

## News in Review

12 July 2023

*"British pensioners should benefit from British business success"*



**Chancellor Jeremy Hunt announced a package of reforms designed to boost pensions and increase investment in British businesses, in his first Mansion House speech which took place on Monday evening. He stated that the Mansion House Reforms aim to secure the best possible outcome for pension savers, whilst prioritising a strong, diversified gilt market and strengthening the UK's position as a leading financial centre.**

The Chancellor revealed an agreement with pension providers to put 5% of their investments into early-stage businesses in the biotech, fintech, life sciences and clean technology sectors by 2030. Mr Hunt estimates that the plans could provide a £1,000 a year boost in retirement to the typical earner who starts saving at 18.

Commenting on the reforms, Mr Hunt stated, *"British pensioners should benefit from British business success. By unlocking investment, we will boost retirement income by over £1,000 a year for a typical earner over the course of their career. This also means more investment in our most promising companies, driving growth in the UK."*

At the same Mansion House event, Bank of England Governor Andrew Bailey said reducing inflation to 2% is *"so important"* as people *"should trust that their hard-earned money maintains its value."*

### **House prices fall at fastest rate in 12 years**

The latest Halifax House Price Index shows an annual fall in prices of 2.6%,

which the lender says is equal to around £7,500 being wiped off the average UK house price, the biggest drop since 2011. House prices fell for the third month in a row, dipping by 0.1%. The average cost of a UK property is now £285,932, compared to a peak of £293,992 last August.

At the same time, mortgage rates continue to rise. Moneyfacts released data on Tuesday showing the average two-year fixed rate mortgage had climbed to 6.66%.

### **"Rock solid" relations**

Ahead of a key NATO meeting in Vilnius, Lithuania, US President Joe Biden described relations with the UK as *"rock solid"* in his talks with Prime Minister Rishi Sunak, adding that he *"couldn't be meeting a closer friend and a greater ally."*

The President also held separate talks on Monday with King Charles at Windsor Castle in their first meeting since the King's coronation in May.

### **Record wage growth**

Figures released on Tuesday by the Office for National Statistics (ONS) indicate that UK wages have risen at a record annual pace, fuelling fears that inflation will remain higher for longer. Growth in total pay (including bonuses) was 6.9%, whilst regular pay (excluding bonuses) grew by 7.3% in the March to May period, when compared to the same period a year earlier.

However, when adjusted for inflation, growth in total and regular pay fell on the year in March to May 2023, by 1.2% and 0.8% respectively.

### **Retired over 50s poorer**

A study by the Institute for Fiscal Studies (IFS) of people aged over 50 who left work during the pandemic has found that 48% of those who retired in 2020-21 are now living in relative poverty, are less likely to receive a pension and have lower levels of wellbeing than other retirees. IFS defines relative poverty as a couple on an income of less than £15,000 a year.

The research concluded that disruption from the pandemic and perceived health risks may have forced many to leave work earlier than they had originally planned.

### **Parents may miss out on State Pension**

Due to errors in National Insurance (NI) records, some parents may have been underpaid their State Pension. It's estimated that around £1bn is owed, to about 210,000 people, of whom 43,000 have died. That would equate to an average shortfall of about £5,000 each.

Parents who took time out of employment to bring up children should have had their NI records credited with home responsibilities protection (HRP), but it has come to light that the credit is missing from some NI records.

A government spokesperson commented, *"Most people's records will be unaffected, and we will shortly be launching a new online tool to help people check whether they need to claim. HM Revenue & Customs will also begin writing to those likely to be affected from the autumn."*

### **Here to help**

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.