PARENTS RAID PENSION POTS

Families making tough choices to fund future

Increasing...Egg prices are on the up

Egg farmers' £14m aid as prices rocket

By **Aine Fox**

TESCO has announced a multimillion-pound support package for egg suppliers and producers.

With prices rocketing by up to 20 per cent in just two weeks and bird flu threatening a shortage this Christmas, the supermarket giant has already introduced a temporary buying limit of three boxes per customer.

Asda, Lidl, Marks & Spencer and Morrisons are all also rationing sales.

Now Tesco is to provide £13.9million of additional support to farmers hit by rising costs such as transportation and chicken feed.

Dominic Morrey, commercial director of Tesco's fresh food division, said: "We know the British egg sector continues to face acute market conditions with input costs continuing to increase, and avian flu causing disruption and adding complexities to farming conditions and the supply chain.

"We're pleased to continue our support for suppliers and producers, as well as provide reassurance to our customers that we will remain 100 per cent British on all our shell eggs."

The investment was welcomed by the British Egg Industry Council.

Its chief executive, Mark Williams, said: "We are delighted Tesco is investing in its supply chain to support egg producers.

"We know consumers want and expect the eggs on retailers' shelves to be British and it is great to see Tesco publicly reinforcing its commitment to stock British Lion eggs."

The support package comes a day after Waitrose pledged a £2.6million investment in its suppliers.

Waitrose remains one of the few supermarkets not to impose purchase limits on customers.

Price data by analysts Assosia for The Grocer showed that since November 12, egg prices on shelves have risen by between five and 20.1 per cent.

A pack of 15 Tesco caged eggs is up from £1.49 to £1.79. Clarence Court Old Cotswold Free Range half-dozen eggs, also at Tesco, rose 19.2 per cent from £2.60 to £3.10.

The threat of avian flu has seen the number of laying hens fall. If one bird is diagnosed the flock must be culled.

FROM PAGE ONE

financial services company Killik & Co which compiled the data, said: "We're in the midst of an unprecedented economic period, with inflation at its highest level in decades.

"Many families are making tough financial choices, including using long-term savings to make up for shortfalls in their own budgets and those of their children.

"Some parents will have no choice but to access these savings early or reduce contributions, significantly impacting the lifestyle they can fund in the future."

Pensions expert and ex-minister Sir Steve Webb agreed there was "hard evidence" that increasing numbers of people were dipping into pension pots to make ends meet.

Sir Steve, a partner at financial consultants LCP, said: "The number of people making withdrawals from pensions was up about a quarter to 500,000 in the three months to June 2022 compared to a year earlier.

"The amount withdrawn was £3.6billion versus £2.9billion a year earlier. People are

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accessing their pension pots at an early stage. The biggest thing to be aware of when considering pension withdrawals is that most people live longer than they expect.

"I'm 57 years old and at my age I might expect to live until my mid to late 80s. For somebody who has only got a modest pension to begin with if they then start reducing it, it just means that later life is going to be potentially more difficult.

"You might have to focus on paying bills to the point that there won't be much travelling to see the grandchildren or having that holiday you dreamed of.

"Early withdrawals could make the difference for many people between a comfortable retirement and a strained one, where you don't have the choices you might like to have at that point in life."

Former pensions minister Baroness Altmann warned workers: "Think really carefully before giving up on pensions.

"This may be the best or only option for some, but you could live to regret it.

"Unless you are in very poor health and have exhausted all other reasonable ways to pay your bills, sacrificing your retirement security is normally a bad idea."

Killik's report found two fifths of people think that the cost-of-living crisis fuelled by 11.1 per cent inflation has been worse than they expected, explaining why they have had to dip into savings. Three quarters of those asked were most concerned about rising energy bills, more than half were worried about grocery costs and four in 10 were concerned about the price of petrol and diesel.

One in five were experiencing soaring mortgage costs and one in seven worried about their rent being increased.

Pension pitfalls... Sir Steve Webb

The research also found a third of parents were concerned about the ability of their children and grandchildren to manage higher costs – more than a fifth changed plans to transfer wealth as a result.

Mr Stevens said: "The problem with inflation is that price rises tend to be permanent. They are unlikely to be followed by a period of deflation to bring them down again.

"The reality is costs are also going to be higher in the future and that means that having the right provision for retirement is even more important.

"Accessing a pension fund is likely to be one of the most important financial decisions you ever make as an individual.

"The tax implications are arguably more significant than buying a property so people need to make sure they are getting it right."

He added that it was understandable people needed help with day-to-day costs but he urged everyone to seek professional advice.

Record numbers of older people are using equity from their homes to make ends meet.

Almost 13,500 over-55s took out equity release plans between July and September with new customer totals rising by a third in a year, the Equity Release Council reported.

Aaron Strutt from mortgage broker Trinity Financial warned that interest rates charged on new lifetime mortgages have reached "eye-watering" levels. In October 2020 the average rate for an equity release loan was 4.01 per cent – the lowest was 2.23 per cent.

Currently the lowest rates are around 6.7 per cent and the highest above nine per cent.

In equity release lifetime mortgages, the interest owed is usually added to the loan sum. The householder pays compound interest and the debt can mount up quickly.

Mr Strutt said: "To say that lifetime mortgage costs have increased dramatically would be an understatement."

Victoria Scholar, head of investment at online platform Interactive Investor, said: "Research into our customers' self-invested personal pensions (SIPP) in the first half of the year suggests there has been a clear rise in the amounts that people are withdrawing from their pensions as income.

"Younger workers especially are reducing their pension contributions to slim down their outgoings. Older people who are closer to retirement age are more conscious of keeping their pension pots topped up.

"The so-called Great Resignation during the pandemic meant that many people near retirement age decided not to return to the workforce after Covid.

"This increased the number of pensioners in the economy, resulting in a higher number of SIPP withdrawals during this period."

Ms Scholar added: "However with pressures from rising inflation and falling markets this year, that effect has eased off with more people possibly heading back to the workforce to attain additional income to cover their increased costs."

Meanwhile retailers reported a "steady start" to Black Friday trading yesterday despite the cost-of-living crisis.

Morning sales volumes were consistent with the special offers day last year, according to Barclaycard Payments.

Electricals chain Currys said rocketing household power bills helped to boost sales of energy-efficient products such as air fryers – 18,159 were sold in the past week alone.

Marc Pettican, the head of Barclaycard Payments, said yesterday: "Black Friday is off to a steady start this year, despite the challenging economic backdrop. Transaction volumes are broadly in line with what we saw this time last year. We have also seen an increase in transactions in the week leading up to today, with volumes up 3.46 per cent.

"It's likely the feelgood factor in the run-up to the World Cup, with the England and Wales matches on Monday of this week, has given retail and hospitality a boost."

Building society Nationwide said there were seven per cent more purchases than Black Friday 2021.

OPINION: PAGE 12

Picture: STEVE REIGATE

Short-term pawnbroker loans triple

EXCLUSIVE
By **Robert Kellaway**

THREE times as many people are turning to pawnbrokers for loans now than they were at the start of the year.

The owner of one of the best-known pawnbroking businesses in the UK has reported enquiries running at "300 per cent" compared with January.

Amid the cost-of-living crisis, his customers range from householders seeking tiny loans to businessmen looking for short-term access to thousands that banks refuse to take on.

James Constantinou runs Prestige Pawnbrokers, a chain featured in the Channel 4 TV show Posh Pawn.

He is famous for giving loans against luxury items, including sports cars and designer handbags – but his business also deals with traditional customers taking on much smaller loans.

He said: "In the first Covid lockdown, we saw people paying down their debt substantially [and] 30 per cent of our loan book was repaid as people were saving money.

"That environment has changed. With interest rates increasing, the banks are reluctant and careful about lending.

"The number of enquiries we're currently receiving is three times the level we saw at the start of this year."

Yesterday, shares in listed pawnbroker H&T hit an all-time high – while shares in its rival firm Ramsdens have shot up by more than 80 per cent since the pandemic.

Among those using Prestige is supermarket worker Aniko Edwards, 41, who lives with her son in a rented one-bedroom flat in Selhurst, south London. The fact she did not have enough cash to treat her son to a day out for his 19th birthday in October hit her hard.

She decided to sell an 18-carat gold necklace, a gift from an ex-boyfriend.

Aniko, *inset*, said: "I took it to a jeweller who offered to buy it for £100 but I knew it was worth more than that.

"At the Prestige shop in the city, they offered £250 straight away."

Businessman Bijan Tahan, 58, needed a bridging loan of £20,000 to complete a property extension.

He offered Prestige his Aston Martin DB9 and they agreed to lend him £20,000 against it.

Bijan, of Ripley in Surrey, said: "The banks made it so difficult and unattractive to borrow from them – wanting an arrangement fee to set a loan up and an exit fee when I paid it back. The shortest period on offer was 12 months. They also wanted proof of my earnings going back three years.

"Interest on the Prestige loan is 2.9 per cent a month which works for me."

A 43-year-old estate agency sales rep has meanwhile pawned and redeemed an 18-carat gold ring – around 20 times.

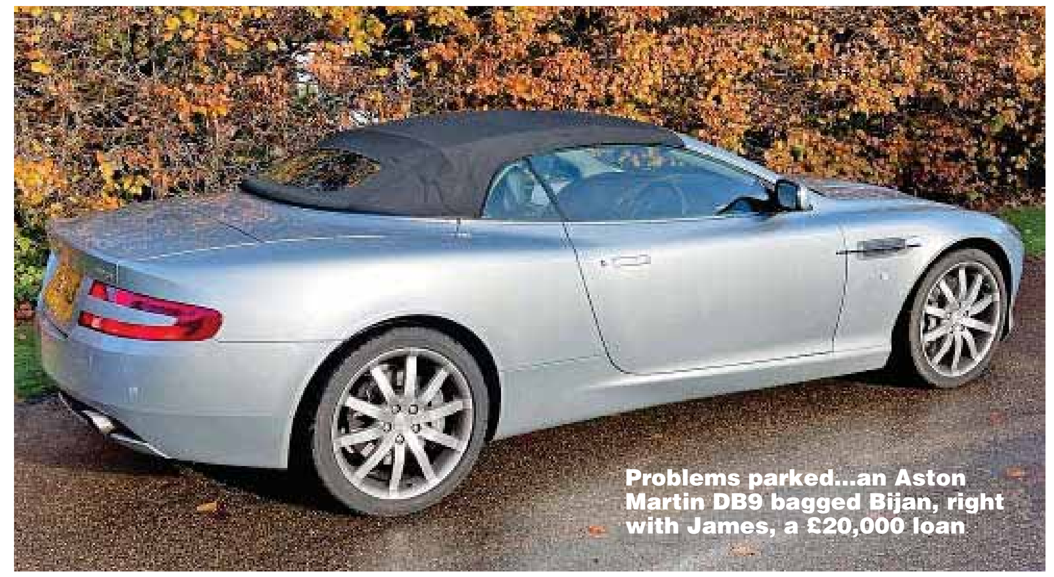
Stephen, which is not his real name, from Weybridge in Surrey, said: "If I have a bad month it can get very tight.

"I usually redeem the ring on pay day – if I've borrowed £145 it will be £160 to retrieve it after a week."

But the charity StepChange warned against the allure of pawnbroker loans.

Interest charged by the pawnbrokers can reach equivalent of more than 50 per cent per annum – similar to the high charges of payday loan firms.

A spokesman warned: "Pawnbroking is an expensive form of credit and is likely to only be a short-term respite to longer-term financial problems."



Problems parked...an Aston Martin DB9 bagged Bijan, right with James, a £20,000 loan

COMMENT

BARONESS ALTMANN
Former Pensions Minister

THE idea of raiding your pension savings to help meet rising living costs can seem tempting if you have reached age 55. Even for younger people, stopping pension contributions to help with day-to-day spending may seem attractive right now.

But please think really carefully before giving up on pensions.

This may be the best or only option for some, but you could live to regret it.

Unless you are in poor health and have exhausted all other reasonable ways to pay your bills, sacrificing your retirement security is normally a bad idea.

Using or losing your future pension too early can be really risky. A thousand pounds taken out of, or not put into, your pension today means well over a thousand pounds less for you in retirement.

Especially if you are still working – any money withdrawn from your pension, beyond the tax-free lump sum, is reduced by at least a fifth, and possibly nearly half, when tax is deducted. But, if you wait till retirement you should pay much less tax – or even none at all – on your pension savings. Withdrawing your taxable pension savings also reduces the amount you can pay into pensions in coming years. Your annual contribution limit falls from £40,000 to just £4,000, making it much harder to build your pension fund up again before retirement.

Spending money from your pension now means losing tax-free future investment returns that help build you a more comfortable retirement. Using other savings first, perhaps National Savings accounts or cash ISAs, which tend to have lower long-term returns than pensions and are easier to replace, may do less harm to your financial prospects.

If you are not yet 55, opting out of your workplace pension to increase your immediate take-home pay, means losing "free" money from your employer and the taxman. Your pension ends up far poorer than the amount you actually save.

For example, putting £800 into workplace pensions today gives you at least another £200 from HMRC and £600 from your employer. So, your £800 saving means losing at least £1,600 from your pension. Even if you restart contributions in the future, you won't get back that money your employer would have put in.

So think very carefully before stopping saving, or tapping into your pension, because there are strong reasons to avoid using pensions as a stop-gap to meet higher living costs if you can possibly avoid it.