temperature gauge. You don't want a car that's overheated or frozen. It's the same with your Investments. If your Investment approach is 'cold' and too cautious, your fund may not grow in the years before you retire, so you might end up with a shortfall in your income. On the other hand, if your Investment approach is 'hot' and volatile, there's a chance that the value of your Investments may fall just at the point you want to retire, so you might not be able to achieve the income you want from your savings.

Then there's the fuel gauge. Will your retirement savings build you enough of a reserve to last for the rest of your life? You might be surprised to know that a man aged 65 with a fund of £100,000 can expect to receive £5,671 a year (before tax) from a traditional lifetime annuity on a level basis for the rest of his life[2]. Annuity rates have fallen by over 38% in the last 15 years[3], and we anticipate this trend will continue, as life expectancy continues to rise, and annuity providers have to take on the burden of expensive regulation and controls.

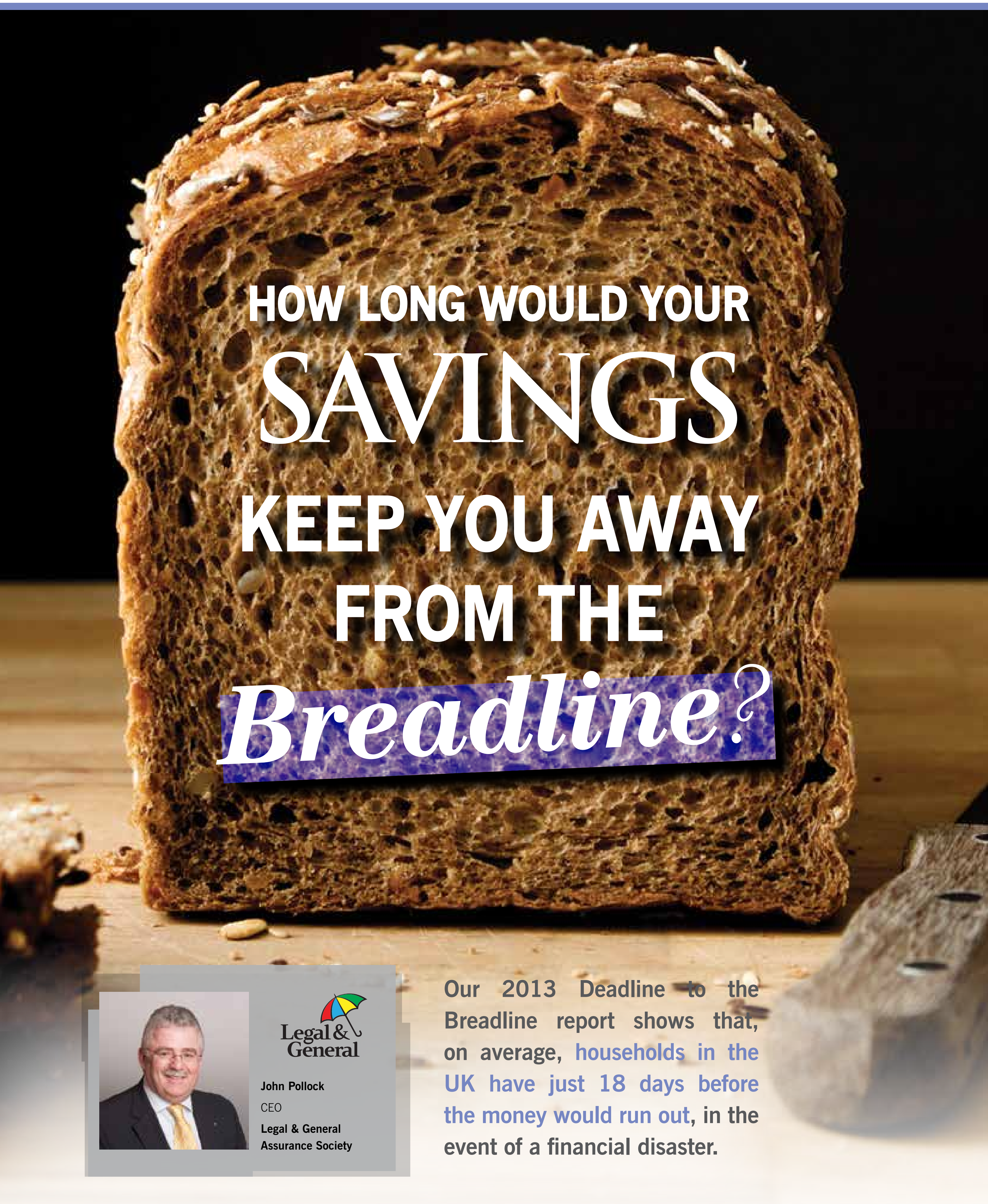
**Making plans for your retirement is like keeping your car on the road.**

A third example is the indicator. It's very handy to be able to change direction when you need to. Once you've bought a traditional annuity, you can't switch to another income solution, if your circumstances or health changes. And, if a level annuity is chosen, the income won't go up over time, which means that inflation could erode your buying power.

By taking action well in advance of your retirement and working with your Financial Adviser, it is possible to take steps to reduce these risks to your future retirement income. One option to consider is a unit-linked guaranteed income solution. In exchange for an additional guarantee charge, these types of product offer the security of a guaranteed minimum income for life, however, your Investments perform, just like a lifetime annuity. However, they also offer you the flexibility to change direction in the future, and the potential to increase your income over time if your Investments perform well.

Turning back to those questions I asked at the start, if you would prefer to know what income you can expect when you retire, and you would prefer to know this income won't outlive you, then it may be a good time to "get in the driving seat" of your retirement plan and start working on your options with your Financial Adviser.

1: AXA LIFE INVEST, "CONSUMERS LEAVE RETIREMENT PLANNING TO THE 11TH HOUR" – MAY 2012.
2: SHARING PENSIONS AS AT 24/6/2013. THESE RATES ARE BASED ON A CENTRAL LONDON POSTCODE. ANNUITY RATES CAN VARY BETWEEN POSTCODES.
3: WILLIAM BURROWS ANNUITIES – BETWEEN SEPTEMBER 1998 AND SEPTEMBER 2013. BASED ON A MALE AGED 65, £10,000 PURCHASE ON A SINGLE LIFE, GUARANTEED 5 YEARS BASIS WITH LEVEL PAYMENTS. PAST ANNUITY RATES ARE NOT A RELIABLE INDICATOR OF FUTURE ANNUITY RATES.



# HOW LONG WOULD YOUR SAVINGS KEEP YOU AWAY FROM THE *Breadline?*

John Pollock
CEO
Legal & General
Assurance Society

Our 2013 Deadline to the Breadline report shows that, on average, households in the UK have just 18 days before the money would run out, in the event of a financial disaster.

Within just three weeks of losing their usual source of income, the average UK household will be reliant upon state benefits and/or or friends and family for financial support, unless they have some other plans to mitigate financial hardship.

The reality is that the 18 days only applies to those people who have savings and, with 37% of the people surveyed having none, a lot of people could be on the breadline sooner.

The map, below, shows some parts of the United Kingdom fare better than others, when it comes to the average household savings. The West Midlands is leading the way with the longest average deadline of 40 days and the North East and Yorkshire and the Humber have the shortest, with an average 'deadline' of just seven days.

The report highlights huge variations according to age; 25-44 year olds were found only to have enough money put by for just seven days in the event of a financial disaster.

The overall Deadline to the Breadline figure of 18 days, sits in contrast to households' more optimistic estimates of how long their savings may last.

When asked to estimate how long they think that they could survive on their savings, if the worse was to happen, on average, UK households said that they could get by for 57 days. That is three times longer than the reality.

We believe this is where good professional Financial Advice is key and an Income Protection Benefit plan, alongside other products, may be worth considering. Most people are very optimistic when they think of bad things happening to them. A very common objection to buying protection is that "it won't happen to me", so households have the same over-optimistic view of how long their savings will last.

Asked about attitudes towards preparing for unforeseen events, overall, households reported a relatively balanced opinion on whether it was better to save or insure against these.

54% of households demonstrated a preference for savings compared to 46% who preferred to insure.

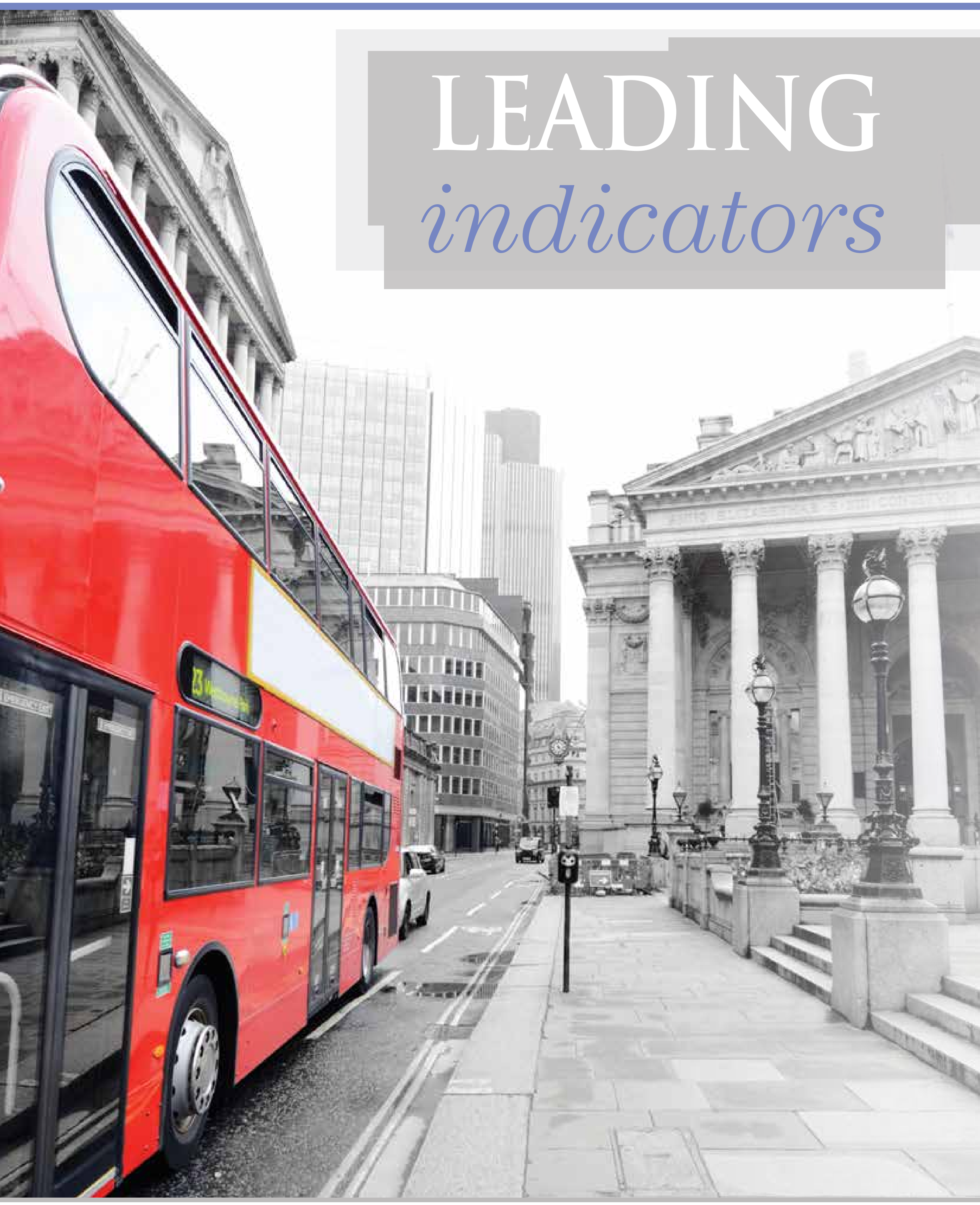
While savings can provide more flexibility than insurance, in some respects, savings are free to be spent on other items if they are not immediately needed to cover unforeseen events or a loss of income. It does, however, take much longer to build up savings to a suitable level than it does to buy insurance cover for financial security and thus a combination is surely a better route for Clients to adopt and this is where proper Financial Advice is key.

If you are worried that your savings would not support you in the event of a financial disaster, then contact your Financial Adviser who will be able to help put in place a plan to protect you and your family.

**FIGURE 12 DEADLINE TO THE BREADLINE BY REGION**


Source: Legal & General Deadline to the Breadline research via TNS Global, Cebr analysis

# LEADING *indicators*



| United Kingdom Stock Markets | 3 Months | 6 Months | 1 Year |
|---|---|---|---|
| FTSE 100[1] | 4.91% | 2.79% | 16.74% |
| FTSE 250[1] | 8.73% | 8.88% | 30.50% |
| FTSE All Share[1] | 5.58% | 3.84% | 18.93% |

SOURCE: FINANCIAL EXPRESS ANALYTICS 30TH SEPTEMBER 2013

| American Stock Markets | 3 Months | 6 Months | 1 Year |
|---|---|---|---|
| NASDAQ 100[1] | 10.61% | 14.17% | 14.97% |
| S&P 500[1] | 5.24% | 8.31% | 19.34% |

SOURCE: FINANCIAL EXPRESS ANALYTICS 30TH SEPTEMBER 2013

| European Stock Markets | 3 Months | 6 Months | 1 Year |
|---|---|---|---|
| CAC 40[1] | 9.93% | 11.60% | 19.79% |
| DAX[1] | 8.48% | 10.86% | 21.84% |
| DJ Euro Stoxx[1] | 11.91% | 14.58% | 19.27% |

SOURCE: FINANCIAL EXPRESS ANALYTICS 30TH SEPTEMBER 2013

| Other Stock Markets | 3 Months | 6 Months | 1 Year |
|---|---|---|---|
| Hang Seng[1] | 10.70% | 5.54% | 13.64% |
| MSCI Emerging Markets[1] | 5.76% | 1.23% | 6.19% |
| Nikkei[1] | 5.69% | 16.60% | 62.97% |

SOURCE: FINANCIAL EXPRESS ANALYTICS 30TH SEPTEMBER 2013

| Gilts | 3 Months | 6 Months | 1 Year |
|---|---|---|---|
| FTSE British Government 10 – 15 years[1] | -0.34% | -5.63% | -6.07% |

SOURCE: FINANCIAL EXPRESS ANALYTICS 30TH SEPTEMBER 2013

| Property | 3 Months | 6 Months | 1 Year |
|---|---|---|---|
| Halifax Property Index[1] | 1.28% | 3.62% | 6.75% |
| IPD UK All Property[1] | 1.71% | 3.59% | 5.25% |

SOURCE: FINANCIAL EXPRESS ANALYTICS 30TH SEPTEMBER 2013

| Savings | 3 Months | 6 Months | 1 Year |
|---|---|---|---|
| Moneyfacts Instant Access[1,2] | 0.17% | 0.35% | 0.78% |
| Moneyfacts 90 days notice[1,3] | 0.22% | 0.46% | 1.02% |

SOURCE: FINANCIAL EXPRESS ANALYTICS 30TH SEPTEMBER 2013

| Inflation | |
|---|---|
| UK Consumer Price Index | 2.70% |

SOURCE: OFFICE FOR NATIONAL STATISTICS AUGUST 2013

| Interest Rates | |
|---|---|
| Bank of England | 0.50% |

SOURCE: BANK OF ENGLAND 30TH SEPTEMBER 2013

**Notes**

**1** Gross return Bid-Bid, annualised (ending 30th September 2013)

**2** Moneyfacts Average of instant access accounts, £10,000 invested, total return, gross

**3** Moneyfacts Average of 90 day notice accounts, £10,000 invested, total return, gross.

TAYLOR BURKE
PARTNERSHIP

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