



Feedback on auto-enrolment tool proposal

The Pensions Regulator expects to have a basic automatic enrolment tool available by the end of the year following a consultation exercise.

In May, the regulator sought feedback on proposals to develop a means to support users of HMRC's Basic PAYE Tools (BPT). It maintained that by using appropriate software through payroll or pension provider systems, employers would be better able to comply with their duties.

The regulator says 'the majority' of responses have been supportive and indicate 'widespread recognition' that BPT users require some form of automated support for automatic enrolment.

Others, however, are less convinced, with some payroll firms and pension schemes against the development of the new tool. But employers who use BPT believe payroll support in its current form is not being used sufficiently, which, the regulator says, fuels concern that employers will calculate contributions manually, forcing error.

Executive director for automatic enrolment Charles Counsell says the feedback highlights the need for a tool to mitigate the compliance risk.

"We will continue to recommend that BPT users consider using software with integrated automatic enrolment functionality, but by developing this basic contribution calculation tool, we aim to ensure that BPT users have access to the help they need to support compliance.

"The decision to develop a basic tool is recognition that significant numbers of BPT users will attempt manual calculations. This is another example of how The Pensions Regulator seeks to develop new ways to ensure we are meeting the needs of the diverse group of employers due to stage in the coming years."

The regulator pledges that the tool's functionality will be limited to avoid a negative impact on the existing payroll and pension market.

Birchwood Investment Management's fully qualified team offers extensive experience in auto-enrolment and other occupational pension issues. Our experts can provide advice on a one-to-one basis, or through seminars, or we can provide more specialist assistance with reviewing and upgrading pension schemes or implementing new schemes. For more information, please contact us.



Retirement plans at risk, study says

Pension incomes have shrunk by 73 per cent since 2000, according to new research.

Poor-performing pension funds and falling annuity rates are to blame says the Moneyfacts website which produced the study. The result is that workers dreaming of transforming their retirement fund into a pension income – by annuity – are putting off leaving work to accrue greater savings.

Moneyfacts says generating income from savings

is among the biggest difficulties faced by retired people, with people's plans for the future at risk.

Richard Eagling, the website's investment life and pensions editor, said: "There's a real danger that tomorrow's pensioners will end up in poverty.

"Dreams of a comfortable retirement could easily be shattered unless individuals can either make up the pension shortfall through greater contributions or accept that they have to delay their retirement."

"It is vital to increase awareness not only of pension options, but also the potential retirement income outcomes, as too many people have outdated and unrealistic expectations as to what they will eventually receive."

As a pensions specialist, Birchwood can provide expert advice to help retirees make informed decisions to bolster financial security in later life. For more information on any aspect of pensions or retirement planning, please contact us.

Interest-only mortgage holders may 'face repossession'*

The Citizens Advice Bureau has warned that almost a million people have no strategy in place for repaying their interest-only mortgage and could face repossession.

Research from the charity estimates that 934,000 people have an interest-only home loan and do not have a plan for how they will pay it off when it matures. That is much higher than a previous estimate issued by the Financial Conduct Authority (FCA) in 2013, which put the number at around 260,000.

The Citizens Advice Bureau said that time is running out for some homeowners who would either have

to sell their home, find the money to pay off the debt, or risk having the property repossessed.

Its research represents the latest in a series of warnings about interest-only mortgages, which have helped millions of people onto the housing ladder during the past two decades, but have in recent years become the subject of a regulatory clampdown.

In 2013, the FCA published research showing that up to 2.6m interest-only mortgages will mature by 2041, of which almost half of the homeowners may be unable to repay the loan at the end of the term. However, 90 per cent of the borrowers said

they had a repayment strategy in place to repay what they owed.

The Citizens Advice Bureau research, which included a YouGov poll, suggests the regulator may have underestimated the scale of the problem. It puts the number of people holding interest-only mortgages at 3.3 million. The charity said that figure included 1.7 million who said they had no linked repayment vehicle, such as an endowment or ISA, and 934,000 who had no strategy for repaying the loan. More than 430,000 people "have not even thought about how they will repay the capital," it said.

Buy-to-let bubble could burst*

Following a recent report that highlighted buy-to-let (BTL) mortgage deals were at a seven-year high, the Bank of England has warned that this boom potentially poses a risk to the UK's economic stability.

The Bank's Financial Policy Committee (FPC) warned that landlords, typically funded through interest-only loans, could be "disproportionately

vulnerable" to large falls in house prices and could in turn amplify any future property downturn.

Data shows buy-to-let mortgage lending has risen by 40 per cent since 2008, 20 times faster than owner-occupier loans. In the same period, the buy-to-let share of the market has risen from 12 per cent to 16 per cent with

more people than ever before renting privately.

This concerns policymakers because a continued increase in the market risks pushing up house prices further, meaning more borrowing and greater household debt. If landlords see their loan repayments starting to exceed their rental income, they may respond by selling their property, resulting in an accelerated downturn in the property market.

The over-50s make up one third of UK workforce

The number of over-50s still at work has hit record levels. Pensions Minister Baroness Altman said: "A social revolution is underway as increasing numbers of over-50s realise they are not 'old' and want to keep on working.

"It's a win-win for everyone because they have higher incomes and boost the economy."

A record 302 in every 1,000 adults employed

is now aged 50-plus, data from the Office for National Statistics revealed. That compares with 213 per 1,000 in 1992; a rise of 42 per cent. The number of workers aged 50 to 64 reached a new high of 8.24 million this year.

This total was increased by the removal of the default retirement age in October 2011. It meant employers could no longer force staff to give up work at 65 on the grounds of age alone. Since

then, employment amongst over-65s has grown by a third. This is the fastest growth rate of any age group. The second fastest growth rate (at 11 per cent), was among those aged 50 to 64, which suggests that the number of individuals that are working beyond the age of 65 will continue to rise.

Baroness Altman added: "Older people have huge amounts of skill and experience – it would be wrong to waste such valuable resources."

*Your home is at risk and may be repossessed if you do not keep up the payments.

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