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News in Review

20 November 2024

"Harnessing the power of this multi-billion-pound industry is a win-win, benefiting future pensioners, and our wider economy"

Last Thursday, Chancellor Rachel Reeves used her first Mansion House speech to outline her new plan for pension funds, intended to shake up UK pension saving and unlock £80bn of investment.

Ahead of the speech, the Chancellor revealed that the government is backing a 'megafund' model to revolutionise UK pension saving. Based partly on similar schemes in Canada and Australia, this will involve merging the UK's existing 86 Local Government Pension Schemes and Defined Contribution Schemes. The result, according to Ms Reeves, could be about £80bn of investment in new businesses and critical infrastructure, with larger funds better placed to invest in assets that have higher growth potential.

The UK already has one of the largest pension systems in the world but the present system spreads assets between many different funds. The new plan seeks to make the most of another finding: that funds holding more than £50bn in assets can reap the greatest rewards, for example the ability to invest directly in large scale projects at lower cost.

Commenting before her Mansion House speech, Ms Reeves said, *"Last month's Budget fixed the foundations to restore economic stability and put our public services on a firmer footing. Now we're going for growth. That starts with the biggest set of reforms to the pensions market in decades to unlock tens of billions of pounds of investment in business and infrastructure, boost people's savings in retirement and drive economic growth so we can make every part of Britain better off."*

Pensions Minister Emma Reynolds added, *"Harnessing the power of this multi-billion-pound industry is a win-win, benefiting future pensioners, and our wider economy."*

UK growth disappoints

Data released on Friday by the Office for National Statistics (ONS) showed that the UK economy stalled between July and September, growing by just 0.1% in the three-month period. The figures were weaker than analysts had expected and represented a sharp slowdown from the 0.5% growth recorded between April and June.

Analysts pointed to uncertainty about the Budget, as a major reason for the weak growth. The release covers the first three months of the new Labour government, which has made boosting economic growth its number one priority.

Commenting on the figures, Rachel Reeves said, *"Improving economic growth is at the heart of everything I am seeking to achieve, which is why I am not satisfied with these numbers."*

Climate finance tops COP29 agenda

The annual UN Climate Change Conference (COP29) got underway last week in Baku, Azerbaijan, as leaders from across the globe came together to discuss progress on climate change.

Key focuses at this year's event include setting a new goal for financing emissions reductions, as well as individual countries submitting updated Nationally Determined Contributions ahead of COP30. Over the first week, major differences were already apparent between countries, especially with regards to the New Collective Quantified Goal (NCQG), which will set a financial target to support climate action in developing countries.

Last Tuesday, UK Prime Minister Keir Starmer used his first public address at COP29 to announce a new climate target for the UK. Mr Starmer pledged to reduce the UK's emissions by 81% by 2035 against 1990 levels. He stressed that doing so was possible through investment in clean technology and transport.

New research shows the extent of the gender pay gap

Women approaching retirement will receive annual incomes a third less than their male counterparts, according to a report by pension firm Scottish Widows released last week. On average, a woman will retire with an income of £12,000 a year after paying Income Tax and housing costs, compared with £17,000 on average for men. Although the gender pensions gap has fallen in recent years for those aged between 50 and 64, much remains to be done. If the gap continues to close at its current rate, it will take another 20 years for women and men to retire on the same annual income.

Here to help

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