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WEALTH KNOWLEDGE

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Auto-enrolment duties from 1 October 2017

Firms recruiting staff for the first time after 1 October 2017 will need to enrol them into a workplace pension.

Legal duties commence on the day new employees start working for the business.

To be put into a workplace pension, employers must assess if new employees are:

- aged between 22 and their state pension age
- earning more than £10,000 a year.

According to research by The Pensions Regulator (TPR), 78% of all staff in the UK saved into a workplace pension last year.

The TPR also claimed more than seven million people had been automatically enrolled into a workplace pension at the end of March 2017.

Darren Ryder, director of auto-enrolment at TPR, said:

"Saving for retirement is becoming the social norm and the success of automatic enrolment is playing a key role in this shift.

"Auto-enrolment is now simply part of running a business and from October, as soon as employers take on staff for the first time, they will have duties."

Responsibilities

When enrolling your staff into a workplace pension, it is your responsibility as an employer to:

- select and set up a suitable pension scheme
- evaluate eligibility of staff at every pay period
- add eligible workers to the workplace pension scheme and make contributions
- keep accurate and up-to-date records.

Contributions

You will need to pay the minimum contribution into the pension scheme based on a worker's qualifying earnings.

The current employer contribution on earnings between £5,867 and £45,000 is 1%, which is set until 6 April 2018. After this date it will rise to 2% in April 2018 and then 3% in April 2019.

Contact us to discuss your auto-enrolment responsibilities.

Tax-free dividend allowance to be reduced

The government is reintroducing its plan to reduce the tax-free dividend allowance from £5,000 to £2,000.

The measure was originally announced in Spring Budget 2017, but was one of 72 clauses removed from Finance Bill 2017 after prime minister Theresa May called a snap election.

However, the Treasury has now confirmed it will be included in new legislation being tabled "as soon as possible" after the House of Commons resumes on 5 September 2017.

The reduction in the tax-free dividend allowance will be effective from April 2018.

In addition, investment stockbroker The Share Centre polled 1,000 of its customers and found that 53% wanted the government to protect the dividend tax allowance.

Darren Cornish, director of customer experience at The Share Centre, said:

"This measure was intended to level the playing field between the employed and the self-employed. However, an unintended consequence is that it hits those who are using dividends to fund their retirement.

"This lack of certainty can be very unhelpful for investors looking to plan appropriately."

Get in touch to form your dividend strategy.

Older women 'poorer' after pension age change

More than a million women in their early 60s are worse off after changes to the state pension age.

Research from the Institute for Fiscal Studies (IFS) found that women aged between 60 and 62 were, on average, £32 a week poorer.

Women in high income homes experienced a 4% drop since the changes were made, but the biggest pinch was felt by those in low income households who have been hit with a 21% reduction.

Taking other state benefits into account, women in this age group lost £4.2 billion a year on top of their previous state pension entitlements – equating to an average of £74 per week.

Jonathan Cribb, senior research economist at the IFS, said:

"While increasing the state pension age is a coherent response to the public finance challenge posed by rising longevity, it does place a further pressure on household budgets.

"It is important the government communicates the ongoing increases in the state pension age clearly so families can plan for their retirement as well as possible."

Further changes

The government recently announced it will increase the state pension age to 68 sometime between 2037 and 2039, meaning an estimated 5.8 million people born between 6 April 1970 and 5 April 1978 will remain in employment for an extra year.

Those born on or before 5 April 1970 will not be affected by the change.

Know your state pension age? We can help.

Financial assets push household wealth up 9%

Rising property prices and increasing pension pot values helped push household wealth up by 9% in 2016, research by Lloyds Bank has found.

The study claims household wealth soared to an estimated £10.5 trillion last year, up £892 billion from £9.6 trillion in 2015.

The total value of financial assets held by households, such as bank deposits, government bonds, life assurance and pension funds, contributed an estimated £461 billion to total household wealth.

Average house prices were also up by 4.9% and an additional 183,000 homes were added to the stock of private properties, which contributed £431 billion to the increase.

Sarah Deaves, private banking director at Lloyds Bank, said:

"For many people, their overall wealth is locked up in assets they hold for the longer term like their homes, their pensions, ISAs and investments.

"With rising house and equity prices, net worth has increased substantially in the past decade, growing by £143,000 per household on average."

Value of financial assets

Financial assets accounted for 57% of the £3.9 trillion rise in household wealth since 2006, equivalent to around £2.2 trillion.

Life assurance and pension funds accounted for 77% of the average household's total financial assets, with a further 21% in the form of deposits held with financial institutions.

Deaves added:

"Increasing levels of wealth are clearly positive for households but with recent changes, like pensions freedoms, it also highlights the increasing importance of proper financial planning, especially as people approach and move into retirement."

Talk to us about planning your finances.