HB Dobbin
FINANCIAL PLANNING

1st Floor, 3 Concorde Park
Concorde Road
Maidenhead
Berkshire
SL6 4BY

WEALTH KNOWLEDGE

MARCH 2022

In this issue......

- Pandemic-related factors see divorce rates slump in 2020
- Bank of England raises interest rates as inflation takes toll
- Pension dashboards set to be available from mid-2024
- Govt. remains "fully committed" to increasing NICs rates

Pandemic-related factors see divorce rates slump in 2020

The number of divorces in England and Wales fell by 4.5% in 2020, according to the Office for National Statistics (ONS).

In 2020, there were 103,592 divorces granted in England and Wales, compared to 107,599 divorces approved in 2019.

During the height of the pandemic, lockdown restrictions saw family courts temporarily suspend operations.

That meant families were unable to get legal advice, while also having to juggle homeschooling or caring responsibilities.

As such, family court backlogs could mask the true number of divorces in 2020 and the real impact may be revealed next year.

The ONS said these factors "may have affected the number and timeliness of completed divorces, but it was difficult to know the extent of the impact".

Divorce settlements often centre on a battle for the family home, while splitting another jointly-held asset can easily be forgotten.

Clare Moffat, head of intermediary and technical at Royal London, said:

"Because divorce is a traumatic time, many aspects of a couple's finances can be overlooked, particularly pensions.

"Failing to consider pension savings when splitting assets during a break-up could have an enormous impact on an individual's future financial resilience.

"The impact on retirement plans can be particularly difficult for women who typically build up lower pension pots."

Bank of England raises interest rates as inflation takes toll

The Bank of England has raised its base rate of interest for the second time in three months, amid concerns over inflation.

The central bank increased its key rate from 0.25% to 0.5% last month after inflation hit levels not seen for three decades.

Four of the nine policymakers voted to increase rates to 0.75% to ward off fears that price rises could become more sustained.

As a direct result, pressure is mounting on UK households from soaring energy bills and the rising cost of a weekly shop.

The rate of inflation, as measured by the Consumer Prices Index, reached 5.5% in January 2022 – up 0.1% on the previous month.

The Bank has warned that inflation could peak at close to 7.25% next month, after energy regulator Ofgem revealed the full scale of the energy price cap hike.

Should that forecast come to fruition, the UK's main rate of inflation could be around three times the Bank's 2% target rate.

Andrew Bailey, governor at the Bank of England, said:

"Increasing interest rates will help make sure inflation falls back towards our 2% target over the second half of 2022 and in 2023."

The energy regulator revealed the steepest ever increase in household bills to take effect from 1 April 2022, which saw the price cap soar by 54%.

The Bank also expects the UK economy to stagnate in the first quarter of this year and cut its annual growth forecast for 2022 from 5% to 3.75%.

Pension dashboards set to be available from mid-2024

The Department for Work and Pensions (DWP) has published a proposed timeline for the rollout of pension dashboards.

The dashboards aim to unite an individual's entire pension data in one place, in a similar way to how open banking works.

They will give savers access to a real-time total of their savings accrued through their state, workplace and personal pensions.

Ministers hope the projections will allow savers to plan more effectively towards securing a comfortable retirement.

Having access to all retirement savings in one place should ensure pension schemes do not get lost through savers' careers.

The Association of British Insurers claims there are around 1.6 million lost pension pots in the UK worth £19.4 billion in total.

The first accessible pensions dashboard won't be available until mid-2024, while the rest won't be rolled out until at least 2026.

The phased rollout of pension dashboards is down to staging dates, with the largest pension schemes going first.

Providers with the most members will need to submit their data to the dashboards between April 2023 and September 2024.

Mid-sized schemes will follow suit between October 2024 and October 2025, with small and micro schemes "from 2026".

Steve Webb, former pensions minister, said:

"Bringing together full pension data in one place is a mammoth task. Back in 2016, there was a promise of a dashboard in use by 2019, but now it looks as though the first generally accessible dashboard will not be available until mid-2024 – at least five years' late.

"The biggest headaches include bringing on the public service schemes and defined-benefit pension schemes where complex new calculations may be required."

Govt. remains "fully committed" to increasing NICs rates

The Treasury reportedly has no intention of considering a late U-turn on introducing the National Insurance contributions (NICs) increase next month.

All NICs rates are due to rise by 1.25% from April 2022 to help fund the development of the new health-and-social-care levy.

The main rates of NICs are currently paid by employees (12%) and the self-employed (9%) on their earnings, and by employers (13.8%) on the earnings of those they employ.

From 1 April 2022, these main rates will increase to 13.25% for employees, 10.25% for the self-employed, and 15.05% for employers, while the higher rates will also rise.

At the same time, the new energy price cap kicks in – increasing from £1,277 to almost £2,000. Add this to rising inflation and household finances will soon be squeezed.

That is prompting calls for a delay, but a spokesperson for the Government said Chancellor Rishi Sunak is "fully committed" to increasing NICs and the dividends tax rates.

This should help to ensure that from October 2023, individuals will not be asked to pay more than £86,000 towards the costs of social care over their lifetime.

Research from Aegon showed 34% out of 2,000 respondents were happy to pay the NICs increase from next month, while 38% were not. The rest were undecided.

Steven Cameron, pensions director at Aegon, said:

"The Government is facing a barrage of calls to ease the cost-of-living squeeze, and it's not surprising this includes deferring April's NICs increase.

"The health impact of the pandemic has shown just how important it is to have a high-quality, properly-funded care system, and this will have to be paid for."

Important Information

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future.

ISA eligibility depends on individual circumstances.

Pension eligibility depends on individual circumstances. Pension benefits cannot usually be taken until age 55.

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

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation.

Whilst considerable care has been taken to ensure that the information contained within this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information. E & OE.

HB Dobbin Financial Planning Ltd is authorised and regulated by the Financial Conduct Authority.