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Planning ahead for your finances

Managing your money for the future



All references to BT refer to the BT Group company that employs you: either BT Limited, EE Limited or Openreach Limited.

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About us

WEALTH at work is a leading financial wellbeing, retirement and workplace savings specialist.

Established in 2005, we work with hundreds of organisations across both the private and public sector.

Our financial education services are delivered on a bespoke basis.

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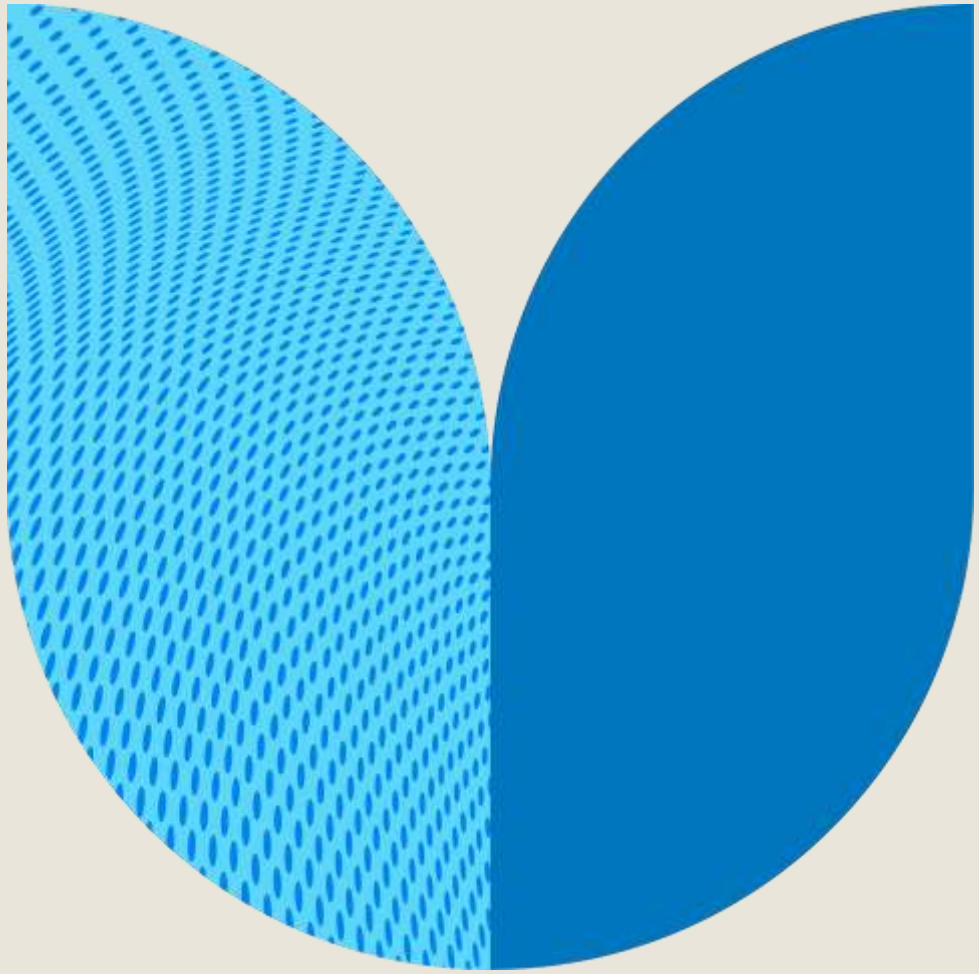
What we'll cover today

- Taking stock and looking ahead
- Balancing debt with other financial goals
- Getting your pension on track
- Reviewing the way your pension is invested
- Hidden benefits of increasing pension contributions
- The State Pension
- Your other savings and investments
- Next Steps

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Taking stock and looking ahead

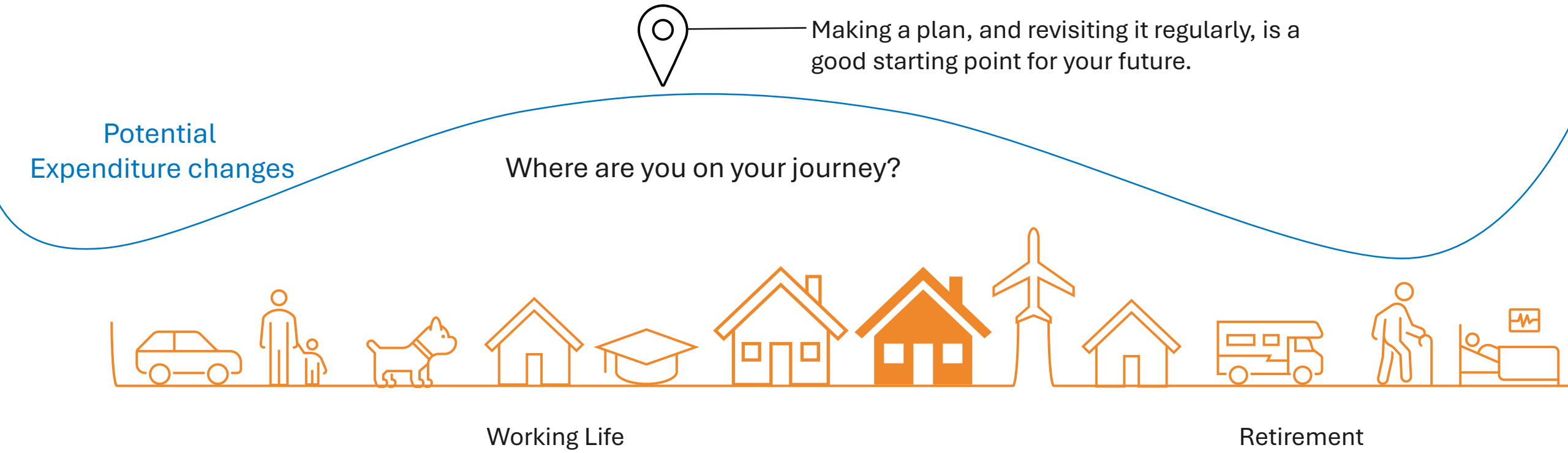


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Life changes

Where are my finances today, and where do I expect them to be in the future?



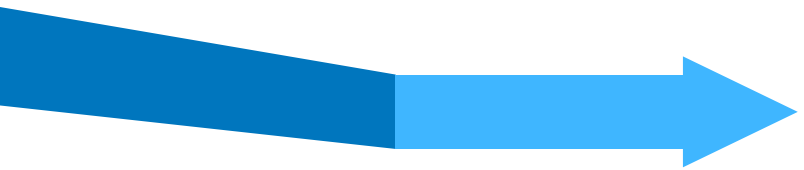
Figurative example of a potential life journey for illustrative purposes only.

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Life changes

Income, outgoings and priorities often evolve through mid career



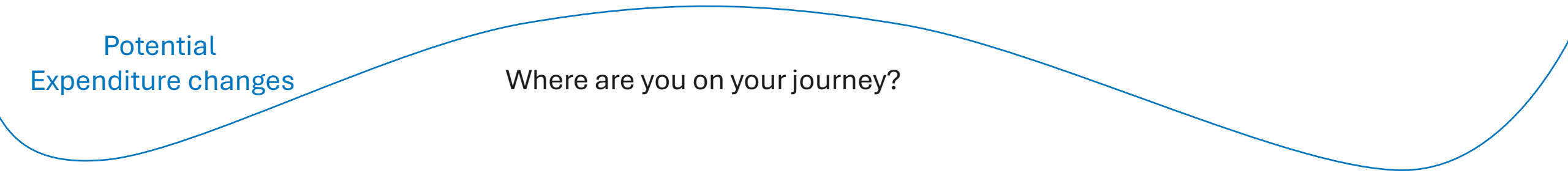
Some people's retirement may be as long as their working life



Begin to think about when you would like to retire, and income you may be targeting for retirement



Mid-career is the ideal time to review your finances and make any changes to get your finance on track



Figurative example of a potential life journey for illustrative purposes only.

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Creating a solid foundation

Build an emergency fund and clear high interest debt will give you the confidence to be able to invest in your future

Income surplus



50% allocated to your emergency fund

Build your emergency fund until it's at a level, you're comfortable with

50% allocated to paying down your debt

Paying off high interest debt will mean you'll have the confidence to invest



Once you've completed one of these, reallocate until you complete the other

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Reviewing your financial protection

Financial protection is available to you through your employment at BT Group.

Death In Service Cover

- Provided to all employees
- Tax free lump sum if you die whilst employed at BT Group
- Check your level of cover & chosen beneficiaries

Private Medical Insurance

- Access to private medical treatment
- Check if you have cover in place

Critical Illness Cover

- Tax free lump sum if you suffer a specified illness or injury
- Check if you have cover in place

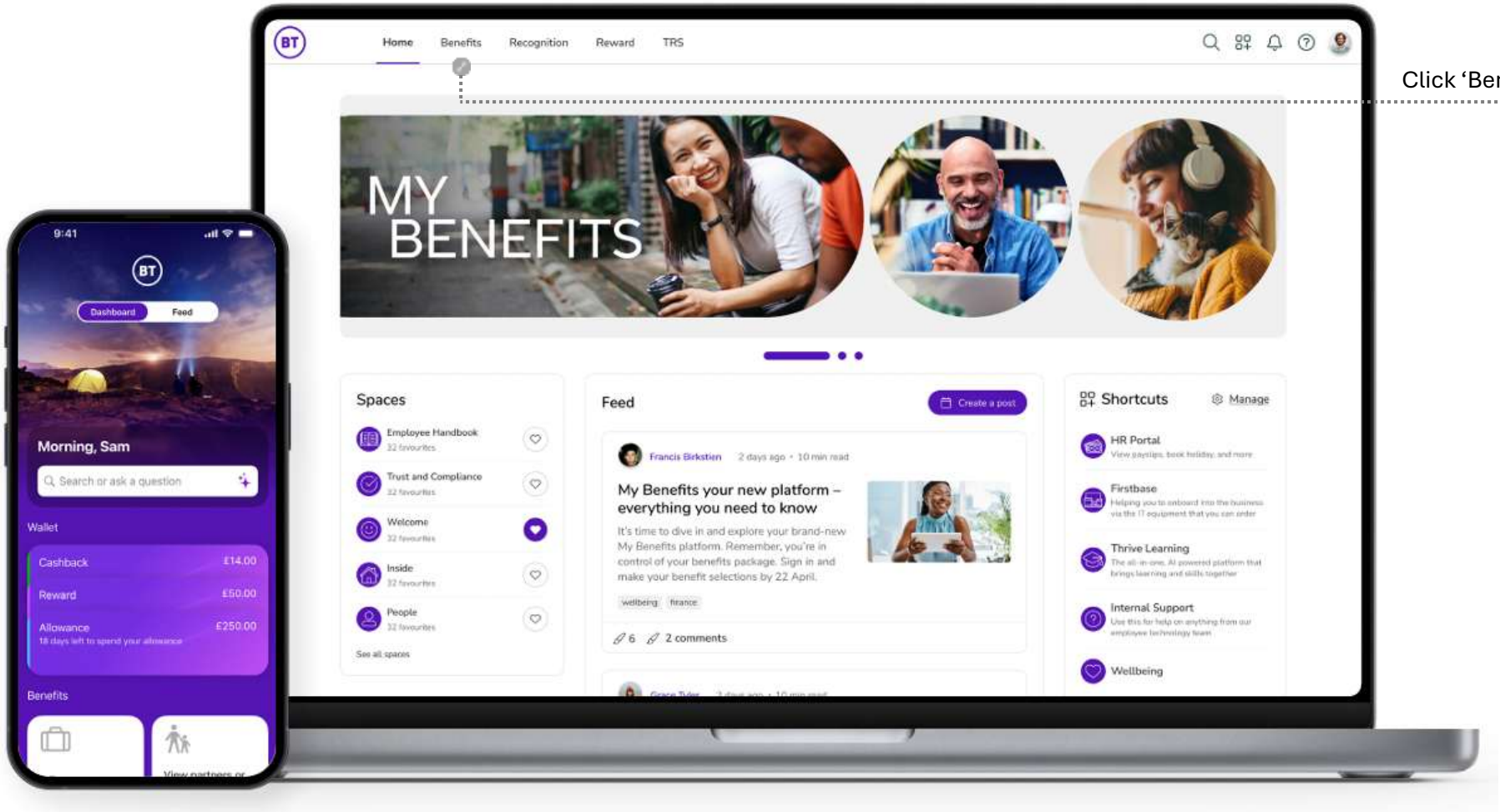
Some benefits are available to select all year round, while others are only available during the annual selection window in March.

For more details, log in to My Benefits: www.therewardhub.com/identity/bt/login

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My benefits



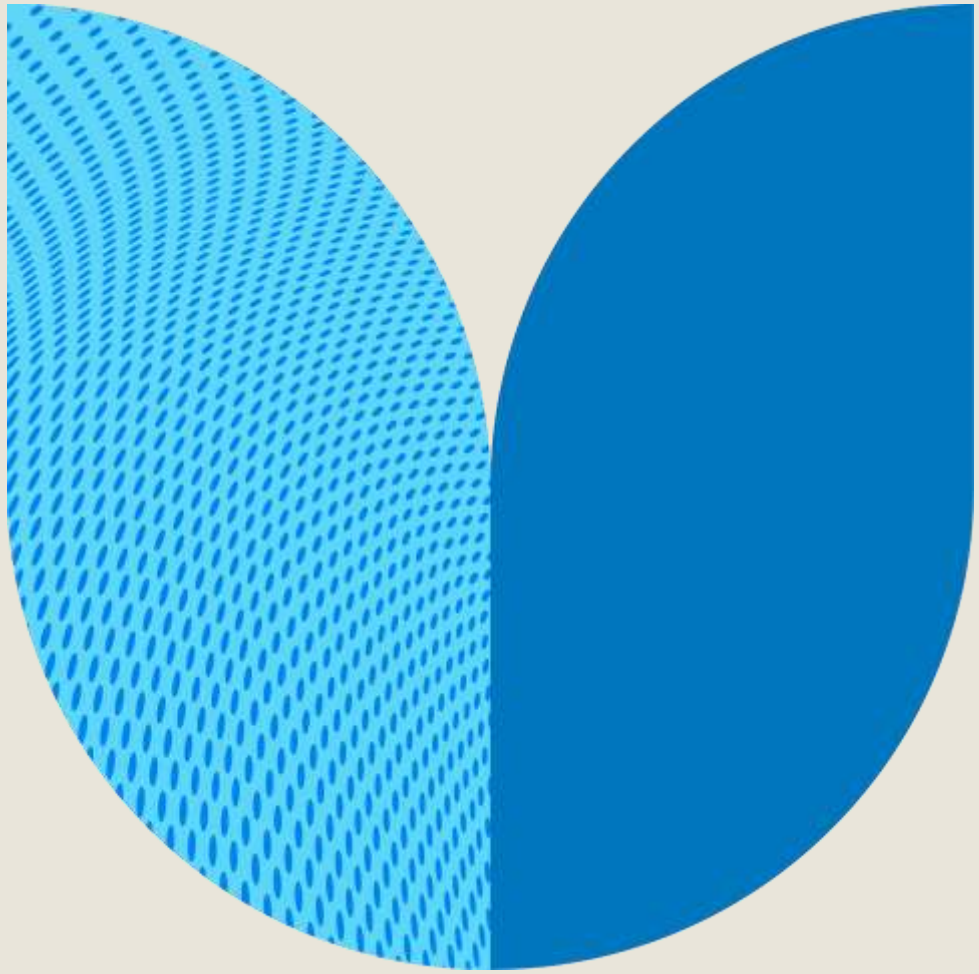
Click 'Benefits' to view and select your benefits

www.therewardhub.com/identity/bt/login

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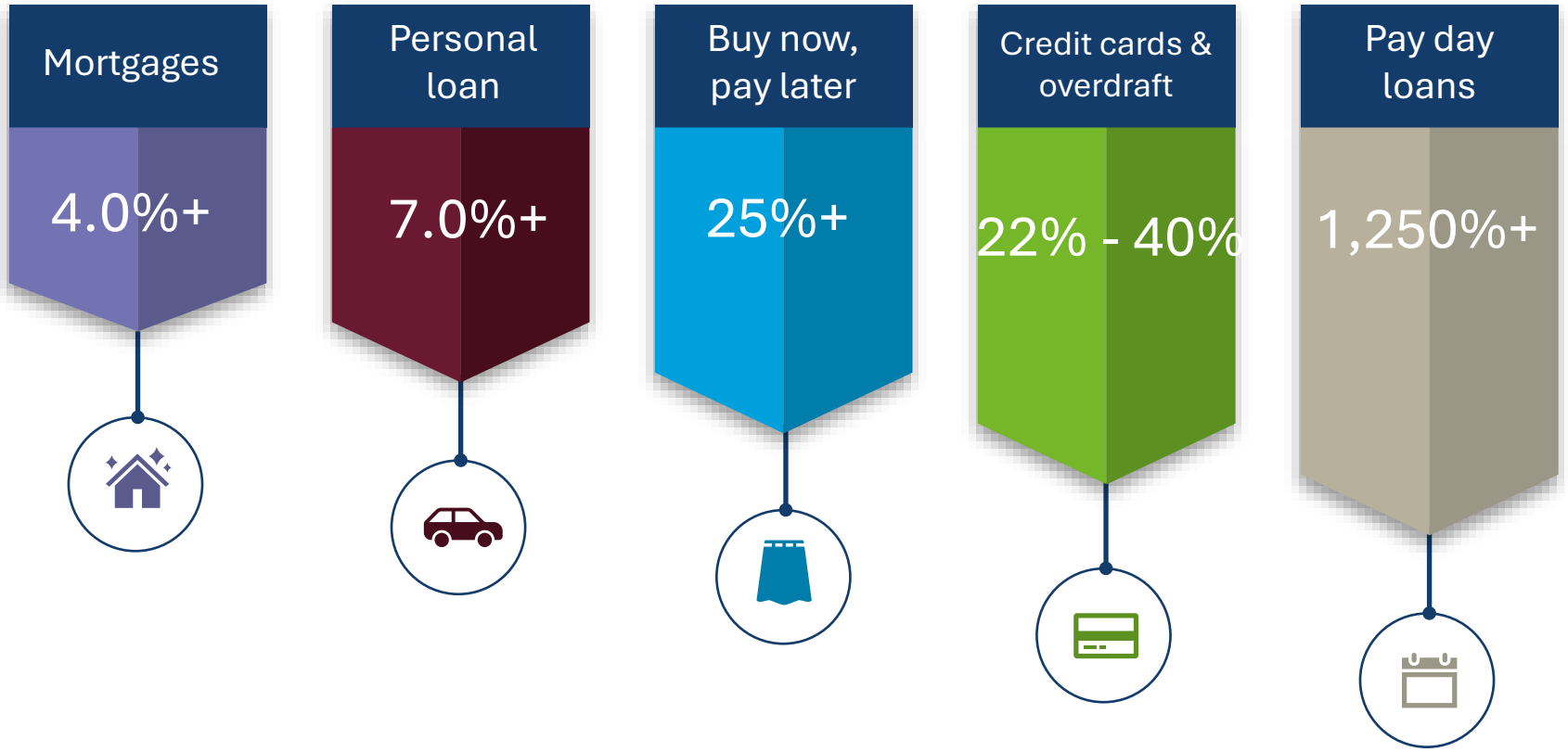
Balancing debt with other financial goals



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Types of debt



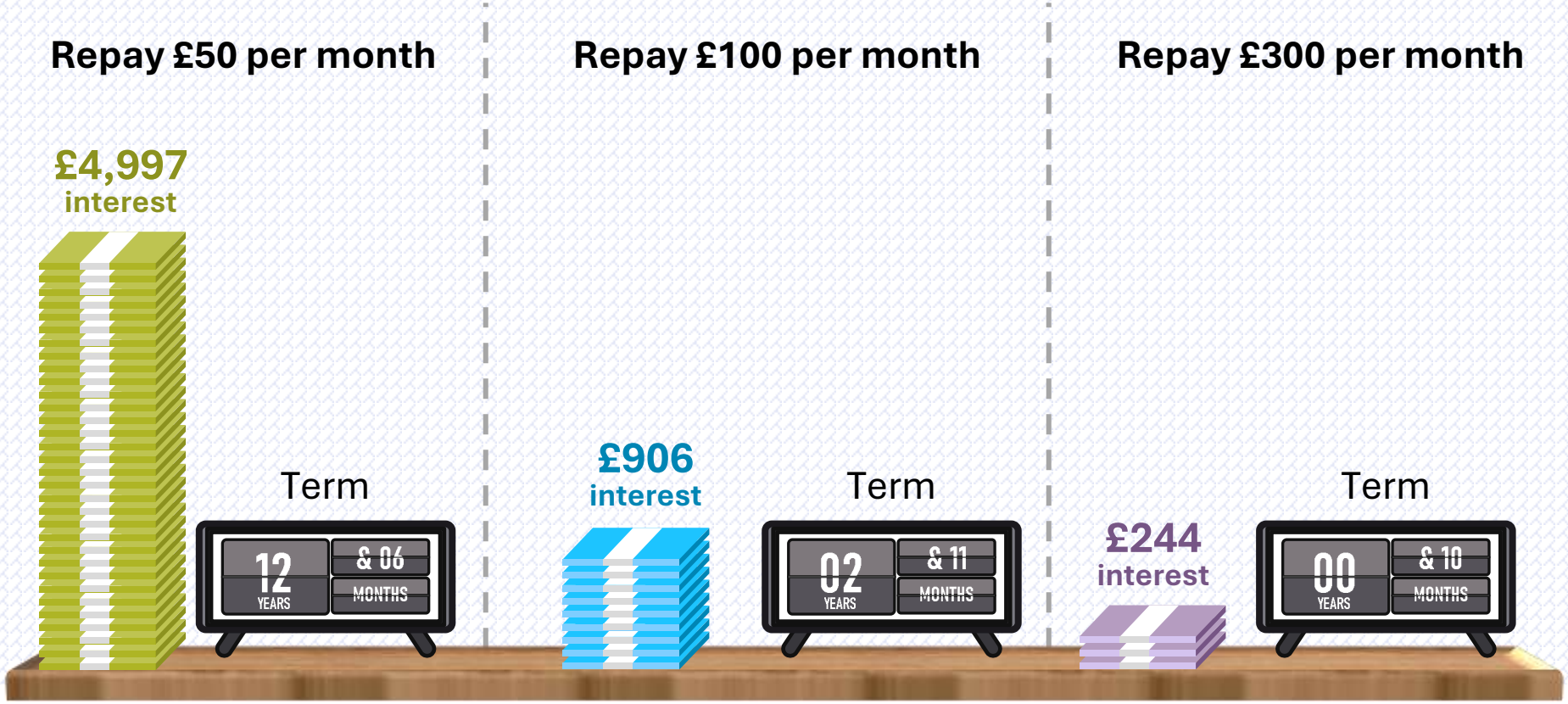
*All rates are approximate examples only.

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Credit card repayment

Based on a credit card debt of £2,500 and 25% APR



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Potential benefits of overpaying a mortgage

- Reduce total interest paid over the life of the mortgage
- Become mortgage free sooner by shortening your term
- Achieve a 'return' equal to your mortgage interest rate
- Increase equity in your home and reduce loan to value
- Improve financial security with lower future monthly commitments
- Greater flexibility later once the mortgage is repaid or reduced

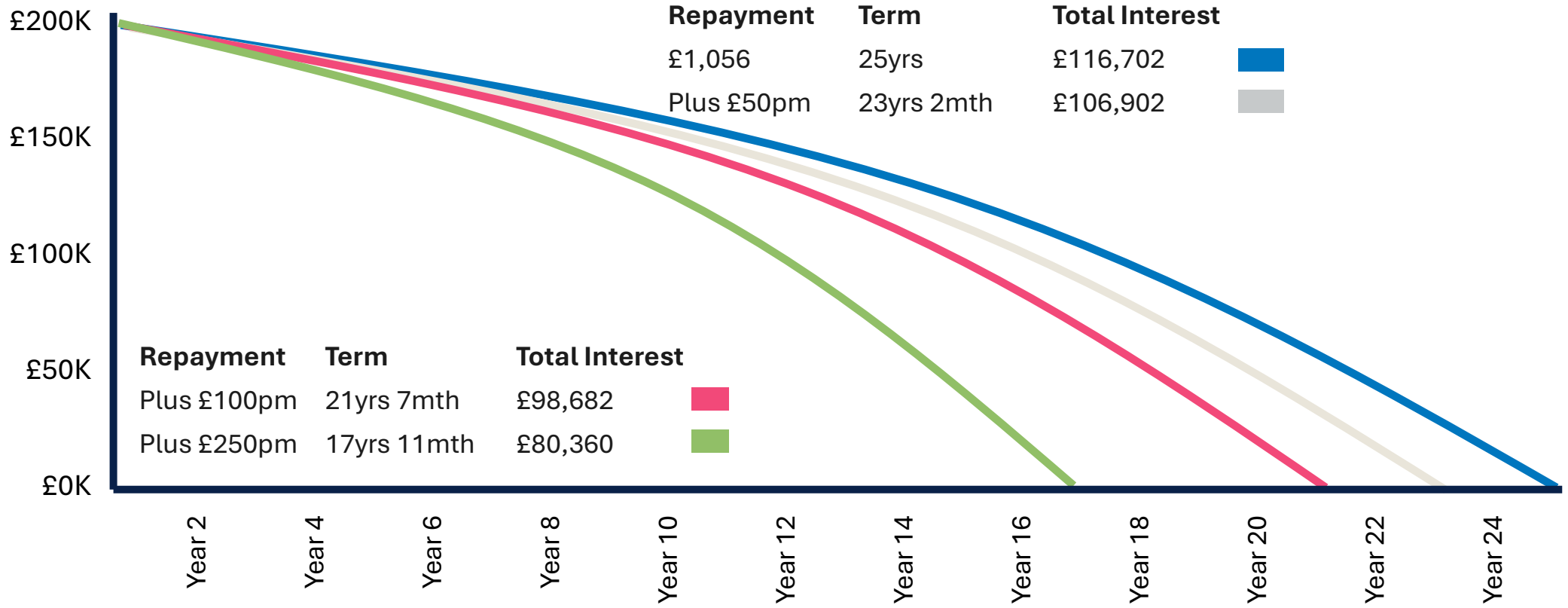
Overpayments typically reduce your mortgage term, while your regular monthly repayments remain unchanged.

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Repaying your mortgage early

Based on a £200,000 repayment mortgage with 25 year term and 4% interest rate



Graph shown for illustrative purposes only. Data provided by Nationwide Building Society. Any early repayment charges or changes in interest rates are not reflected in the figures shown

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Pension contributions or mortgage overpayments?

A starting point is to consider whether you expect your pension growth to be greater than the interest rate on your mortgage debt. However, there is more to consider:

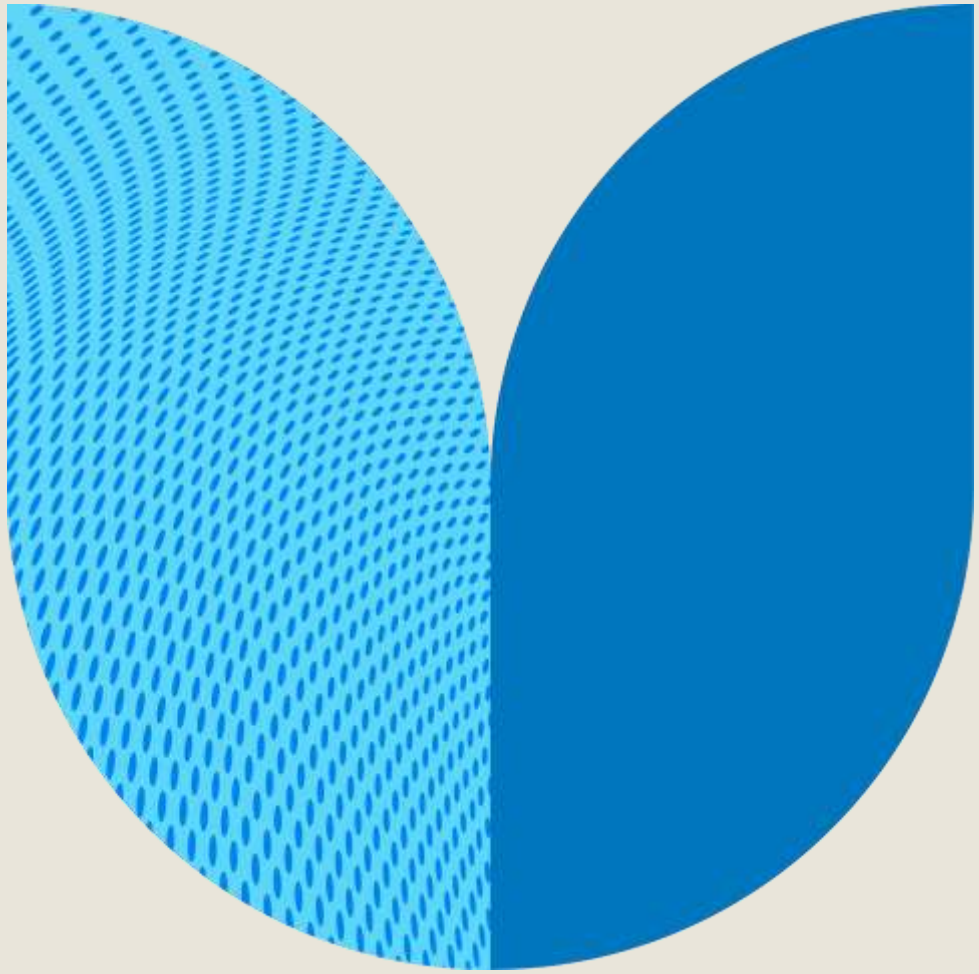
1. Comparing your mortgage rate with your expected investment returns is a useful starting point
2. Paying off debt gives security and a known return equal to your interest rate
3. Investment returns are uncertain and could be higher or lower than forecast
4. Over time, investments may achieve higher returns but with more risk
5. Pension contributions benefit from income tax and National Insurance savings*
6. Opting out of your workplace pension is generally unadvisable as you lose all employer contributions

*Subject to HMRC limits

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Getting your pension on track



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Rates of income tax

Personal Allowance
on the first
£12,570*



>£12,570*

Basic Rate Tax
on the next
£37,700



>£50,270

Higher Rate Tax
on the next
£74,870



>£125,140

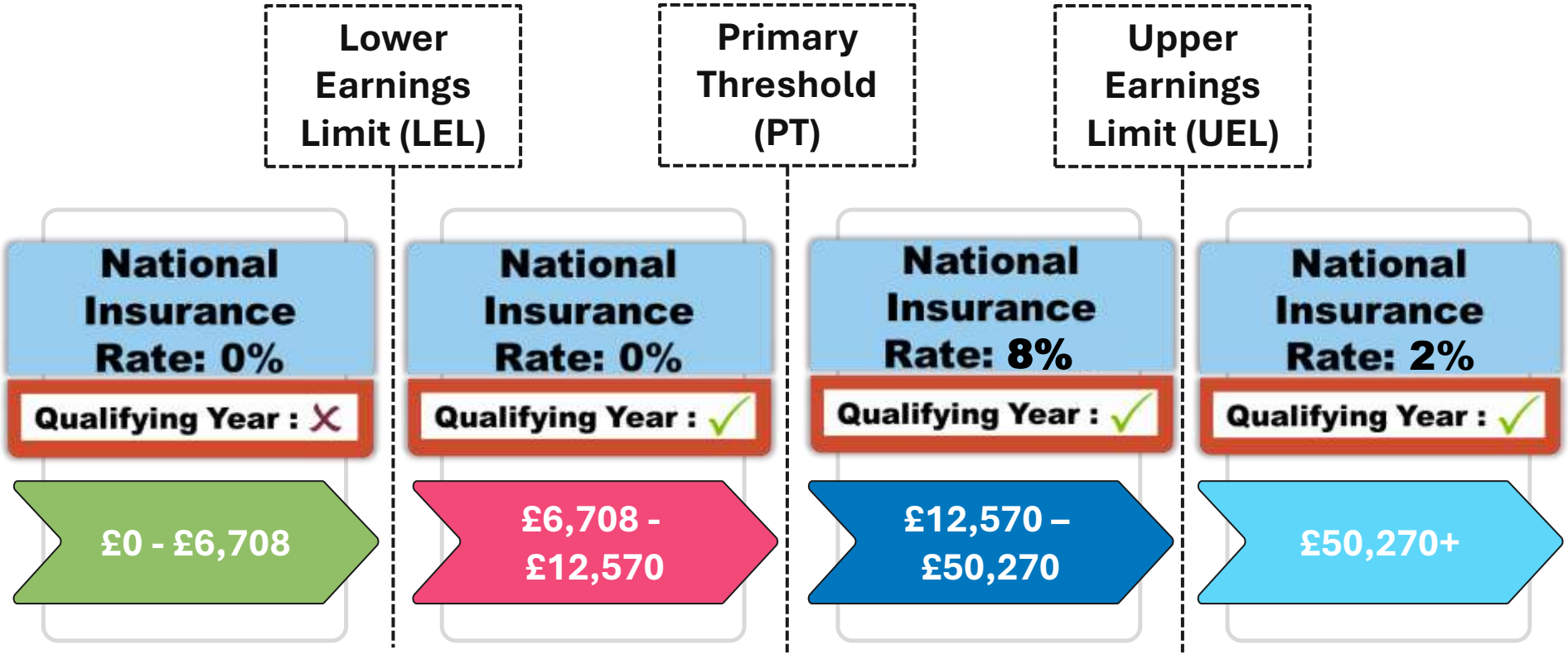
Additional Rate Tax
on earnings above
£125,140



*The Personal Allowance reduces by £1 for every £2 of income above £100,000.

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National Insurance



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Defined contribution (DC) schemes

Employer and employees contribute (tax free*)

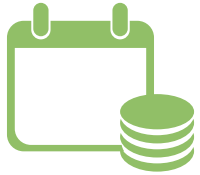


pension input

Any investment growth is tax-free



Pension access may be available from age 57**



Receive up to 25% tax-free



Receive a taxable lump sum or generate a taxable income with remaining pot



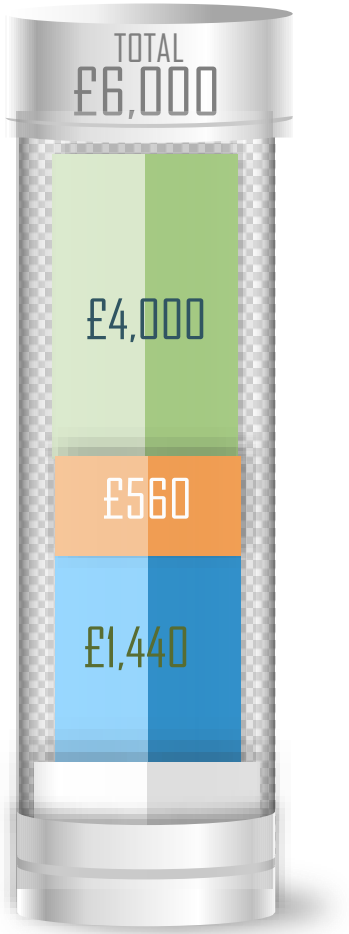
*subject to HMRC limits

**The normal minimum pension age is 55 until 5 April 2028 and is increasing to 57 from 6 April 2028. Pension savings in certain schemes may be protected from this change.

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How contributions may add up

- Annual Salary £40,000 (salary sacrifice member)
- Employee Contribution = £2,000pa (5%)
- Tax Saving = 20%
- NI Saving = 8%
- Personal Cost = £1,440
- BT Group Contribution = £4,000pa (10%)



BT Group contribution (10%)

Tax & NI savings

Employee contribution (5%)

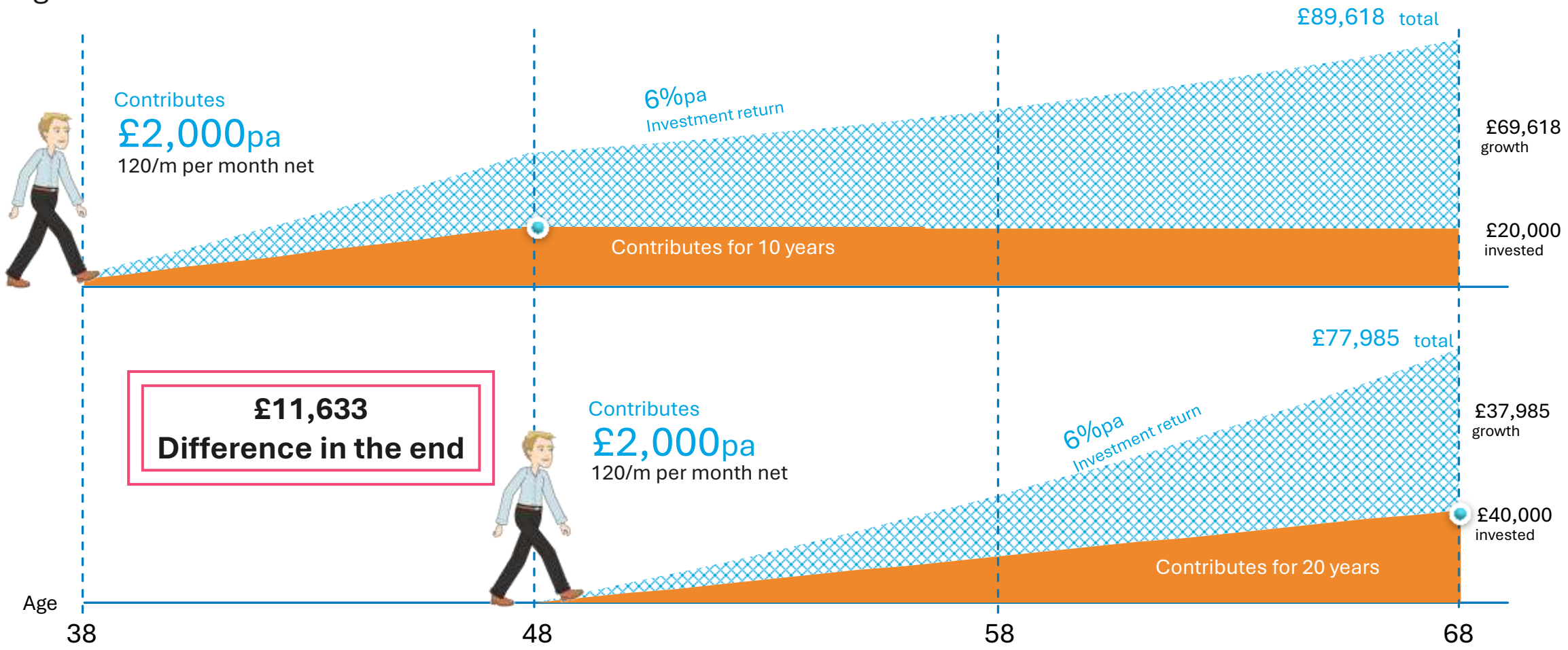
*Contributions vary for certain members, including those who were previously EE employees.

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Increasing your contributions as early as you can

It can be tempted to put off plans to pay more into your pension, however starting earlier can make a huge difference.



For illustrative purposes only. Investment growth is not guaranteed. It assumes you invest at the start of each year.

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Targeting a future pension value

When reviewing your contributions, it's important to think about the pension you're targeting and whether you are on track.

Salary £40,000 | Years to retirement 20 | Current pot size £100,000

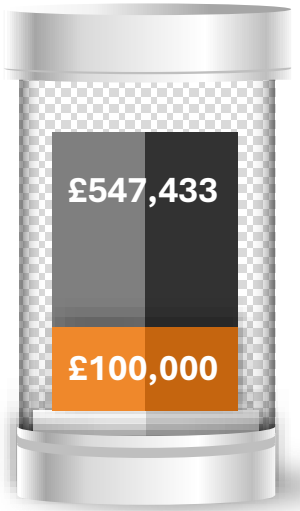
Total Contribution

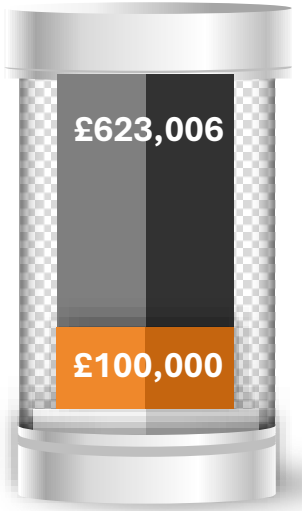
£240
Net monthly cost of a 10% contribution

£667
Gross monthly contribution from BT and employee

Member : 5%
BT: 10%

Current pot size





10% : Member
10% : BT

£136,858
tax free
+
£30,700
taxable income

At 65

£155,751
tax free
+
£34,900
taxable income

At Retirement

£623,006
pot size

£155,751
can be taken tax free
&
£467,255
used to generate a taxable income

Pension projections assume annual growth of 6%. The taxable income figure shown is an estimate of the annuity income that could be purchased at retirement, based on calculations provided by MoneyHelper. These figures are illustrative only and actual outcomes may be higher or lower.

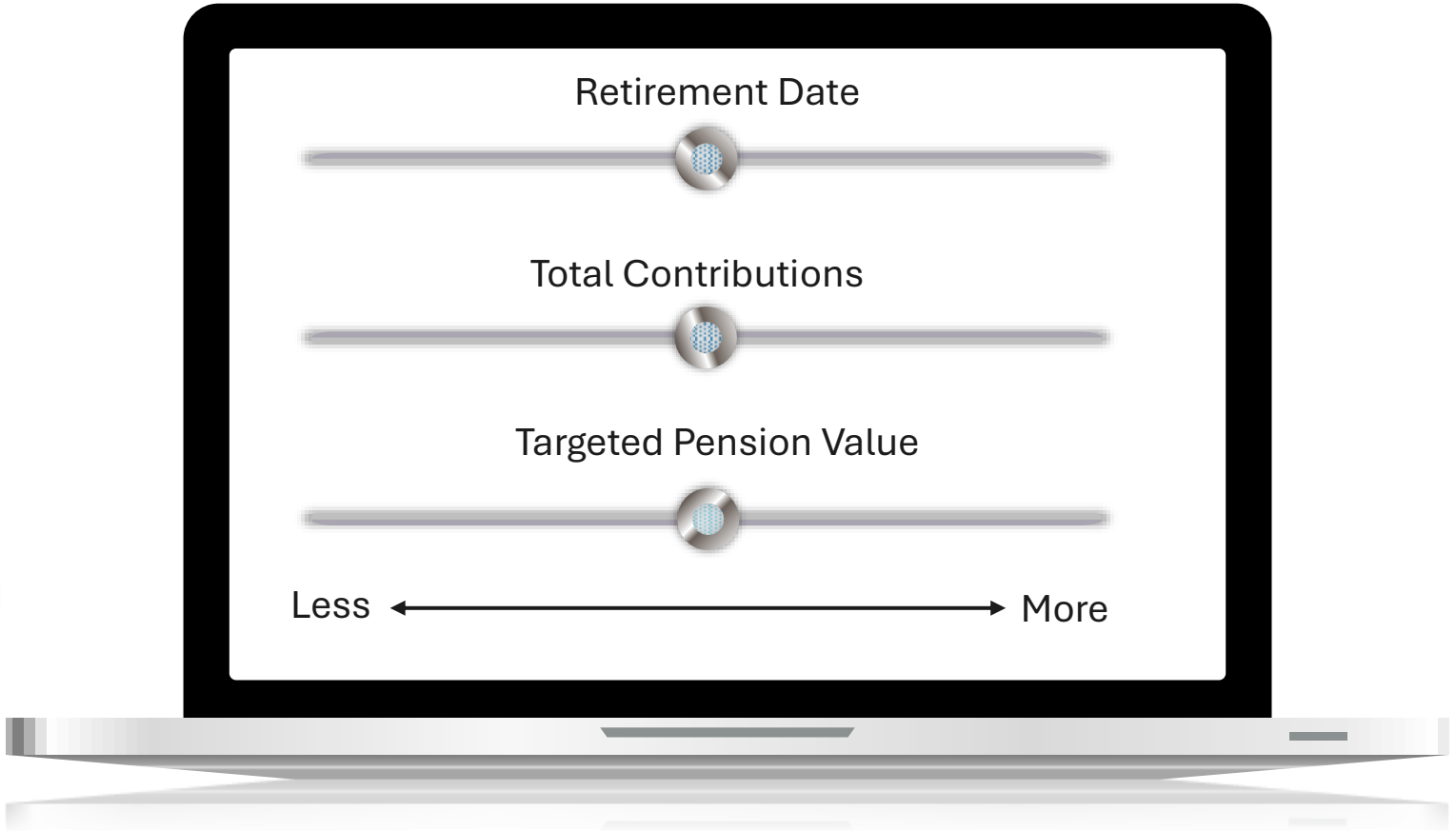
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There’s more to consider that increasing contributions

Investment returns, your retirement age and your target income can also make a big difference to the future value of your pension.

Restraints and Assumptions

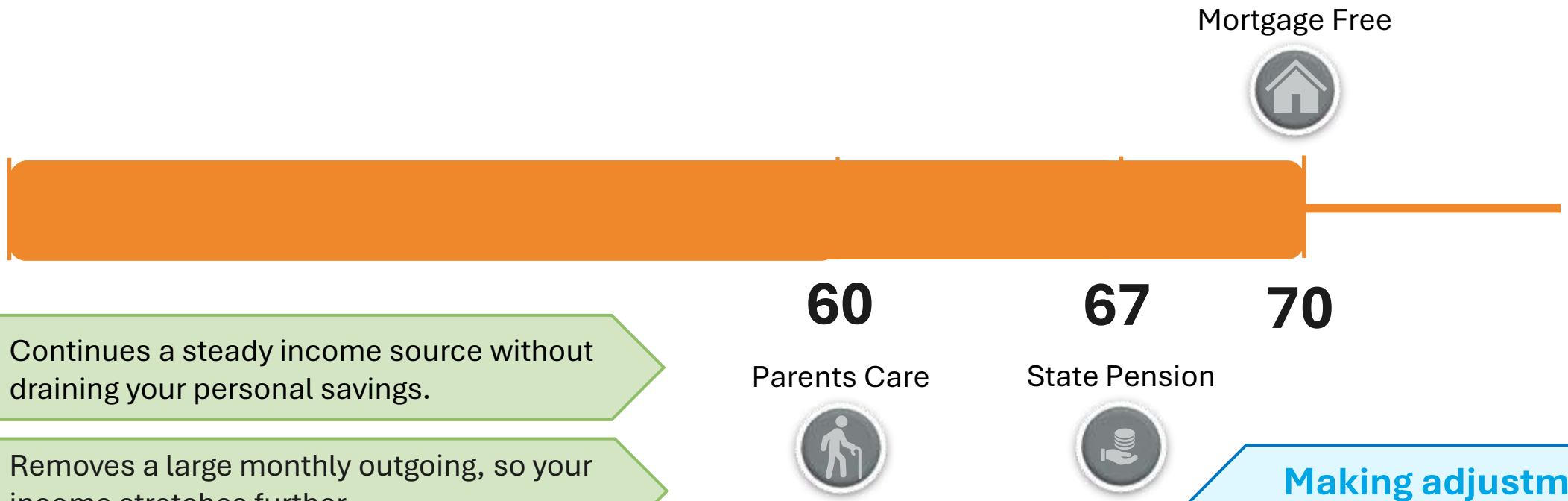
- Current pot size
- Growth rate
- Employee Contributions
- Minimum retirement income needed
- Maximum contributions you can afford



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Other financial factors

Planning for retirement is about more than just the value of your pension. Factors such as your mortgage, family responsibilities, and entitlement to the State Pension can all influence your retirement plans.



Continues a steady income source without draining your personal savings.

Removes a large monthly outgoing, so your income stretches further

Frees up time to focus on loved ones during precious years

Making adjustments

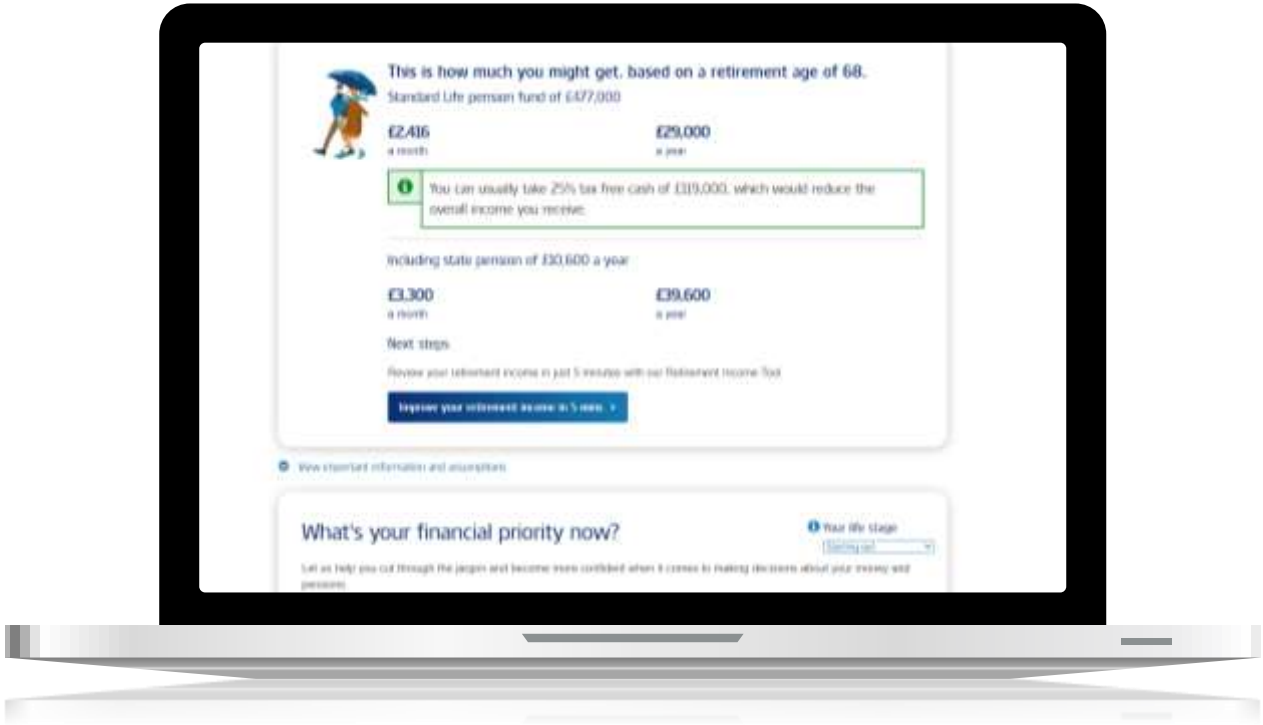
Could you make adjustments to support your ability to retire when and how you would like?

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Pension calculator

Make use of the Standard Life pension calculator to see the potential future value of your pension savings.



Access through My Benefits or log in through www.standardlife.co.uk

(Select 'Plan your future' from the side menu)

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Limits on tax efficiency

Annual Allowance (AA)

- The annual allowance is £60,000*
- This may be reduced if your total taxable income exceeds £200,000 or you flexibly withdraw taxable income from a DC scheme
- Carry forward may be available from up to the 3 previous tax years

Limits on tax-free cash

- Lump Sum Allowance (LSA): The maximum tax-free cash is limited to 25% of the pension value, subject to a total cap of £268,275 (which is set to be frozen)
- Lump Sum and Death Benefits Allowance (LSDBA): The maximum amount of non-taxable lump sums that can be taken from a pension, set at £1,073,100.
- Those individuals who hold Lifetime Allowance (LTA) protection will have allowances based on their protected LTA



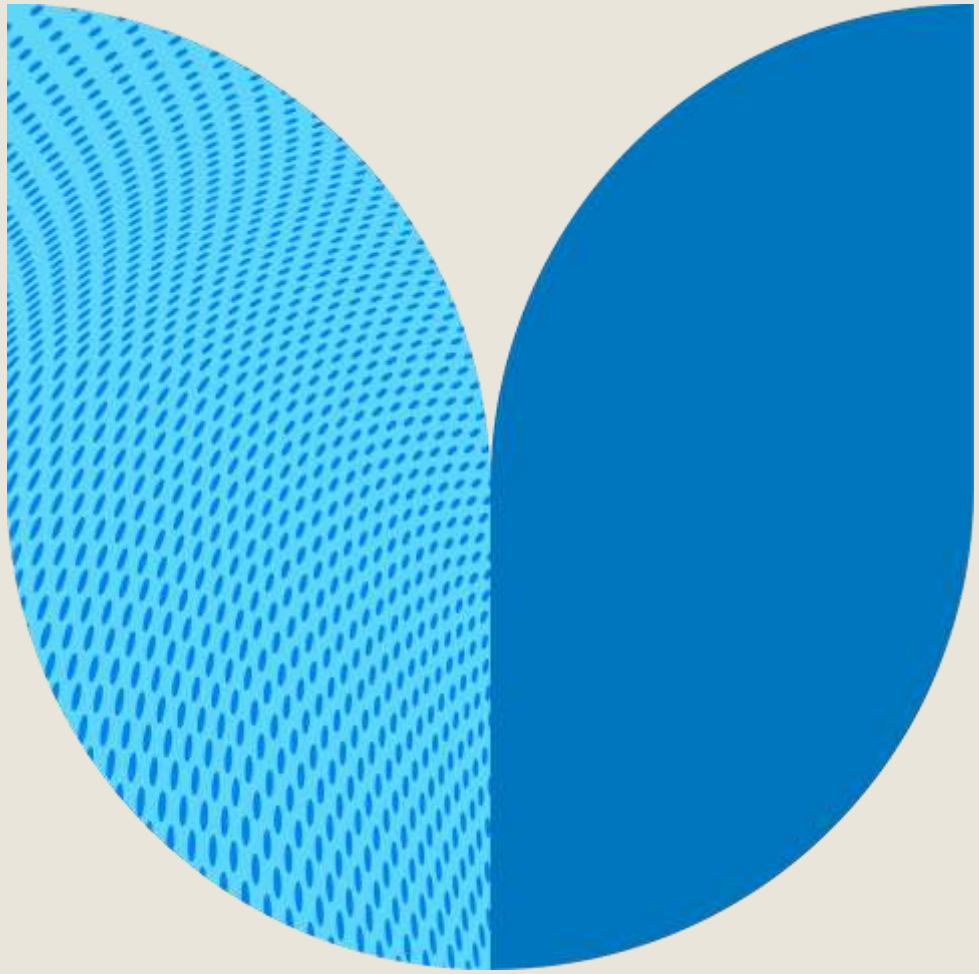
If you think you may be affected, ask about this on your follow up call

*Tax relief is only available on contributions up to the greater of 100% of relevant earnings or £3,600

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Reviewing the way your pension is invested



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Your investment options

How your pension savings are invested is up to you. There are choices depending on how involved you want to be with your investments.

OPTION 1

Do It For Me (default)

The low involvement lifestyle option



OPTION 2

Help Me Do It

Other Standard Life Lifestyle profiles



OPTION 3

Let Me Do It

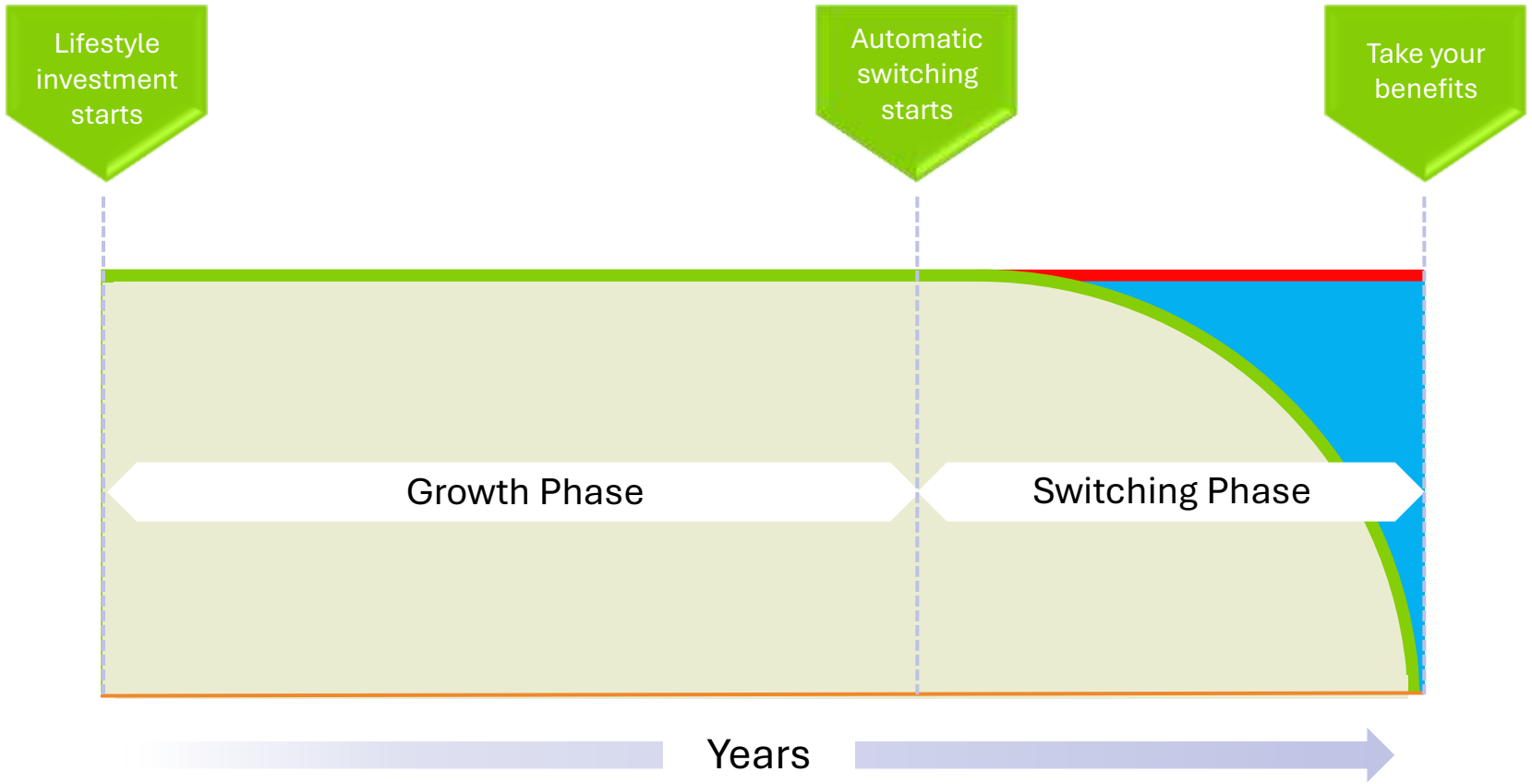
Choose from the full fund range



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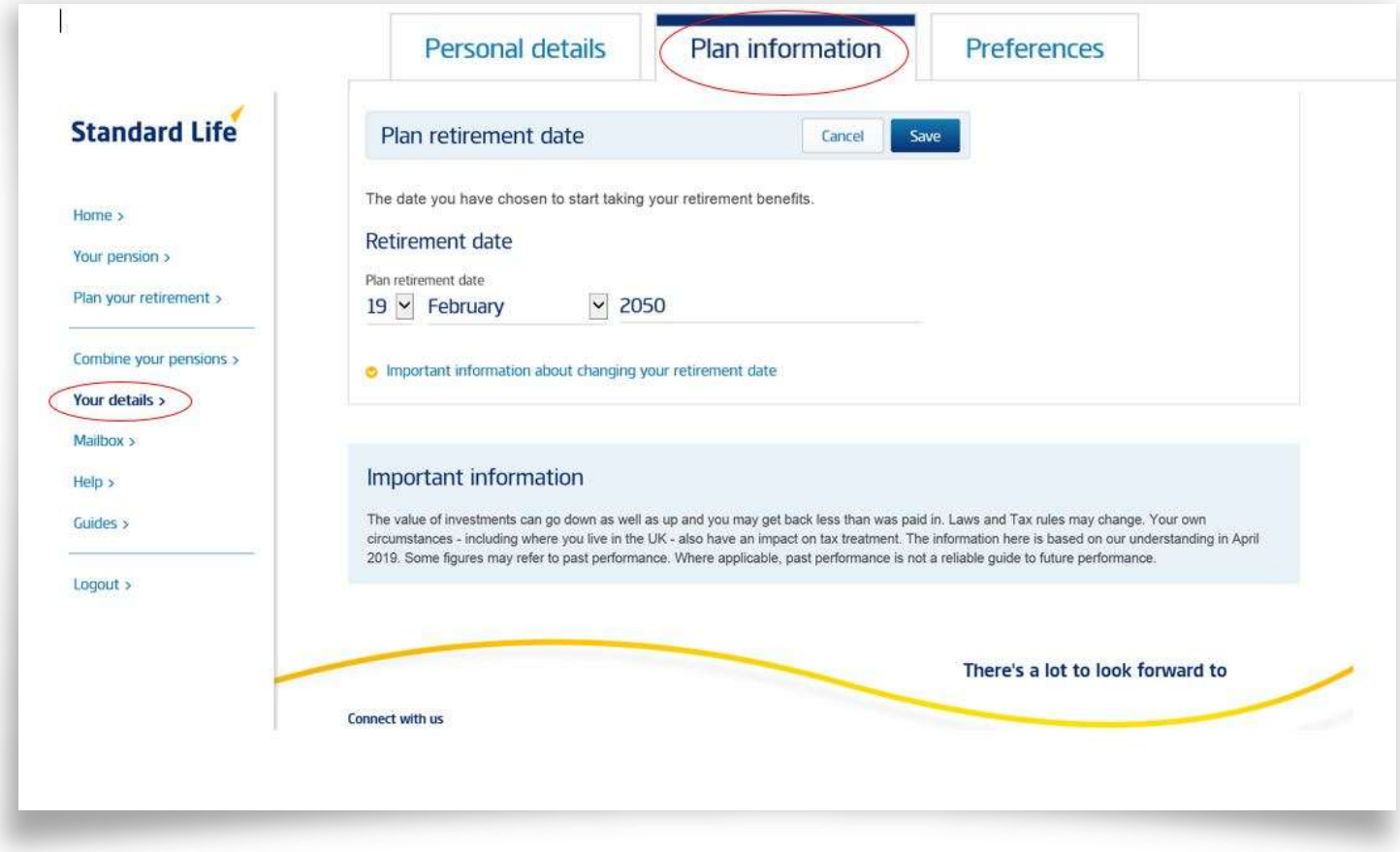
Lifestyle funds



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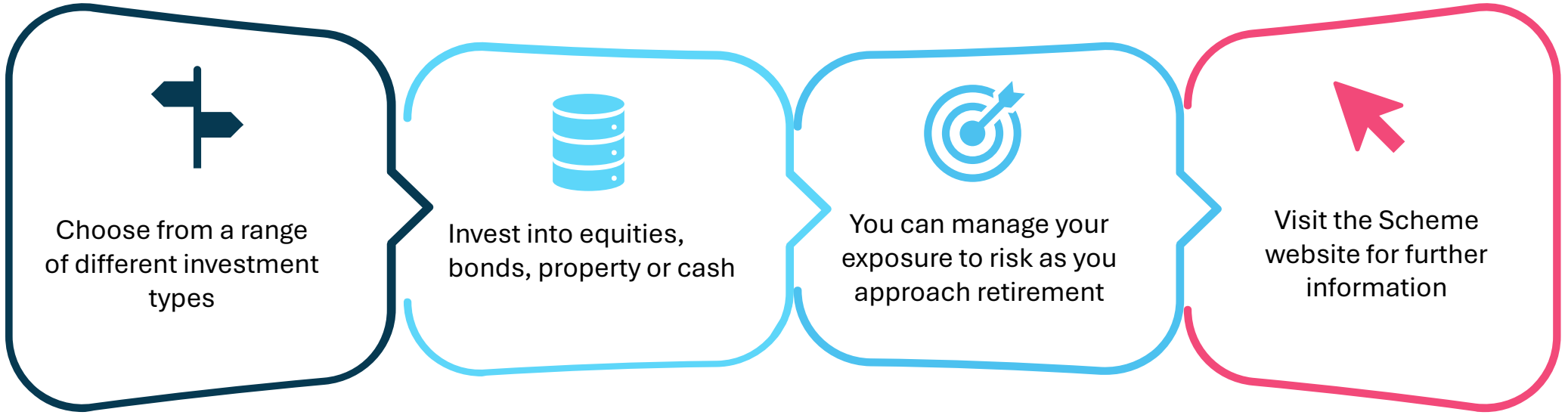
Your selected retirement date



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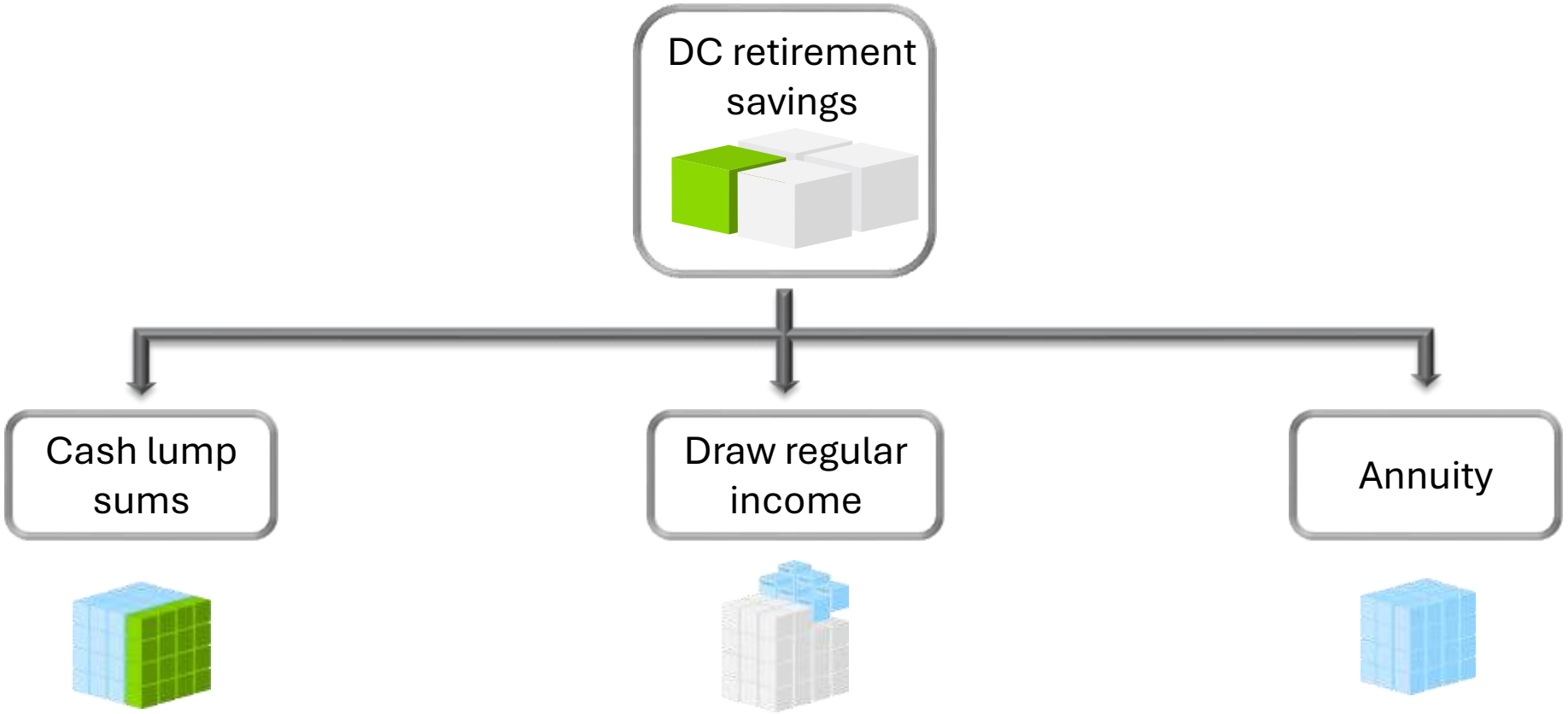
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Self-select funds



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Defined contribution income options

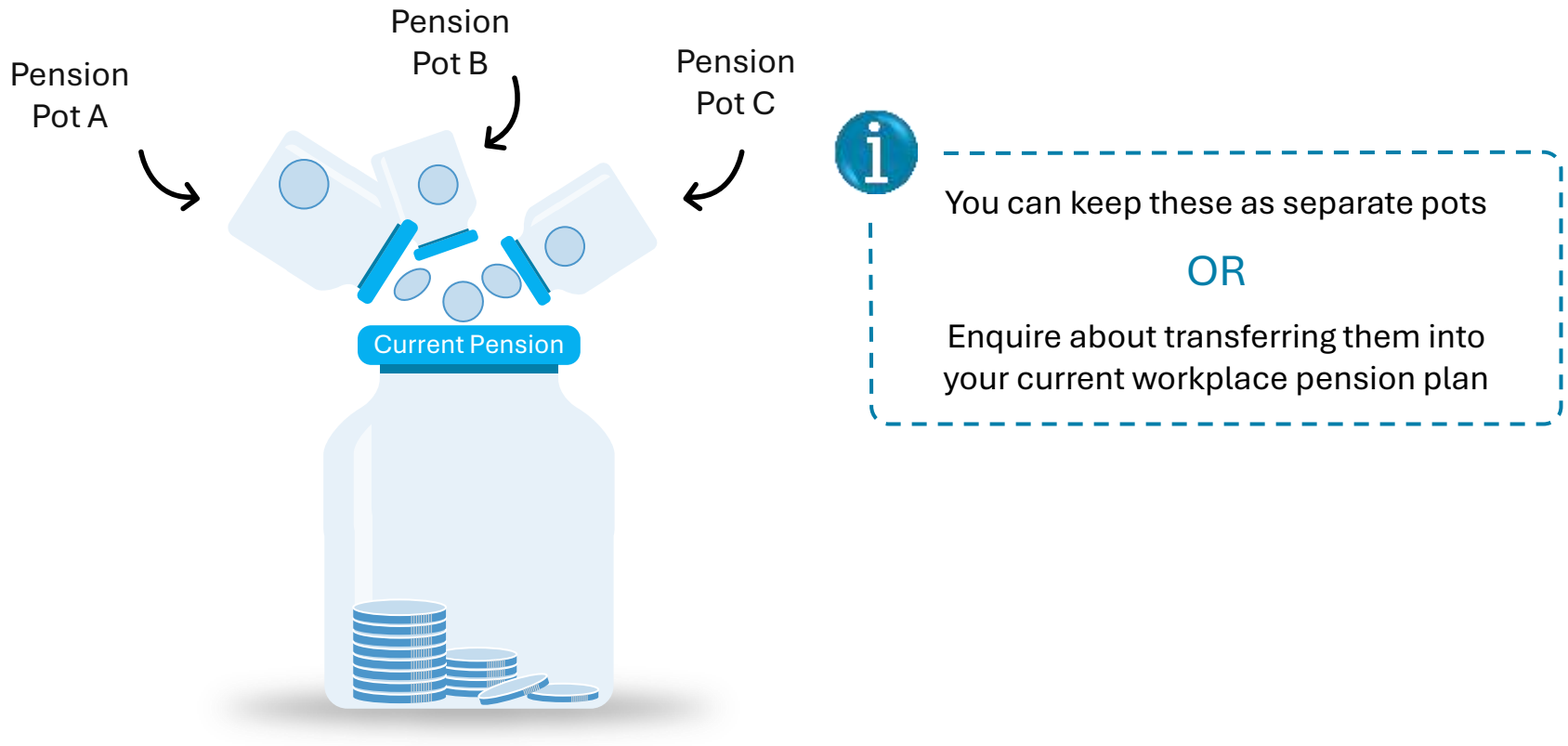


You may need to transfer your benefits to an alternative arrangement to access your chosen income route

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Pension consolidation

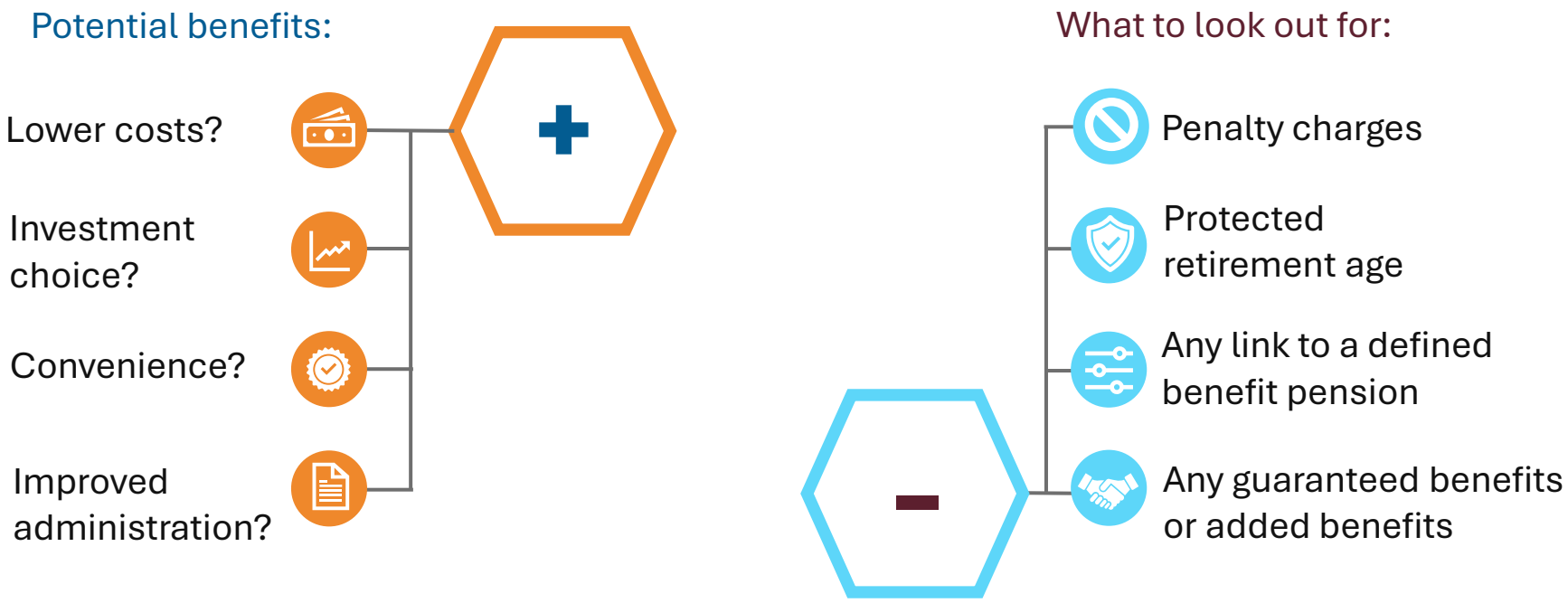
It is common to build up a number of ‘pension pots’ from previous employment.



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Pension consolidation

Make sure you have reviewed any benefits and drawbacks before taking action.



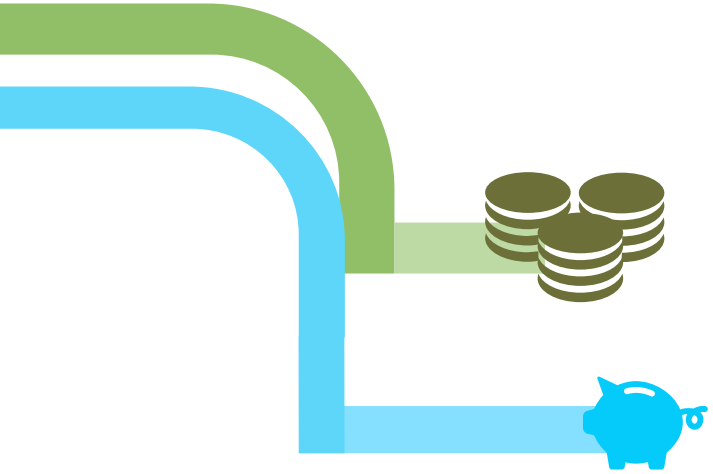
If you are unsure, you should always seek regulated advice before transferring a pension

finding lost pensions:
gov.uk/find-pension-contact-details

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Updating your beneficiaries

You can update your beneficiaries for your death in service and BTRSS pension.



Keep your chosen beneficiaries up to date

The lump sum payment is currently made free of IHT and income tax

Complete your BTRSS nomination form

Death before age 75:

Your pension is usually received tax free by your beneficiaries

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Death after age 75:

Your pension is taxed at your beneficiaries marginal rate

75

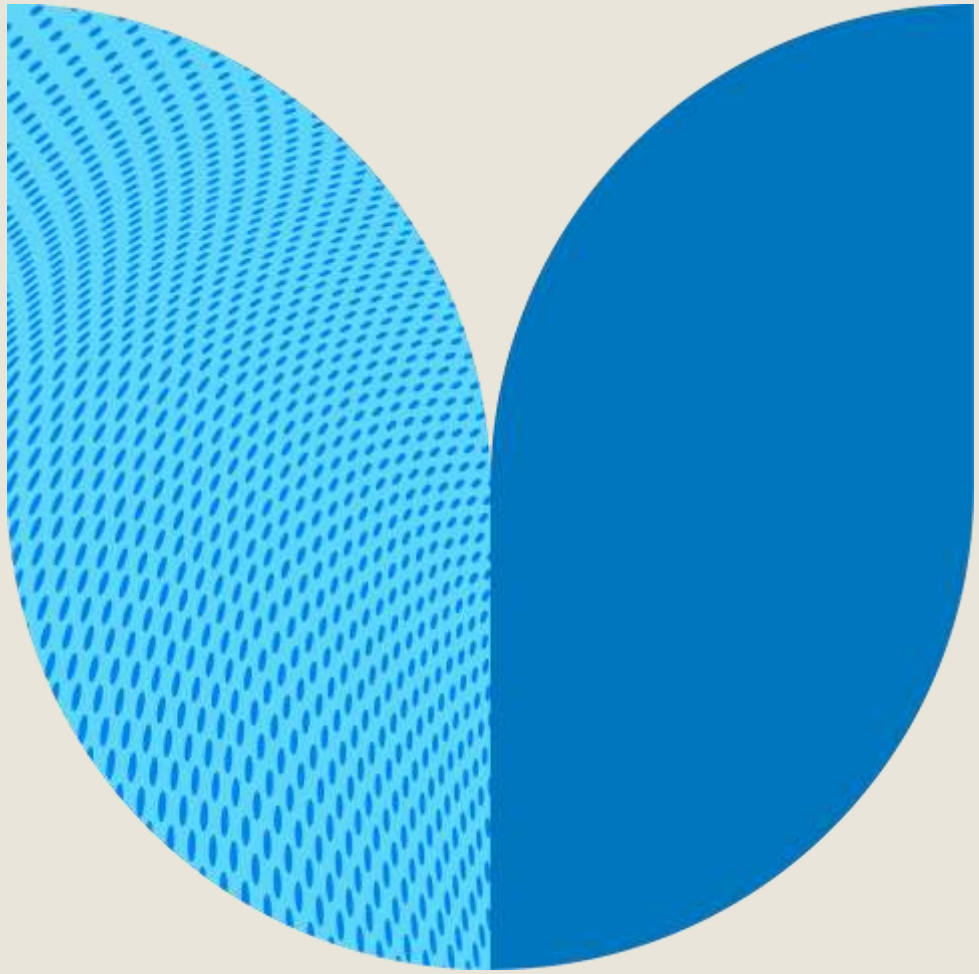
Note: Unspent DC pension pots will be assessed for IHT from April 2027

www.btretirementsavingscheme.com

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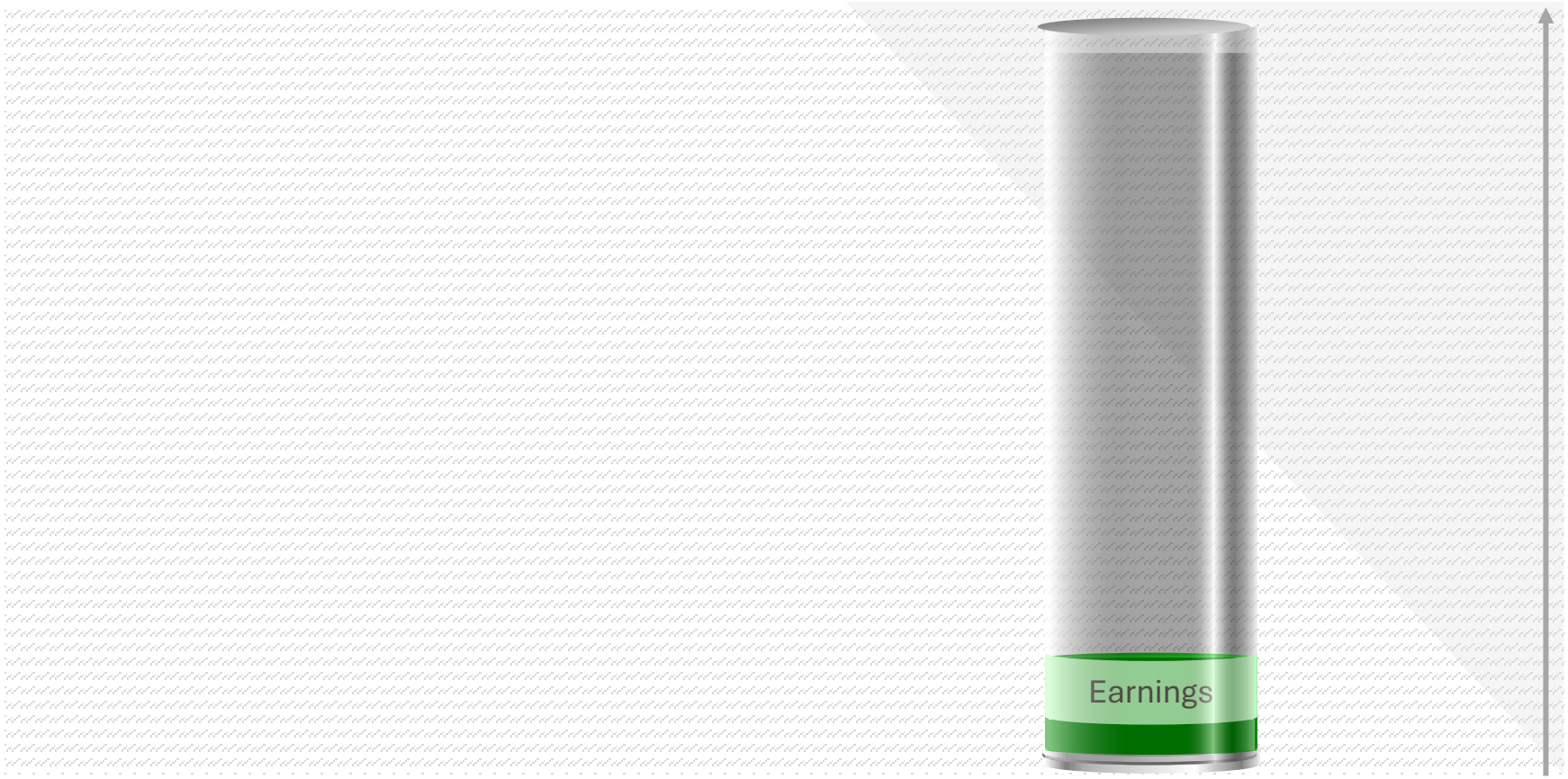
Hidden benefits of increasing pension contributions



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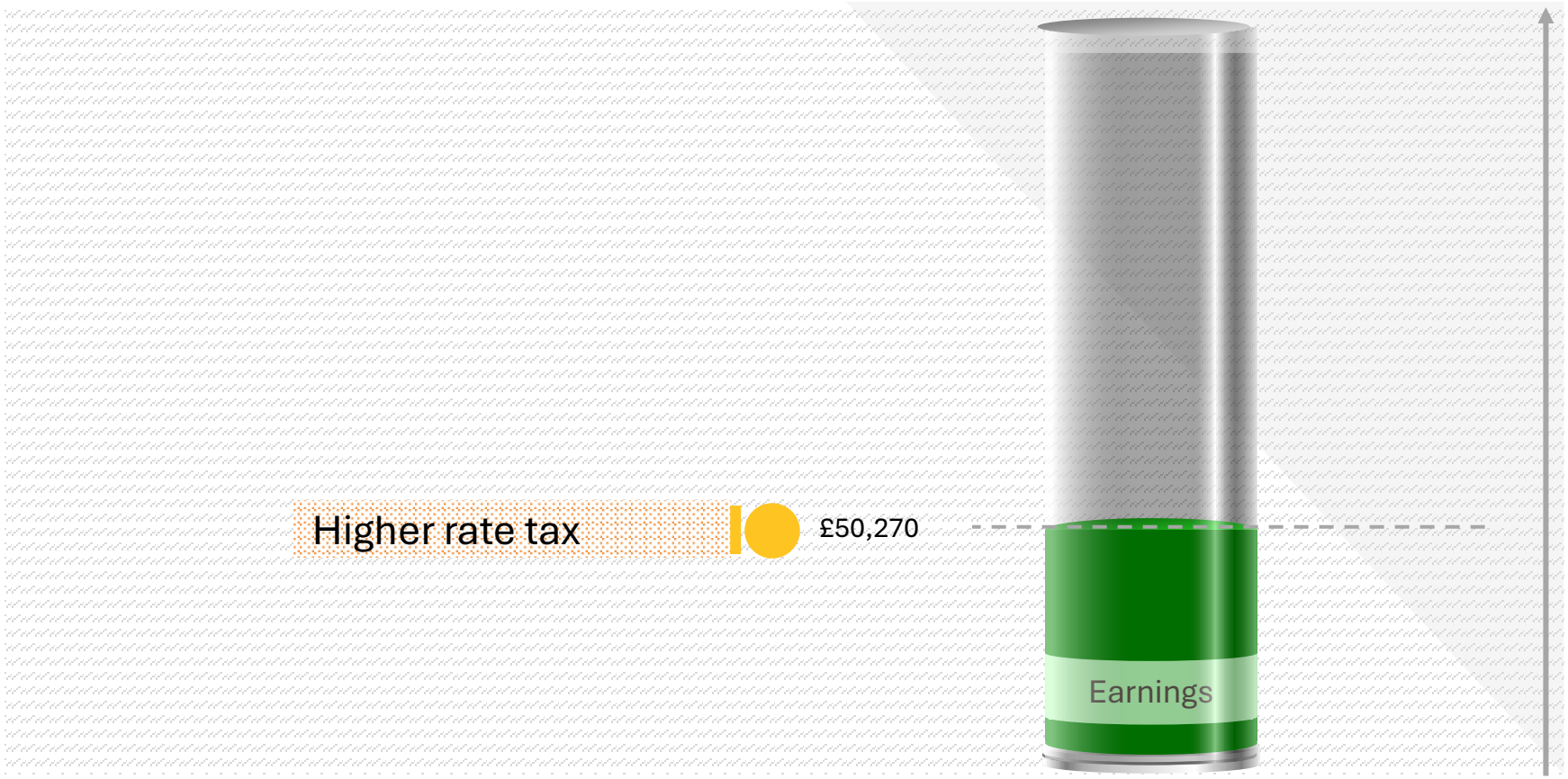
Considerations affecting higher earners



- Total taxable income

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Considerations affecting higher earners

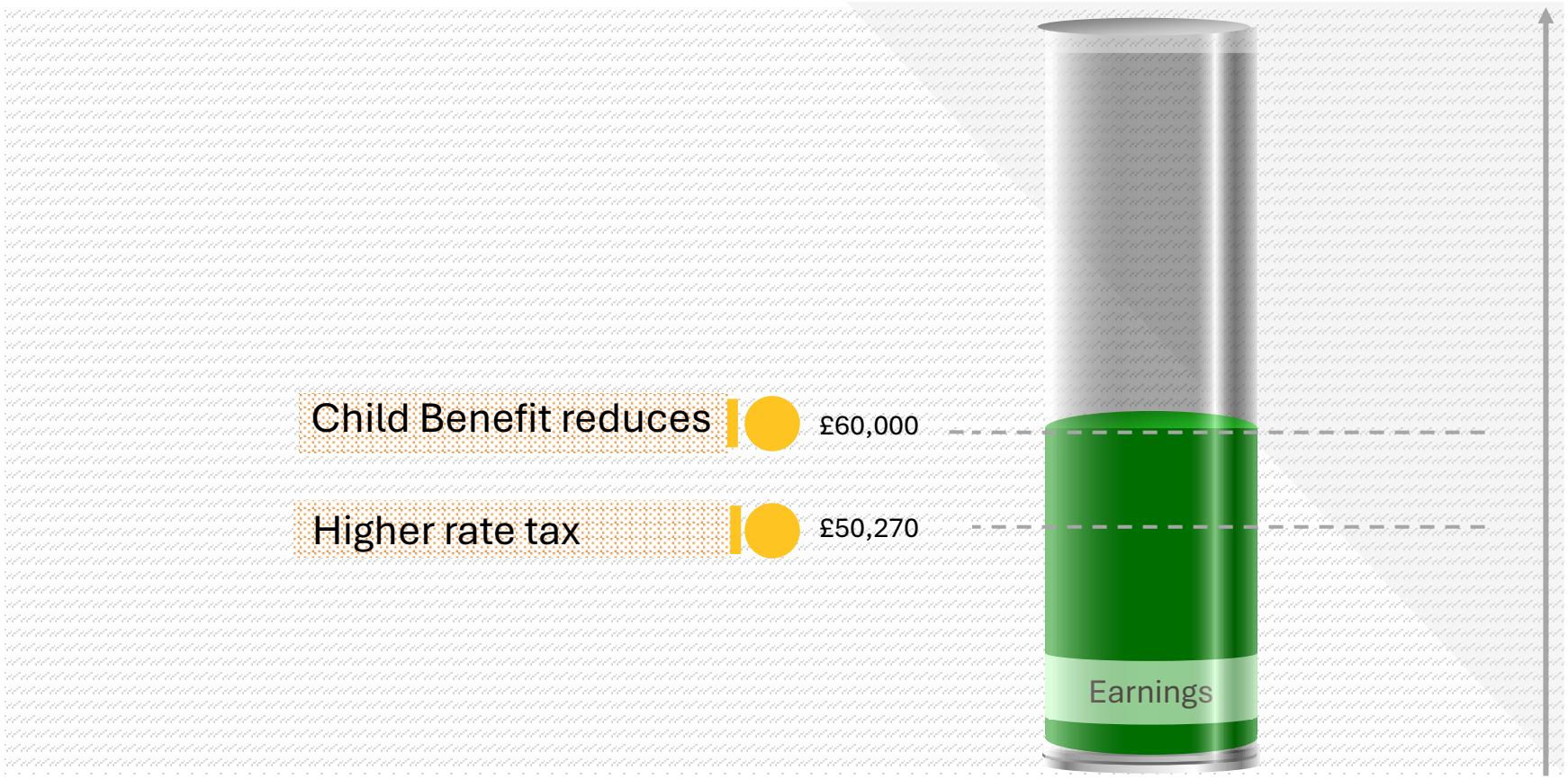


Total taxable income

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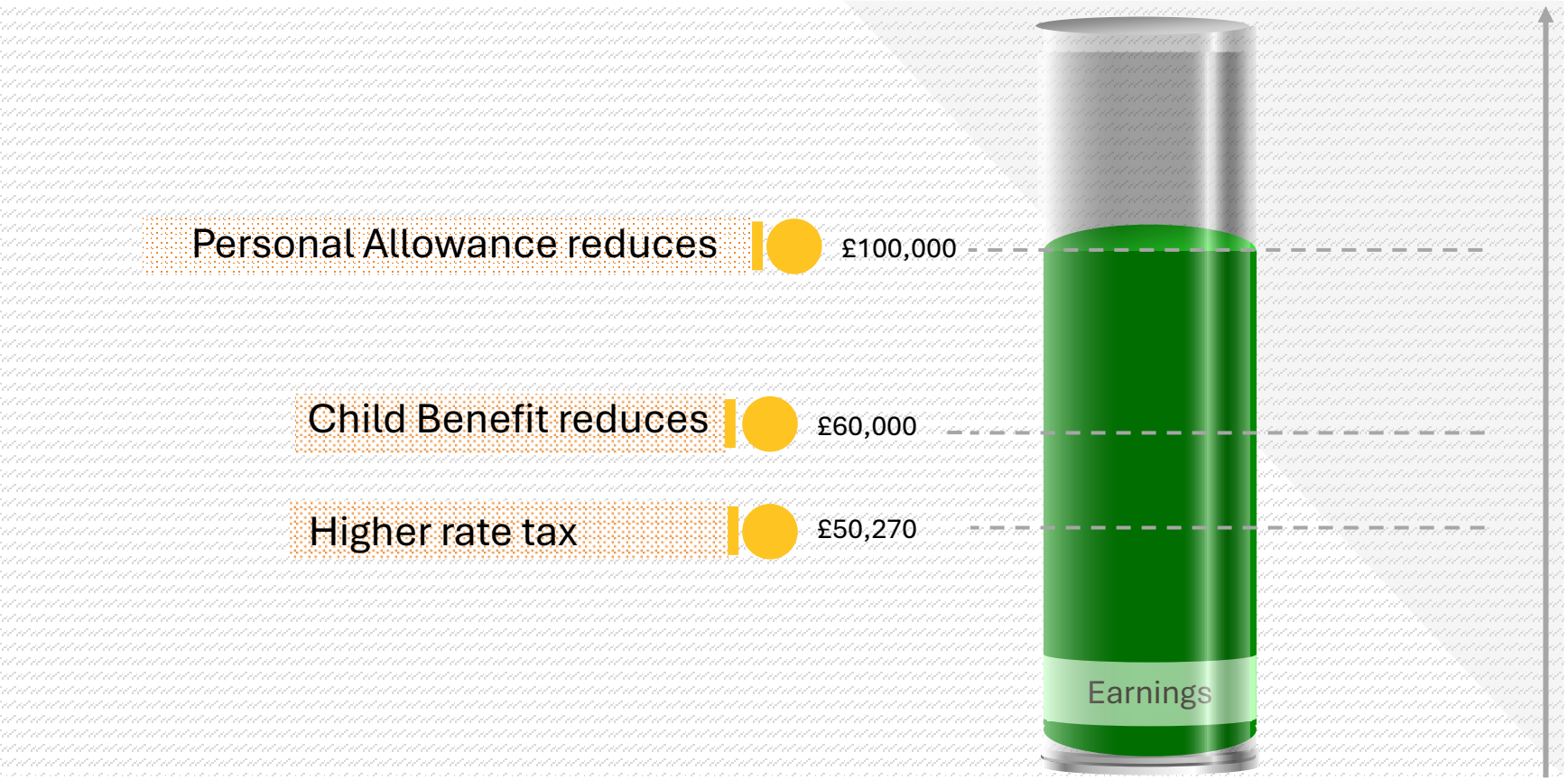
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Considerations affecting higher earners



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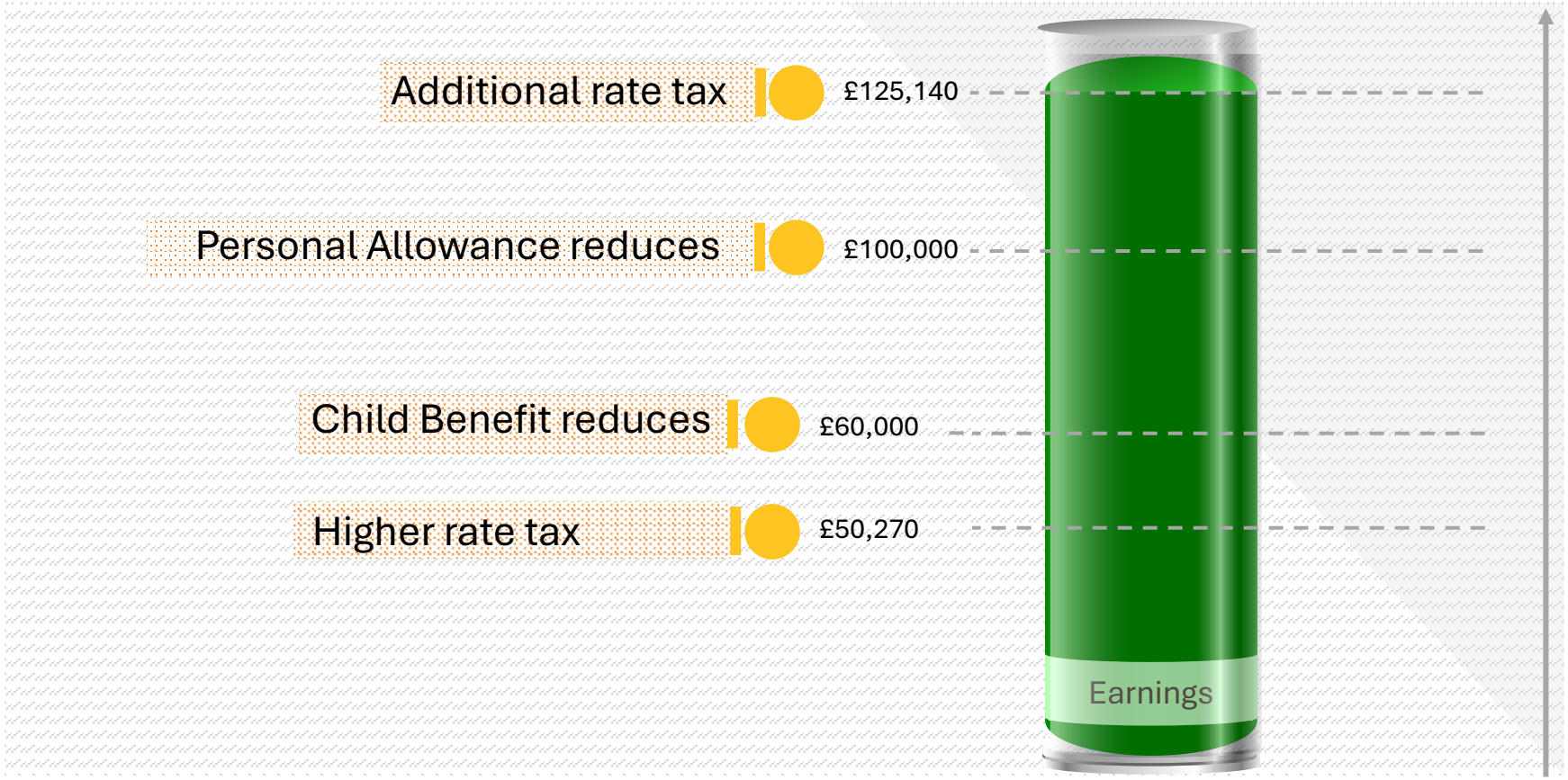
Considerations affecting higher earners



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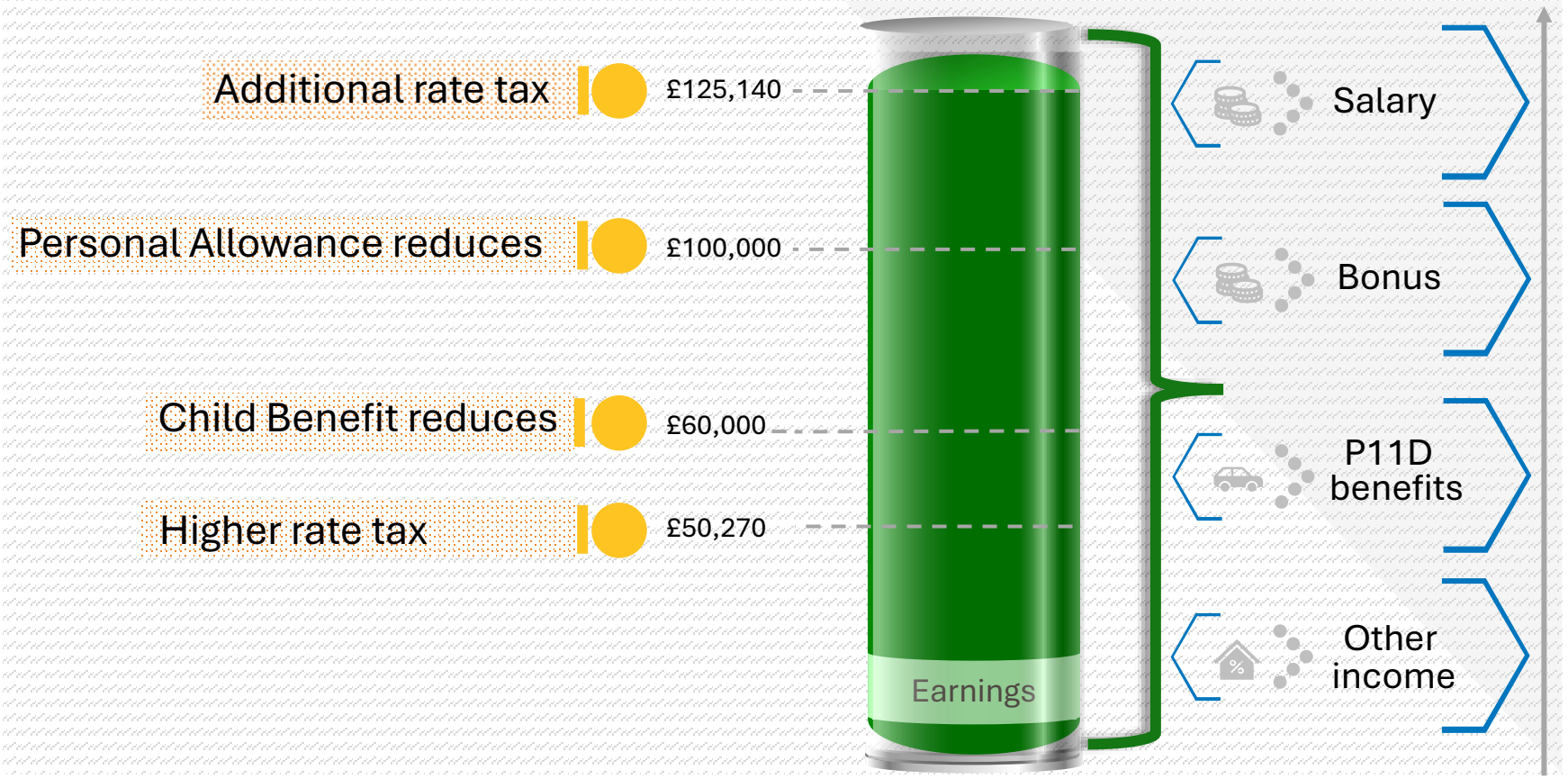
Considerations affecting higher earners



Total taxable income

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Considerations affecting higher earners

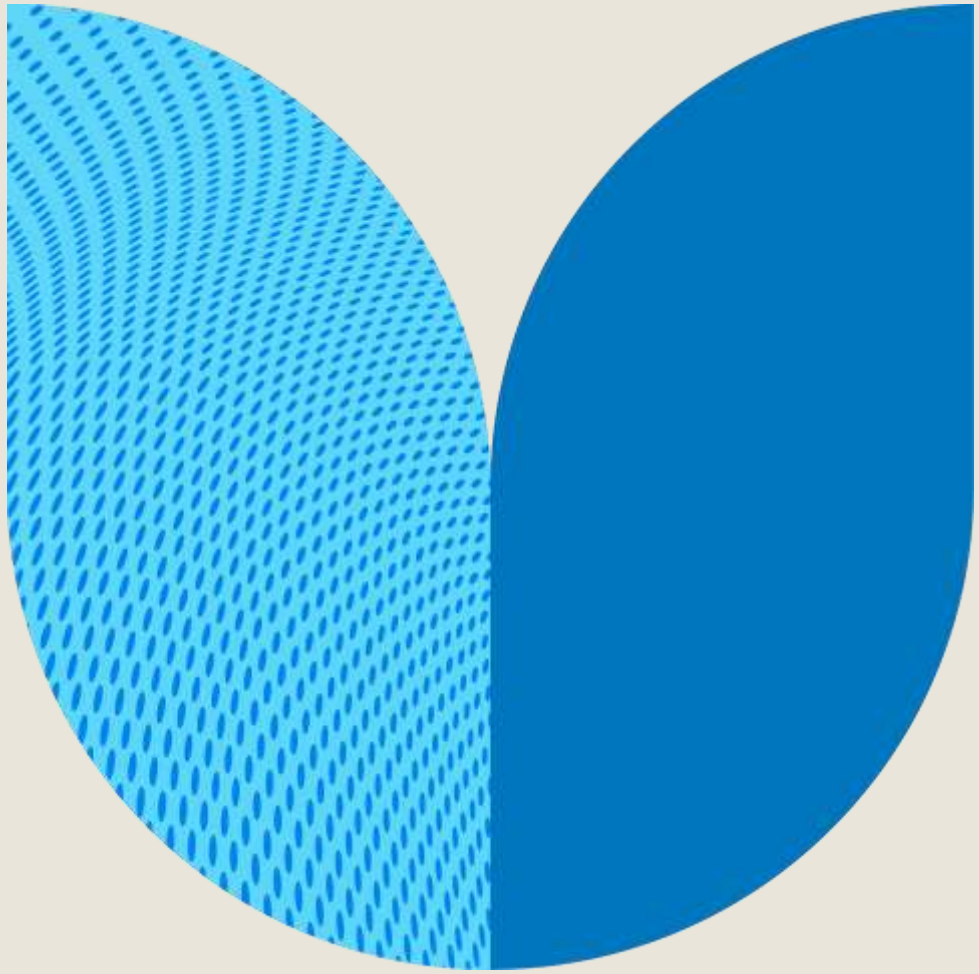


Total taxable income

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The State Pension



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Your State Pension age

DoB from:
6 Apr 1978

DoB between:
6 Mar 1961 &
5 Apr 1977

gradually increases

68 birthday

DoB between:
6 Oct 1954 &
5 Apr 1960

gradually increases

67 birthday

66 birthday

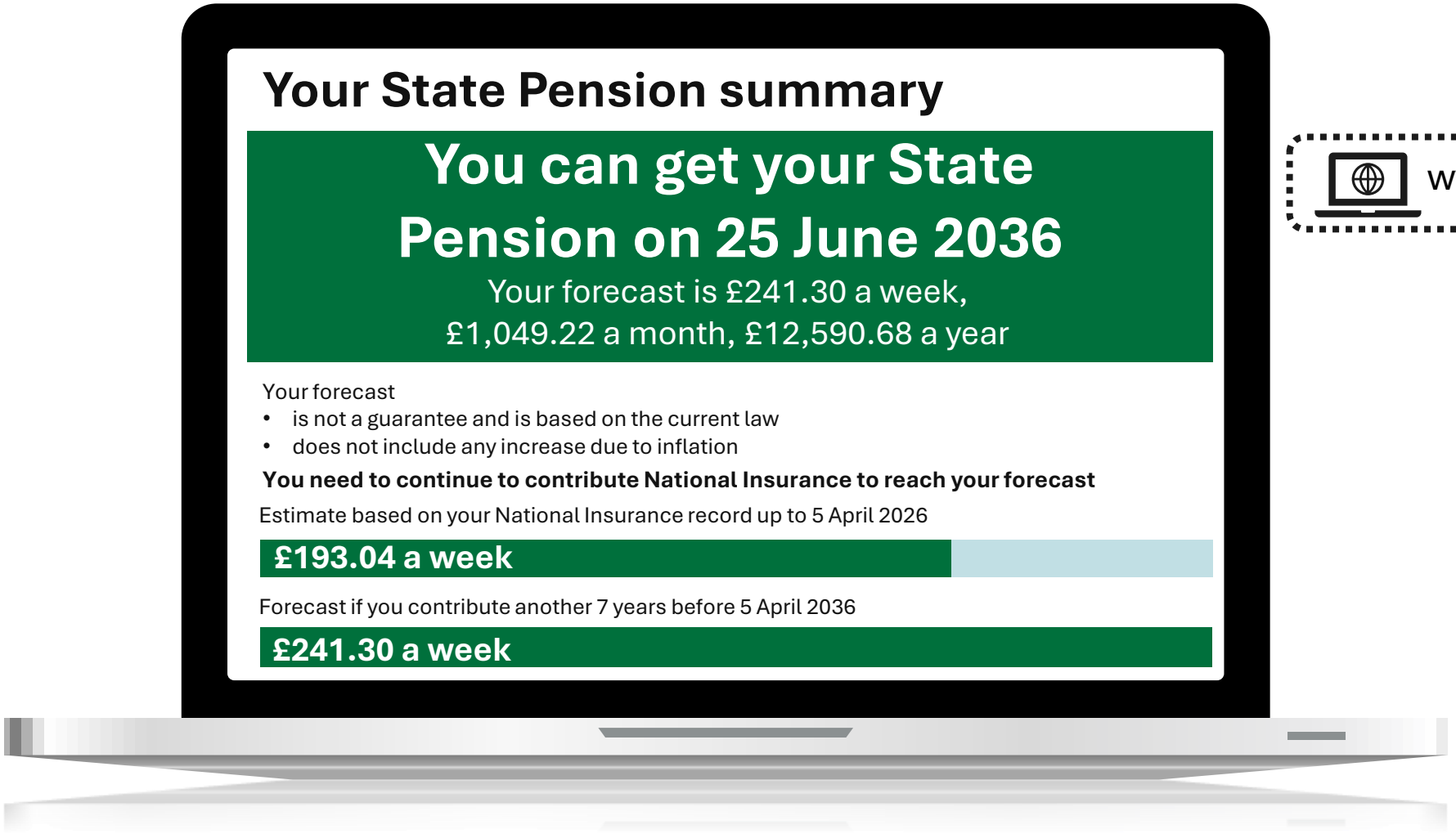
Born before 6 Oct 1954? You've already reached State Pension age

www.gov.uk/state-pension-age

The Government intends to bring forward the State Pension age transition from 67 to 68 affecting those born between 6th April 1970 and 5th April 1978 - if adopted those affected will reach State Pension age between their 67th & 68th birthdays

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State Pension forecast

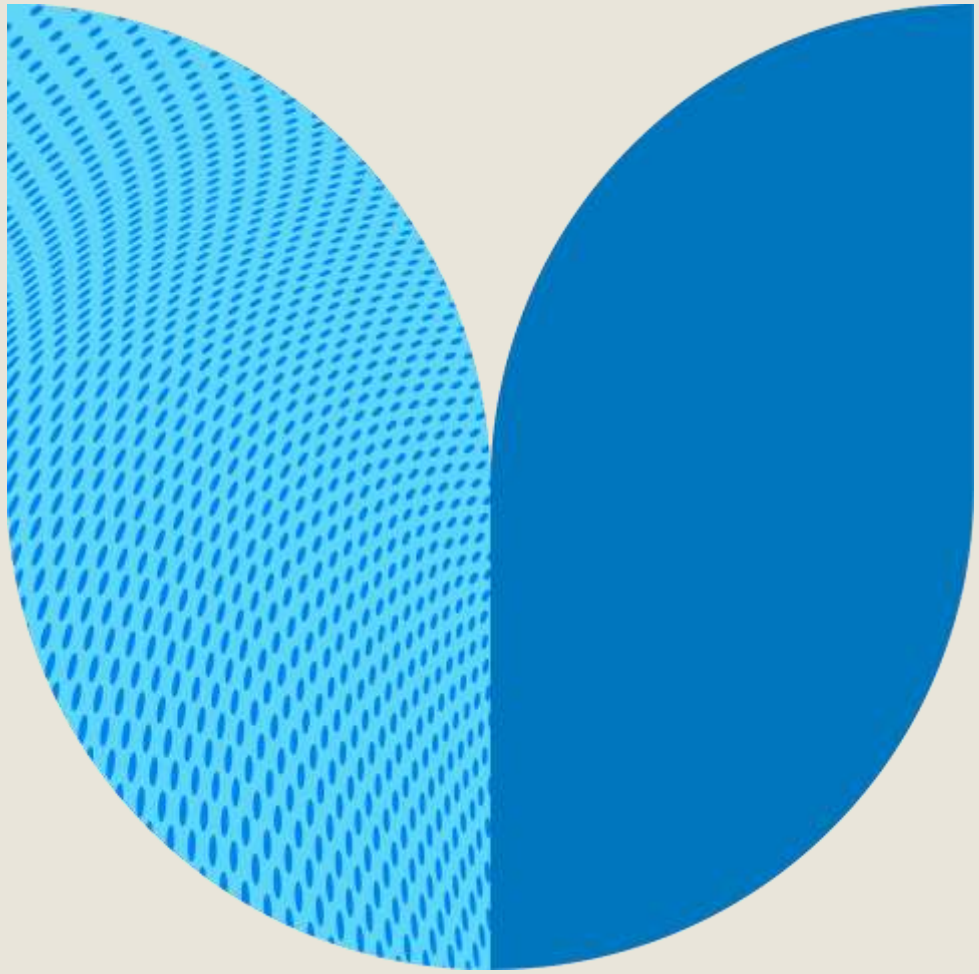


www.gov.uk/check-state-pension

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Your other savings and investments



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Your goals



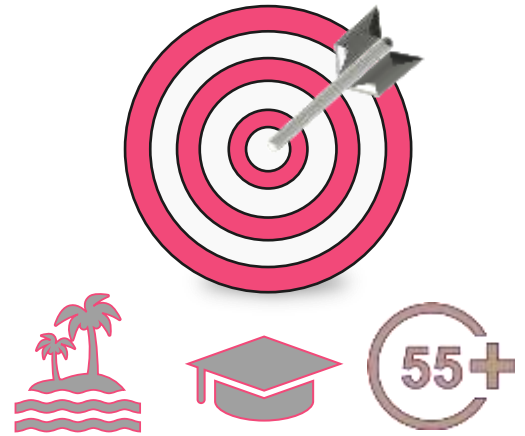
Short Term

- 0 to 5 years
- Typically cash holdings



Medium Term

- 5 to 15 years
- Consider your risk / return approach



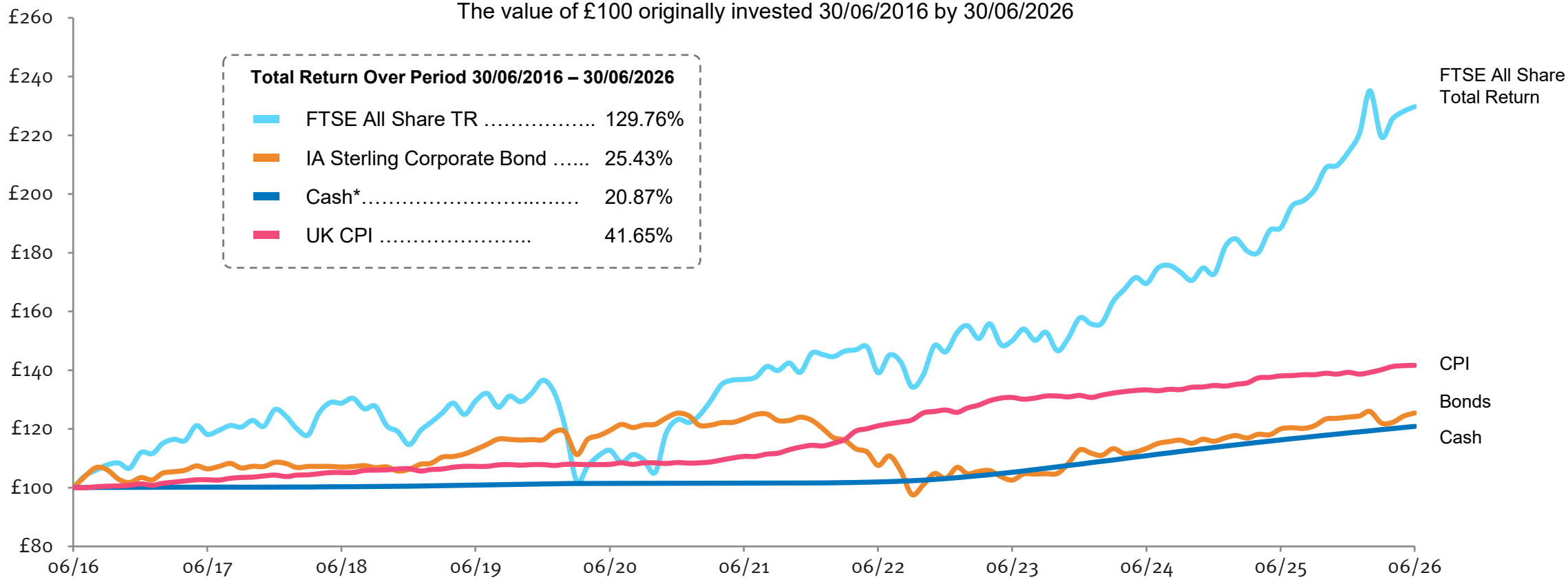
Long Term

- More than 15 years
- Consider your retirement approach

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Risk and returns: the real world

The value of £100 originally invested 30/06/2016 by 30/06/2026



This chart shows past performance which is not a reliable guide to the future

Source: Financial Express & Bloomberg
*Cash is calculated using: FE FER Cash Proxy from 30/06/2016 to 31/12/2018 and the UK Bank of England Base rate from 31/12/2018 to 30/06/2026.

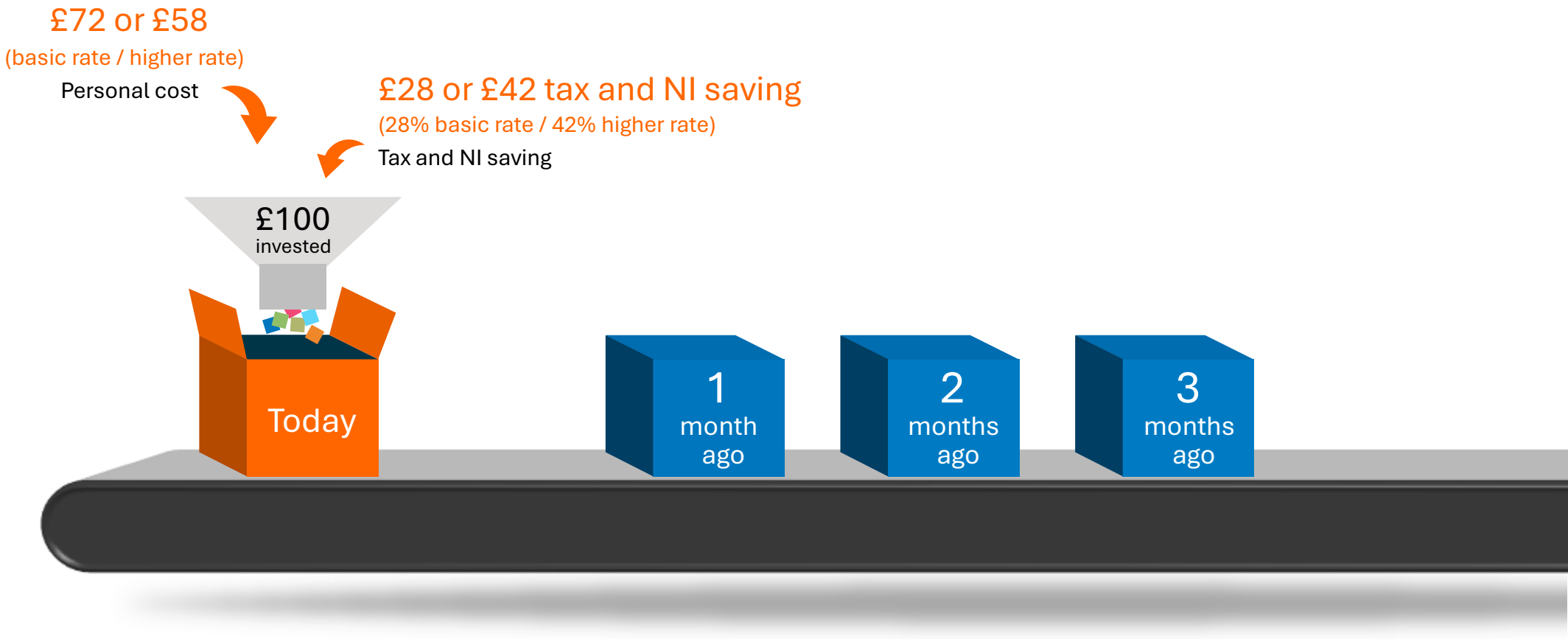
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Directshare

- Invest between £10 and £1,800 in a tax year (or 10% of your salary if lower)
- Pay monthly or make lump sum contributions if you'd prefer
- Contributions taken from your gross salary
- No income tax or National Insurance providing you:
  - Keep the shares in the plan for at least 5 years, or
  - Leave employment due to retirement, redundancy or ill-health
- After 5 years, you can keep the shares in the plan and any growth will not be subject to CGT when they are sold
- If you retire or leave employment the shares must be removed from the plan

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Directshare



A basic rate tax payer making a £100 monthly investment into Directshare.

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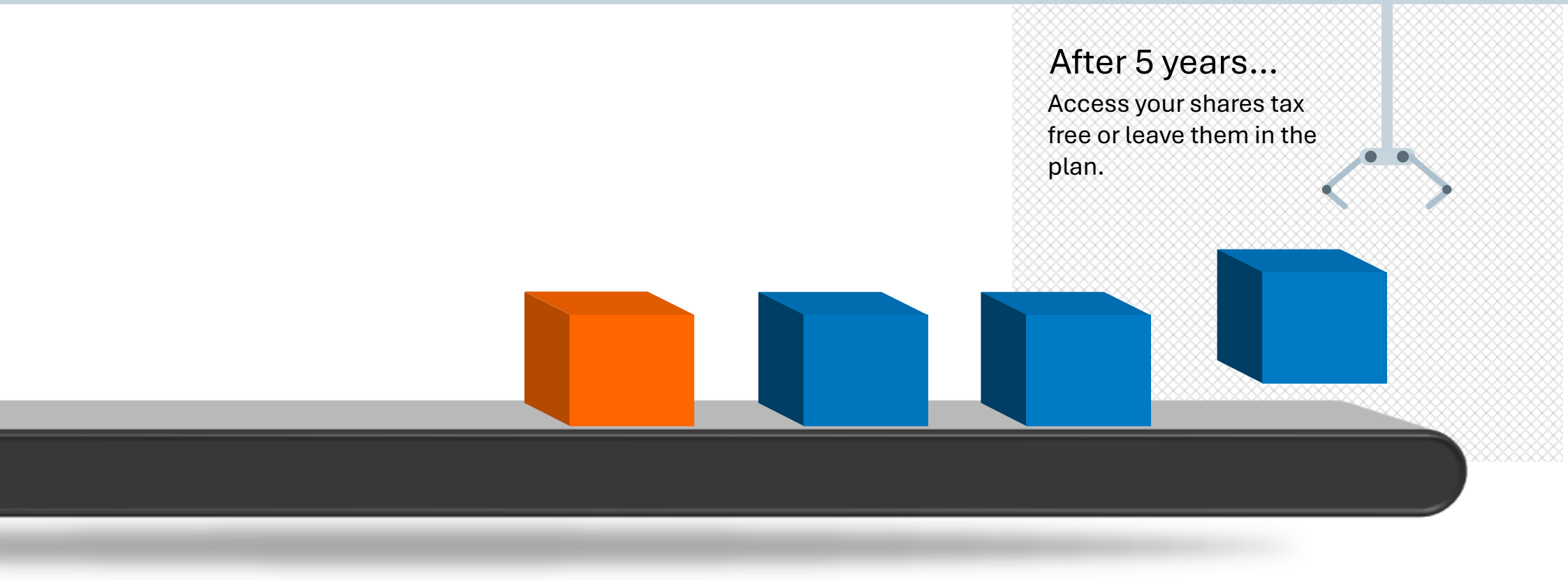
Directshare



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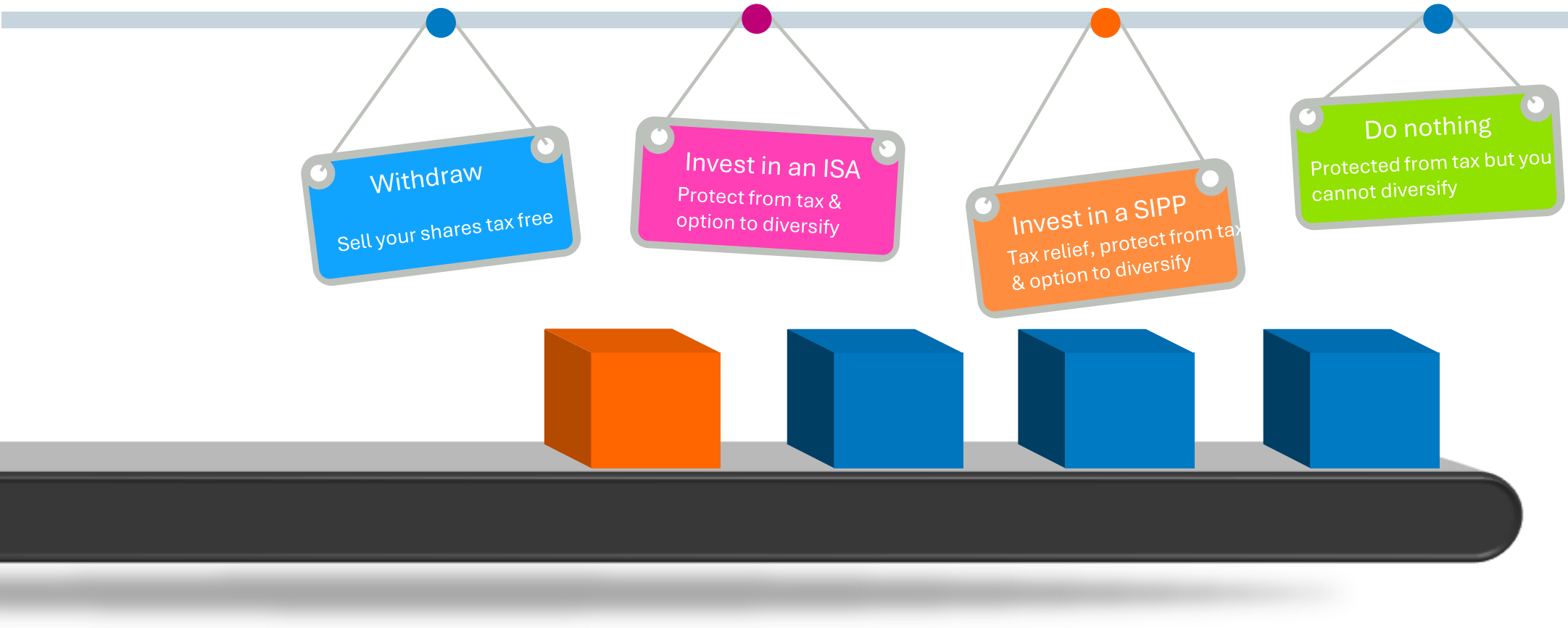
Directshare



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Directshare



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Individual Savings Accounts (ISAs)

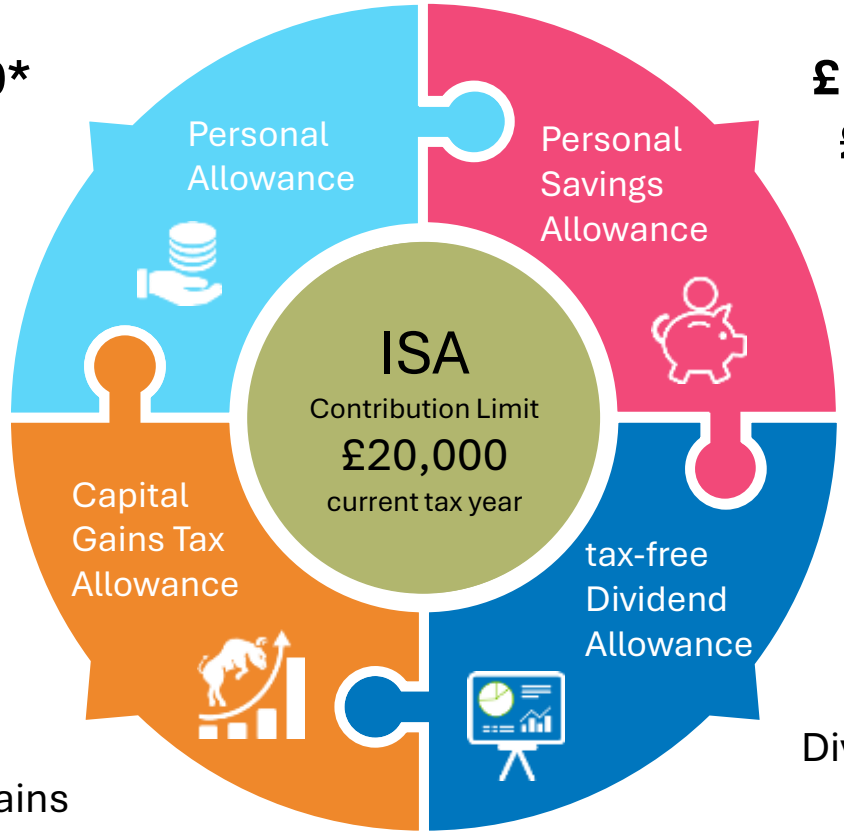
- An ISA protects your savings and investments from taxation
- Interest and dividends are tax-free
- Growth is free of Capital Gains Tax



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Tax allowances summary

£12,570*
Salary & pension income



£1,000 / £500**
Savings interest

£3,000
Realised Capital Gains

£500
Dividends

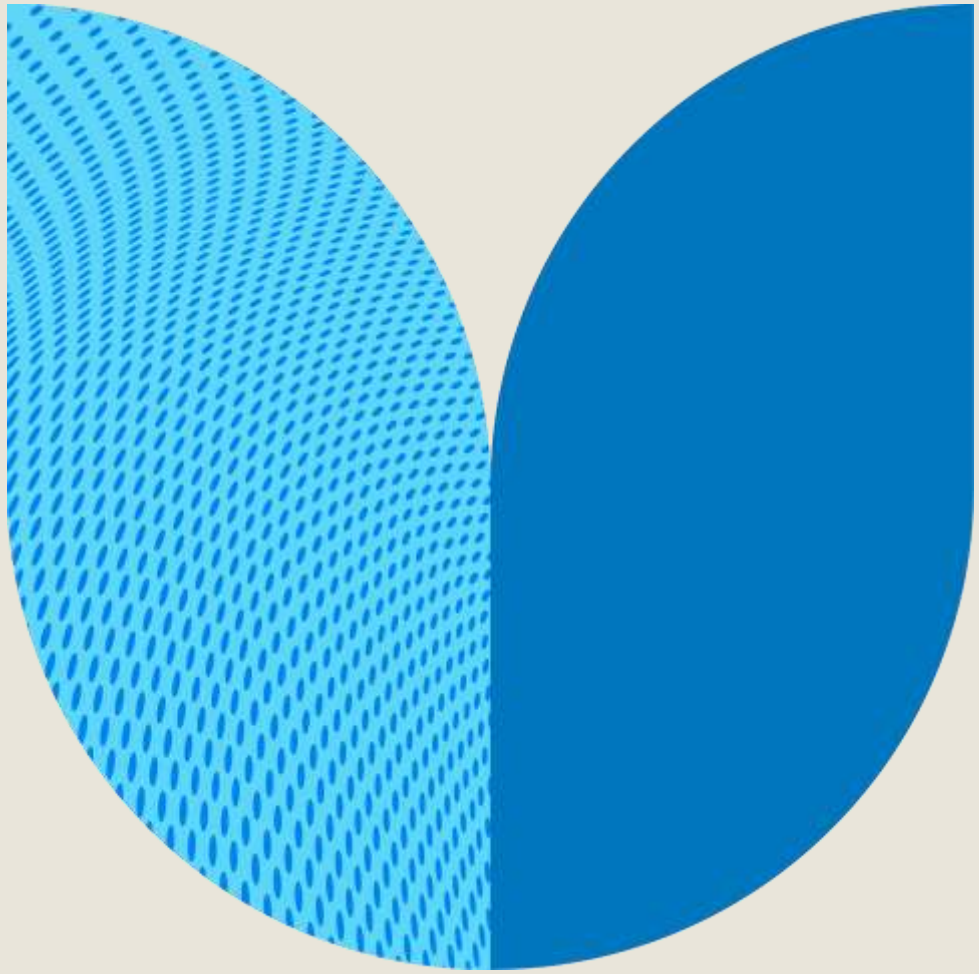
*Reduced for those with income over £100,000

**£1,000 for basic rate and £500 for higher rate taxpayers. Additional rate taxpayers do not have a Personal Savings Allowance

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Next steps



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Taking action

1. Carry out a budget plan and look for where you could reduce costs
2. Check that you have sufficient financial protection
3. Review any debt you have and consider making overpayments
4. Check the value of your pensions savings and consider increasing contributions
5. Review the way your BTRSS is invested
6. Check your State Pension entitlement
7. Consider if DirectShare could be part of your other savings and investments
8. Make sure your DIS and pension nomination forms are up to date

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Useful contacts

01 **BT Retirement Saving Scheme (BTRSS)**
www.btretirementsavingscheme.com

02 **General tax and National Insurance information**
www.hmrc.gov.uk

03 **Pension Tracing Service**
www.gov.uk/find-pension-contact-details

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Seeking advice

An adviser will assess your circumstances, objectives and risk profile and provide you with a personal recommendation to meet your objectives.

All regulated firms are listed on the Financial Services Register, this provides confirmation that the firm is authorised, the specific services they are authorised to provide and details of the advisers who work for them.

Financial Services Register link:

- https://register.fca.org.uk

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Contact us

We provide a telephone helpline and a regulated investment advice service through **my wealth** - a trading name of Wealth at Work Limited which is part of the Wealth at Work group.

It helps individuals to understand their personal financial situation especially when selecting their retirement income options.

- Telephone **0800 028 3200**

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Thank you

0800 028 3200

www.wealthatwork.co.uk/mywealth

