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Moravian Digital Press, 19 Chanonry Road South, Elgin IV30 6NG. t: 01343 542636 e:sales@moravianpress.co.uk

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End of the line could be in sight for the state pension so what are the alternatives?

AS of this year the state pension will have been going for 109 years, but unless something changes the end is in sight.

What is the problem? The primary reason is that the national insurance fund is run like a current account rather than a savings account. There are no permanently maintained savings and, much like my own current account at certain periods of the year, the money currently coming in is less than the amounts being paid out.

This is despite the UK state pension already offering the lowest replacement income relative to average earnings of any Organisation for Economic Co-operation and Development country.

The cost of providing this level of benefits is greater than the money collected in national insurance contributions. The resulting overdraft is being met by Treasury grants; however, these are limited to 17 per cent of expenditure, and even with these payments the Governments Actuary's Department estimates



Money Talk

by Alex Grant
Director of Alex M Grant and Company, regulated by Financial Conduct Authority

the fund will run out by 2032/2033.

The money coming into the national insurance fund is paid by people who are workers and the money going out is spent on people who are not. The present balance between workers and pensioners is 1000 workers to every 310 pensioners. By 2036 however, the ratio is projected to be 360 pensioners to 1000 workers. If the state pension is not the only benefit paid from the national insurance fund; but it accounts for 94 per cent of its expenditure and is the key driver of change.

The situation is exacerbated by the fact that the money coming in from NICs increases in line with earnings, whereas the money going out in the form of the state pension increases under

the triple lock. Following a longer than expected period of low wage increases the strain on income has become greater.

What are the options?

Abolition

According to research carried out by Royal London in 2016 two-thirds of young people do not expect the state pension to exist by the time they come to retire, so why not accept the inevitable and just let it run out?

Pay later

Reducing benefits is never popular, but in common with several other developed countries the UK has raised the state pension age and has more increases planned.

Pay out less

A third of developed countries have reduced the benefits paid from their state pension. In contrast the UK Government introduced the new state pension, an attempt to direct benefits towards those who need it most.

Trust in hope

The cost of the state pension is sensitive to demographics, so increases in longevity could slow, but we may also see an increase in birth rates.

Jessica's design looms large



Textile designer Jessica Cutler visits Knockando Woolmill to see her design Devon Seasons coming off the loom. Jessica was the winner of the mill's Woven Textile Designer Award, which invited students or recent graduates to submit innovative and contemporary designs that pushed boundaries. From a shortlist of six designs, Jessica's pattern was selected as winner and is now in production. Jessica, who studied textiles in practice at Manchester School of Art, said: "It has been amazing to come up here and see it being woven. Knowing my name is going to be on the label and people all over the country are going to be buying the products is really exciting!" The design is being produced as a limited-edition run of only 150 scarves and 35 blankets and can be viewed on Knockando Woolmill's website.

Firms urged to sign up to disability plan

BUSINESSES in the Buckie area and across Moray are being urged to sign up to a scheme which will help them tap into the well of talent possessed by disabled people and those with health conditions.

The Disability Confident scheme, which is being run across the UK by the department of Work and Pensions (DWP), also seeks to help those whose health or disability have made it difficult for them to return to the job market and overcome the barriers they have faced.

DWP employer and partnership manager Jane Munro, who is based at Forres Jobcentre Plus, said: "We're encouraging firms to sign up for the Disability Confident scheme and offer support for our customers who have health problems or are disabled.

"This can take a number of different forms, for example offering a work placement or even a guaranteed interview. It's a simple form which takes about five minutes to complete and doesn't involve binding commitments or contracts.

"More and more employers are waking up to the large pool

By Alan Beresford
a.beresford@spp-group.com

of talent among our customers who have a health condition or disability and are seeking to take advantage of it.

"To give an idea of the sort of numbers we're talking about, in Moray we've got about 670 people on jobseeker's allowance but over 3000 on incapacity benefit or employment and support allowance.

"Alongside the scheme we're looking at how we can help customers overcome or reduce the barriers they face getting back into the workplace."

The scheme has three levels, with each one having to be successfully completed before moving on to the next.

Level one, which is entitled Disability Confident Committed, sees the employer asked to agree to five basic commitments and also one



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Jane Munro



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