moneyworks

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The blurred lines of retirement

How the cost-of-living crisis is causing many people to delay retirement or even un-retire and go back to work.

Protecting your partner

Why couples could risk losing out on life insurance pay outs due to lack of knowledge of their partner's plans.

Are you at a mortgage crossroad?

More than a million households are facing a steep rise in their mortgage payments later this year as their current deals come to an end and it means their next decision will be a big one.

Clearer skies ahead?

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Kenley Financial Ltd

Welcome

2022 will go down as one of the most unpredictable and volatile years on record and there is no doubting the impact it has had on everyone's personal finances.

Amidst the cost-of-living crisis, sky-high inflation, soaring mortgage rates and an economic recession that has left us all feeling the pinch, there has certainly been little to smile about over the past six months.

But after so much uncertainty, there are reasons to believe the coming year could bring about some much-needed stability and that calmer waters may lay ahead.

In this issue we look at what 2023 may hold for you and your finances; the key decisions that could impact you most, what the upcoming Spring Budget may have in store and how best to keep on top of your savings in such an ever-changing market.

Following a recent report[1] claiming almost a quarter of retirees are being forced to delay their retirement, retire only partially, or go back to work full-time due to lack of savings, we report on what the recent cost-of-living crisis might be doing to your pension plans, and what you can best do to stay on track.

With 1.4 million UK households set to renew their mortgages this year[2], it is expected that up to 800,000 of them will see their rates double. We take a look at the options available to you and why amidst such a difficult backdrop, seeking advice now is essential when it comes to renewing your mortgage.

We also take a look at the importance of protection plans and specifically those for unmarried couples with research showing 43% of partners have made no plans to ensure their other half receives a pay out if they die[3].

And finally, with more than half UK adults experiencing anxiety or worry as a direct result of the cost of living crisis[4] we address how to stay money mindful and improve your financial wellbeing by talking to an adviser.

As with all issues of anxiety, it is good to talk. Discussing your concerns could give your health and wealth a huge boost and the right advice today, will go a long way to ensuring you are in the best financial shape tomorrow.

We look forward to bringing you more news and financial updates over the coming year.

The **moneyworks** team

[1] https://bit.ly/3ZSTxt7 [2] https://bit.ly/3F9sa62
[3] https://bit.ly/3JsTzCL [4] https://bit.ly/3YxY8Qu

Contents

The news in brief

A round up of the current financial stories

Housing market revival?

With interest rates on the rise and recession looming, it's been widely expected the UK housing market faces a period of struggle. But January 2023 research by Rightmove suggests the outlook for house prices might be more upbeat.

Rightmove found that average asking prices rose by £3,300 at the start of the year and although it's common for asking prices to rise in January, seller valuations were at the highest level in a January since 2020.

This is a welcome trend if you're looking to sell your property this year, especially as December 2022 figures from Halifax showed house prices were dropping at their fastest level in 14 years. And whilst Rightmove adds that buyer demand in January 2023 was a lot lower than 12 months earlier, it's 4% higher than the last so-called normal year (pre-pandemic) of 2019.

https://bit.ly/3EuRYJt (Moneyfacts)
https://bit.ly/3xLBSr8 (Moneyfacts)

Men more likely than women to have their identity stolen

It's official – women are better at keeping secrets than men. At least they are when it comes to retaining personal details.

A January 2023 survey by Nationwide found only 11% of women have had their identity stolen compared to 23% of men. This might be partly because women are more afraid of becoming a victim (70%) compared to men (64%). Women are also more likely to protect all their social media accounts (63% vs 50% of men). And are less prone to sharing personal details in public (31% vs 48% men).

Overall, 67% of us worry about having our identity stolen. So it's important to be vigilant at all times and be wary about what you share.

https://bit.ly/3SsMbdq (Nationwide Building Society)

Mortgage payments on track to fall in 2023

With the Bank of England enacting several interest rate rises since the end of 2021, it's become a lot more expensive to borrow money. But January research by Quilter suggests better times could be ahead for mortgage borrowers by the end of 2023.

Quilter calculated that, in November 2022 a 25-year mortgage at 80% loan to value (LTV) would have resulted in monthly repayments of £1,520. This is because mortgage rates were at 6%, and the average UK property cost £294,910.

But should house prices fall as forecasted by some, and mortgage rates continue their downward trend, Quilter forecasts monthly repayments could fall to £1,145 by November 2023. That's a 25% drop. This assumes the average UK house price declines to £271,317 over this period.

https://bit.ly/41fh9tj (Mortgage Strategy)

Your home may be repossessed if you do not keep up repayments on your mortgage.

The blurred lines of retirement

How the cost-of-living crisis is causing many people to delay retirement or even un-retire and go back to work.

It should be one of the most monumental moments of your life. After many years of working hard, the day you retire is one you'll expect to savour, as you say goodbye to your workplace and look forward to an exciting new chapter in your life.

Yet the reality for millions of people right now is that the line between working and retirement is increasingly blurred. In many cases, retirement dates are being pushed back, and retiring itself might not prove as transformative or as final as you'd like it to be.

January 2023 research from AJ Bell[1] paints a challenging picture for the latest generation of people moving into retirement. It found almost a quarter are having to delay their retirement, retire partially or even go back to work after retiring. The cost of living crisis is one of the key factors behind this unexpected change of plans and it's a scenario you'd do well to consider making plans to avoid.

Frugal times

The aim of retirement for most is to be able to do what you want, when you want. Without the obligation to work, you can put your family first, go on more holidays and devote more time for your hobbies and interests.

But your retirement aspirations will only be achievable if you have the finances to make it work and that is the big issue facing many retirees.

AJ Bell found one in 10 will have to delay retirement due to the cost-of-living crisis. Another 10% expect to take on a part time job to have the retirement they want, while 3.3% will go back to work full time. Nearly half of pension savers say they have had to rethink their plans due to the worsening economic conditions in the UK.

The cost-of-living crisis is a clear issue because the day-to-day challenges of soaring food and energy bills have seen many people raid their pension pot to afford rising prices over the past 12 months. This is taking money away that was ear-marked for their retirement. Figures from HM Revenue and Customs[2] show there was a 21% increase in flexible pension withdrawals between April and June 2022, compared to the same period a year before.

Plan for a stronger future

If you're still working and retirement is starting to appear on the horizon, these findings underline the importance of having strong long-term plans and it's never too early to check how prepared you are for the future.

Speaking to a financial adviser is highly recommended. They have the expertise to review your current arrangements. They can map out your retirement in years and the way your needs are likely to change through retirement, to highlight find any gaps that might be helpful to address.

If you have a defined contribution pension, this advice can include looking at how it is currently invested – because it's not just about how much you're paying in. For example, you might be taking more or less risk than you'd be comfortable taking and as you get closer to your retirement, you might want to adjust your investment strategy – depending on how you plan to fund retirement.

These are key areas an adviser can help you to work out.

Looking forward with confidence

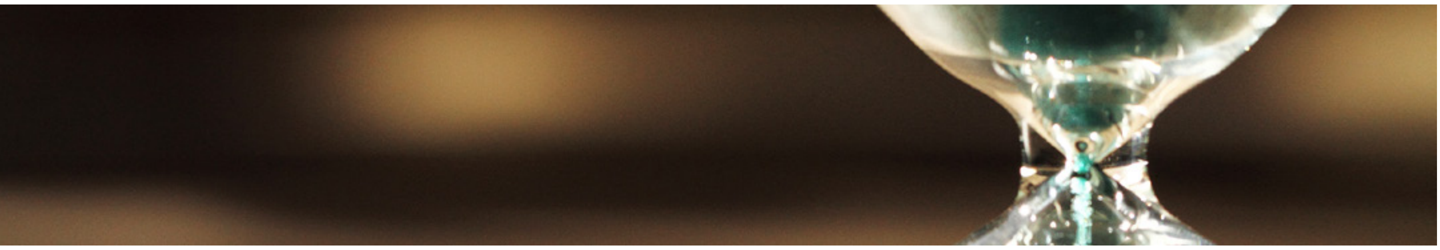
Hopefully you're on track and don't need to do much more, but it doesn't hurt to find out now rather than leaving it too late and having to evaluate your options when you should be putting your feet up and enjoying retirement.

Acting now on what you're doing, or not doing could make all the difference in offering you that freedom when the times comes.

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

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. Pension income could also be affected by interest rates at the time benefits are taken.

[1] https://bit.ly/3YXC1TR (This Is Money)
[2] https://bit.ly/3I6YWW9 (This Is Money)



Protecting your partner

Why couples could risk losing out on life insurance pay outs due to lack of knowledge of their partner's plans.

There's a lot of good reasons why some couples choose not to marry. Known as cohabiting couples (living together but not married), the total number in the UK has risen by 144% since 1996. In 2021, there around 3.6 million cohabiting couples.[1]

Unfortunately, many of the laws in the UK leave cohabiting couples with less protection compared to married couples and this can especially become problematic in the unfortunate instances of somebody dying. For example, you have no automatic rights if your partner dies without a will in place.

It makes it even more important to ensure you have adequate financial plans – and that you share details of what those arrangements are with each other.

Lack of protection leaves cohabiting couples exposed

January 2023[3] research by Scottish Widows suggests this often isn't the case. A survey of cohabiting people found that 43% have made no plans to ensure their other half receives a pay out if they die. 52% of unmarried adults, who are in a relationship, don't know whether their partner even has a life insurance policy.

Of course, it's not just unmarried adults who need life insurance. If you have people who depend on you – a partner, children, even grandchildren – having suitable protection plans in place will help them to be financially supported should the worst happen.

However, research published in August last year found that 60% of all UK adults have no life insurance.[4]

Having a life insurance policy provides your partner and family with a lump sum of money to look after their future. It can help protect from the potential financial struggle of going without your income, provide financial security, and help to pay off any debts. It's something that could really help your loved ones during a very difficult time.

Joining up your financial picture

Conversations about money are not easy at the best of times. And even amongst those who are more financially savvy, there is room for improvement. The same Scottish Widows research found that – amongst cohabiting couples who do know if their partner has life insurance – 27% are unaware of the value of the policy. In other words, they don't know the extent of how much they'd be financially supported if they lost their partner.

And life insurance isn't the only protection area to think about. It's worth considering the financial practicalities if one of you was to be unable to work due to serious illness, injury or if you lost your job.

Having protection plans in place won't reduce the potential of such unfortunate incidents occurring, but they will offer greater financial security.

Doing more for your loved ones

These are very difficult scenarios to think about, but they are even more difficult things to go through without having protection in place. For this reason, it's a good idea to speak openly with your partner (married or cohabiting) about the what-ifs – and what you could do to prepare. Even if they prove to be arrangements you never have to fall back on, just having them can offer you greater peace of mind about the future.

Whatever your situation, putting protection plans in place is a sensible approach. There's a lot to consider and getting the right cover is important, so speaking to an adviser is strongly recommended.

An adviser can explain how potential options work and present the most appropriate solutions for your circumstances. With the right protection plans in place, you can feel more confident about your financial capacity to cope with whatever life might throw at you.

[1] https://bit.ly/3YPxxPJ (UK Parliament)

[2] https://bit.ly/3xFkUuA (Tees)

[3] https://bit.ly/3IIQNIR (FT Adviser)

[4] https://bit.ly/3KvWATx (Express)

Are you at a mortgage crossroad?

More than a million households are facing a steep rise in their mortgage payments later this year as their current deals come to an end and it means their next decision will be a big one.

Brace yourself. Some difficult news could be on the way.

Figures from the Office for National Statistics (ONS)[1] show there are over 1.4 million UK households on a fixed rate mortgage that's due to come to an end over 2023. And when these borrowers come to arrange a new deal – or opt to move onto a variable rate – there will be quite the hike in monthly repayments.

According to the ONS data, 57% of these fixed rate mortgages have an interest rate below 2%. These deals will have been arranged during a period where interest rates were considerably lower than they are today. For example, a two-year fix coming to an end in 2022 would have been arranged in 2020, when Bank of England base rate was at a record low of 0.1%. Or a five-year fix would have been set up in 2017, when base rate was 0.25%.[2]

In February of this year, base rate was increased to 4%[3] – its highest level since 2008. It is likely to go up further in 2023[4]. All of which means the rates now offered on mortgages are considerably more expensive.

In total, the ONS forecasts that 800,000 households will see their mortgage rate more than double this year. It works out an average monthly payment rise of £250[5] and at a time when so many other costs are going up, this presents a really difficult decision for affected borrowers.

Reasons to be optimistic

As challenging as this backdrop is, there are some positives to hold onto. First, base rate is unlikely to climb much higher than it is right now. And should begin to fall in 2024.[6]

That might not sound like much consolation if you're looking to fix for at least the next two years, but that's where there is another encouraging development. For after lenders stampeded to exit the market last Autumn autumn in the aftermath of the mini-budget Budget – with some 1,700 deals withdrawn at short notice[7] – competition is now returning to the industry.

In early February, lenders were in something of a price war that has already reduced the cost of borrowing by thousands of pounds.[8] The latest rise in base rate will have pushed up rates overall, but experts still forecast that deals will continue to get even better.[9]

Maybe you were expecting slim pickings with your next mortgage deal, but the competitive outlook suggests there will be more favourable options than you might think.

Finding the most suitable deal

If you're on a fixed rate mortgage due to expire this year, you clearly have a big decision coming up. The stakes are really high, so it's definitely worth considering asking an expert to help you make an informed decision.

A mortgage adviser can help you to assess your situation and research the most suitable product for your current circumstances. Some advisers can even get you a more favourable deal from a lender compared to approaching them yourself.[10]

You can trust an adviser to consider the outlook for interest rates when they come to recommend the right approach for you. For example, whether it's better to fix or move onto a variable rate and wait to see if rates become more favourable.

Your home may be repossessed if you do not keep up repayments on your mortgage.

[1] https://bit.ly/3kg5c5Z (The Office Of National Statistics)
[2] https://bit.ly/2VTrTf0 (Bank Of EnglAnd Database)
[3] https://bbc.in/3KoihF6 (BBC)
[4] https://bit.ly/3lRQQt4 (iNews)
[5] https://bit.ly/3XUJIt8 (GB News)
[6] https://bit.ly/3EqPmwl (Capital)
[7] https://bit.ly/3klwc4b (The Guardian)
[8] https://bit.ly/3xJMuXu (The Telegraph)
[9] https://bit.ly/3ZcYzA7 (Mortgage Introducer)
[10] https://bit.ly/3EozvhW (Online Mortgage Adviser)

Clearer skies ahead?

After so much uncertainty over the last few years, the good news is that there are reasons to believe 2023 could prove a little less volatile.

It has been a truly remarkable few years. From lockdowns to government meltdowns; high inflation to high geo-political tensions and the cost-of-living crisis affecting us all, it has been one storm after another.

And while "interesting" probably isn't the word you'd choose to describe the last few years, there's no doubt we're living through a tumultuous period in human history.

The big question right now is – what will 2023 hold? Can we finally return to a more settled outlook? Or are there difficult times to come? The answer is probably a bit of both.

Inflation is still high

The great news is inflation seems to have peaked. For October, the cost of living rose to a 41-year high of 11.1%.[2] It's subsequently fallen for November and December,[3] and is forecasted to more than halve by the end of this year.[4]

There's an important caveat to this. Just because the rate of inflation is going down, it doesn't mean prices are. Inflation measures the speed the cost of living goes up. So, a fall in the rate indicates the pace of price rises is slowing down, rather than reversing. Unfortunately, you're still going to notice prices rising sharply over the coming months.

Still, we're in a much better place than had been feared. For example: last August, Goldman had forecasted inflation could be as high as 20% right now.[5]

Interest rate rises to slow

Another popular prediction last autumn was that interest rates would continue to rise. In the immediate aftermath of the infamous mini budget, some expected rates to reach 6%.[6] This would have been a huge blow to many mortgage borrowers.

Whilst the Bank of England has pushed up interest rates 10 times in a row since the end of 2021, it appears we're pretty close to the peak now. A poll of economists by Reuters suggests one more rate rise in March.[7]

Higher interest rates are not great for borrowers, but this more positive outlook is at least leading to a more competitive mortgage market again.[8] So even if you have a mortgage rate rise to deal with, the options on the table are more favourable than it seemed they would be just months ago.

Recession looms

Like grey clouds creeping over a blue sky, it feels like the spectre of a UK recession has been talked about for months.[9]

A recession is pretty much guaranteed to happen, with the IMF stating the UK will be the only major economy to shrink in 2023.[10] And it is almost definitely going to hurt.[11] However, the Bank of England has said the recession could be shorter and less severe than expected.[12]

Recessions affect different parts of the economy in different ways. Some industries will struggle, some will actually benefit. It could have some impact on your personal finances, but areas like the stock market – which are typically more forward-looking – are more likely to have factored in the effects.

So, if you have investments, or are thinking about making long-term plans, there is every reason to be upbeat. Especially as markets have performed well over the last few months.

Spring Budget looms

On Wednesday 15 March, all eyes will be on the chancellor's red box when Jeremy Hunt is scheduled to unveil the Spring Budget. After the events of 2022, a less dramatic set of announcements will be welcomed.

And it probably will be quite low key. Hunt has made it clear significant tax cuts are unlikely. Still, there may be some interesting developments. With speculation he may increase the pension Lifetime Allowance and adjust other pension tax charges.

Plenty to consider

Much of the theme of 2023 so far has been that things are not as gloomy as predicted. That doesn't mean life isn't tough for so many of us, but the signs are that there is more stability and more reasons to be optimistic than there was six months ago.

With this increased level of certainty, now could be a really good time to plan your finances with a financial adviser.

Your home may be repossessed if you do not keep up repayments on your mortgage.

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

[1] https://bit.ly/3ZbqgcH (Wikipedia) [2] https://cnb.cx/3YQ7pEg (CNBC)
[3] https://bit.ly/3xHTDrl (LBC) [4] https://bit.ly/3ImnESp (The Guardian)
[5] https://reut.rs/3IoV4Qq (Rueters)
[6] https://yhoo.it/3KqiiIE (Yahoo Finance)
[7] https://bit.ly/3xMW8sB (The Guardian)
[8] https://bit.ly/3IpsQVS (Mortgage Introducer)
[9] https://cnb.cx/41fi6BW (CNBC) [10] https://bbc.in/3Sl6oS7 (BBC)
[11] https://go.ey.com/3Sji4Vw (EY) [12] https://bbc.in/3Z5jgOu (BBC)
[13] https://yhoo.it/3kkAQzm (Yahoo) [14] https://bbc.in/3Z8j1mt (BBC)
[15] https://bit.ly/3lNmcks (Interactive Investor)

And finally...

Looking after your wellbeing

If you've found yourself feeling anxious about rising bills lately, you might be comforted to know that you're not alone.

November 2022 research by the Personal Finance Society found more than half of Brits have experienced anxiety or worry as a direct result of the cost-of-living crisis. Yet the same research discovered 35% of us feel professional financial planning would be helpful to them in response to the cost-of-living crisis.

If you're feeling more worried than usual, chatting through your options with a financial adviser is well worth considering. Financial experts can help you make sense of your money and give you advice on the steps you could take to make stronger arrangements. It could help to ease your concerns, by allowing you to develop a robust plan that leaves you feeling more confident about your money.

As always when you're feeling anxious, it's good to talk and there are experts to help you boost your financial wellbeing and ensure you have one less thing to worry about.

https://bit.ly/3XWGJjU (Personal Finance Society)

Kenley Financial Ltd

Kenley Financial Ltd

Jerry Connor and Steve Aish

12 Croydon Road, Caterham CR3 6QB

0208 660 1533

mail@kenleyfm.co.uk

www.kenleyfm.co.uk