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YOUR FINANCE MATTERS

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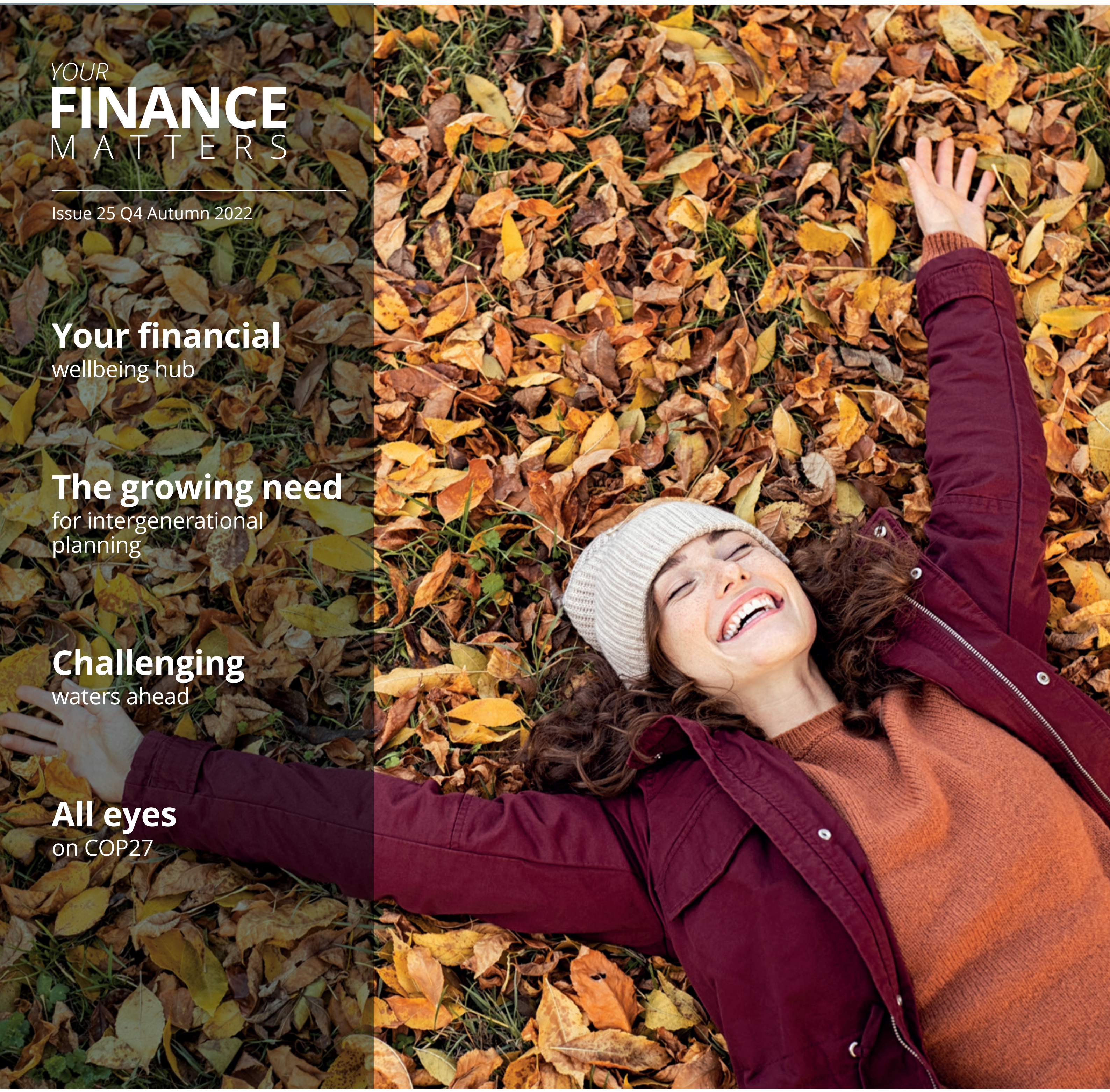

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Your financial wellbeing hub

The past couple of years have undoubtedly been a challenge for us all but, by pulling together, we have managed to get though an extraordinarily difficult period of time. Now, as we emerge into the post-COVID economy, we face a different set of challenges which, in their own way, appear no less daunting. One thing though does stay the same – we're still here, by your side, and determined to continue steering you safely through any financially choppy waters that lie ahead.

Economic uncertainties

Although the economy did stage a tentative recovery last year and in the early part of 2022, it's fair to say the outlook has become increasingly challenging in recent months. Surging inflation has curtailed our spending power and, with energy bills set to rise further over the autumn and winter months, the cost-of-living squeeze looks set to continue for now. Higher-than-expected inflation has also triggered a rise in interest rates, while fallout from the war in Ukraine adds to a cocktail of economic uncertainties.

Planning is paramount

No one is immune from these difficulties; while some will struggle more than others, we will all be impacted to some degree. In many ways, though, times like these serve to emphasise why people seek professional financial advice in the first place. Economic downturns are normal but having a sound, structured plan helps to ensure our financial goals and aspirations are not derailed when one does occur.

Financial wellbeing

Arguably, protecting your financial wellbeing has never been so important. It's therefore essential to try to maintain any ongoing commitments such as pension contributions, protection premiums and regular savings policies if you possibly can.

We're here to help

It's also vitally important to keep talking, so do get in touch if you need our help. We're here for both you and your family; ensuring your financial wellbeing is, and always will be, our primary concern.

Retirement – where's your 'happy place'?

If you're in Wiltshire and about to retire, you're doing it in the right place.

This is according to an online search engine[1] that helps retirees and their families find the best retirement communities and care homes. The research found that Google searches for 'retirement homes in Wiltshire' have soared by 150% in the last year alone – and for good reason! With its beautiful countryside, historic towns and City of Salisbury, and great investment potential, Wiltshire is an ideal location to live out one's later years. In close second and third places are Buckinghamshire and Dorset, scoring high on both investment potential and wellbeing.

Reaching your financial happy place

No matter where you're located, though, the truth remains that you'll struggle to achieve a happy and fulfilled life in retirement without an adequate level of income. So, how much money do today's retirees need to live their best life after quitting work? According to a recent survey[2], the average retired couple spends £2,333 a month (around £28,000 per year) to be 'comfortable' – i.e., having enough to cover their basic expenditure requirements in addition to some luxuries such as holidays, hobbies and dining out.

[1]Lottie, 2022, [2]Which?, 2022

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The growing need for intergenerational planning

In the news

Healthy dividends

UK listed companies paid out £37bn in shareholder dividends between April and June, up 38.6% from the same period last year, making Q2 the second largest UK dividend payout on record[3].

Large one-off special payments were a key driver, but underlying dividends, which exclude these volatile specials, jumped by 27% to £32bn, boosted by weaker sterling. Mining dividends contributed almost a quarter of the headline total, rising 37% year-on-year; three quarters of the year-on-year increase came from the three biggest sectors – mining, banking and oil.

Headline payouts are expected to rise by 2.4% in 2022 to £96.3bn, while underlying payouts, excluding special dividends, are forecast to increase by 12.5% to £86.8bn.

IHT receipts climb even higher

Latest figures from HM Revenue & Customs (HMRC) show that an extra £300m was collected in Inheritance Tax (IHT) between April and June, compared to the same period in 2021. Receipts for the first quarter of the 2022-23 financial year hit £1.8bn to reach a new high for IHT receipts. When comparing full years, there was a 14% (£729m) increase in IHT receipts between the 2020–2021 financial year and the 2021–2022 financial year.

[3]LINK Group, 2022

With the next 30 years set to witness the largest ever intergenerational passing of wealth, the need for inheritance advice has never been greater. Intergenerational planning, however, can also help with more immediate financial needs, particularly when generations work collaboratively to find solutions that support the whole family both now and in the future.

Inflation concerns
Currently, financial pressures are proving a key challenge across all generations, especially the impact of soaring energy bills as we move towards the winter period. The cost-of-living squeeze, though, is not only impacting people's current spending power but also their future decision-making capabilities with regard to key issues such as housing, private education or university.

Balancing current and future needs
This has resulted in families increasingly adopting integrated strategies, especially in relation to gifting, in order to address imminent financial challenges. While reducing future Inheritance Tax liabilities inevitably remains at the heart of intergenerational planning decisions, the growing necessity to balance today's and tomorrow's needs is resulting in the focus shifting to support for children and grandchildren now.

Involving the generations
Intergenerational planning tends to be most effective when the process is not just focused on those who currently hold wealth. While funding a comfortable retirement and quality of care for the 'caretaker' generations remain fundamental elements of intergenerational planning, delivery of support for the coming generations and ensuring wealth passes efficiently to the right individuals at the right time have become increasingly important dimensions.

More families share an adviser
Greater involvement across multiple generations has also seen sharing a financial adviser become increasingly commonplace. This trend offers significant benefits, particularly when it comes to joining up a whole family's needs with inheritance and gifting strategies, while treating all family members fairly.

Encouraging conversations
If your family needs help with any aspect of intergenerational planning, then please get in touch. We'll be happy to assist by encouraging more open financial conversations across the generations.

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Challenging waters ahead

Even experienced investors are likely to find the current investment environment a challenge, particularly when one considers the array of uncertainties in the post-COVID economy which are so fundamentally different to those faced during the last two years. Opportunities, however, are still available to investors who can steer a safe course through choppy waters.

Uncertainty abounds

One look at the latest economic forecasts released by the International Monetary Fund (IMF) gives a strong hint of the challenges that lie ahead. The international soothsayer described the current outlook as *'gloomy and more uncertain'* as it reduced its global growth forecast to 3.2% this year and 2.9% in 2023, downgrades of 0.4 and 0.7 percentage points from April's predictions.

Risks skewed downwards

The IMF noted several shocks that have hit a world economy already weakened by the pandemic. These include higher-than-expected inflation worldwide which is triggering tighter financial conditions; a worse-than-anticipated slowdown in China, and further fallout from the war in Ukraine. It also stressed that risks are *'overwhelmingly tilted to the downside.'*

But opportunities remain

This economic sea-change clearly presents a serious challenge to investors. However, while managing portfolios in a high-inflation environment may require some change in course, there are still opportunities out there.

Help at hand

And of course, we're always here to help. So, if you want to take stock of your investments, get in touch and we'll be happy to help steer you through any troubled waters.

Opportunities are still available to investors who can steer a safe course through choppy waters

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Pensions round-up

Recently released research[4] suggests UK consumers are becoming more knowledgeable about pensions and prepared to take a greater role in preparing for retirement. Other research[5], however, shows significant sums are still sat in 'lost' pensions, while experts have warned about potential pension-related problems as the cost-of-living crisis bites.

> Experts are warning the over-55s not to be tempted to raid their pension pots in response to the cost-of-living squeeze

Pensions knowledge improving
A survey conducted by Link Group suggests bodies within the pensions industry have had some success in building better public knowledge of pensions and the importance of retirement planning. The research found that almost four out of five consumers 'understand' pensions, with 18 to 34 year-olds more likely to display higher levels of knowledge than consumers in other age groups. In addition, nearly six out of ten respondents said they should take more responsibility for ensuring they have a good retirement income.

Time to trace lost pensions?
Estimates suggest there is currently over £19bn sat in lost pension pots across the UK. These are typically the result of people changing jobs and then not keeping track of contributions made with previous employers. The good news, however, is that the government runs a free pension tracing service (www.gov.uk/find-pension-contact-details) to help employees track down their lost pensions. So, if you've worked for a number of different employers down the years it might be worth checking to see if you can be reunited with a long-lost pension.

Pensions warnings
Experts are warning the over-55s not to be tempted to raid their pension pots in response to the cost-of-living squeeze. There are fears that if people withdraw lump sums or start taking an income sooner than planned this will result in them having less income in the future. People are also being warned not to reduce their workplace pension contributions as a knee-jerk response to the cost-of-living crisis.

[4]Link Group, 2022, [5]ABI, 2022

Children's pensions: Saving for their future

It may be an old adage, but definitely one that remains true – it really never is too early to start a pension. So, if you're looking to help secure the long-term financial future of your child, or grandchild, saving into a pension on their behalf may be a suitable option worth considering, in addition to provision for earlier decades.

Tax incentives and compound returns
In some ways, saving for a child's pension when they are so far from retirement can seem odd but it can actually make sound financial sense. Junior pensions can be set up as soon as a child is born and contributions up to £2,880 per annum attract tax relief of 20% from the government. Another benefit of saving at a young age is the power of compounding returns which provide growth on growth across the years.

Small amounts add up
These two factors mean you don't have to save huge sums to make a big difference; saving little and often really can add up in the long term. Current rules allow savings of up to £2,880 per annum into a child's pension.

Fulfilling and rewarding
Providing financial security for children, or grandchildren, is a key goal for many and saving on their behalf can therefore be fulfilling for you and rewarding for them. If you'd like to give your loved ones a financial head start, then get in touch.

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All eyes on COP27

As the world continues to emerge from the pandemic, although other headwinds exist, governments, businesses and the financial world are refocusing on what the Principles for Responsible Investment (PRI) describe as *'the greatest threat to the wellbeing of humanity and to the ecosystems on which we depend'* – climate change.

According to the PRI, a United Nations-supported initiative, many are now recognising *'the enormous opportunity for economic growth and investment returns presented by the transition to net-zero emissions.'* The PRI reflect a firm belief that *'the financial sector and the investment community will play a central role in the global response to climate change and supporting the transition to a net-zero economy.'*

COP27

A year after the United Nations 26th Conference of the Parties, on British shores, the upcoming COP27 climate conference is taking place in Sharm El-Sheikh, Egypt this November. Last year, delegates from almost 200 countries agreed upon the Glasgow Climate Pact at COP26, which builds upon targets set out in the Paris Agreement, an international legally binding treaty intended to limit global warming to 1.5 degrees Celsius.

Key pledges made by governments last year included commitments to end deforestation, cut global methane emissions and to transition to zero-emission vehicles. Countries were asked to return to this year's conference with a plan to strengthen their 2030 commitments.

"*A decisive decade for climate action*"

Mahmoud Mohieldin, the UN climate change high-level champion for Egypt, hopes the 2022 conference will be an important milestone in what he calls *"a decisive decade for climate action."* In his view, COP27 should undertake an *"urgent, ambitious, impactful, and transformative agenda, guided by a holistic approach to sustainable development,"* based upon the principle of equity and informed by science.

"In light of the goals and objectives... we will promote a stronger focus on implementation, transforming commitments into actions and translating the pledges of the summits into solutions in the field," he continued, *"While acknowledging the complexities of the different political, economic and developmental challenges, it is incumbent on us all to raise the threshold of action at COP27."*

Climate change for investors

COP27 will undoubtedly be of interest to investors engaged with climate change, with key announcements potentially impacting their portfolios. Investment decisions have a role to play, and the investment industry continues to play a pivotal role in the global climate transition. One investor initiative – The Net Zero Asset Managers Initiative – has now grown to over 270 investor signatories with over $60trn assets under management – all committed to supporting the goal to reach net zero and investments aligned with net zero emissions.

COP provides an opportunity for institutional investors to consider how they can innovate in developing solutions to solve climate issues and in financing sector transition. PRI deduce that, *'Investors increasingly recognise the threat posed by climate change to the global economy, and therefore to their ability to meet the needs of their beneficiaries over the decades to come... They understand the imperative to engage with the companies in which they invest, and the policymakers who write the laws, to ensure that both groups respond appropriately to the threats and opportunities involved.'*

Good to know – IHT share loss relief

In challenging market conditions, it's likely that some bereft individuals will inherit investments that have fallen in value.

Through IHT share loss relief, people inheriting can be entitled to claim a tax rebate when they sell certain qualifying investments at a loss. Strict rules, criteria and exemptions apply however. For example, to be eligible for the relief, the sale of the qualifying investment (shares listed on a recognised stock exchange excluding AIM, government bonds and/or holdings in investment funds) has to be within 12 months of the date of death. Interestingly, according to recent data[6], few people reclaim the overpaid tax, with just 1,640 taxpayers a year on average (between 2014 and 2019) applying for refunds.

[6]FoI request Boodle Hatfield, 2022

A move towards 'living legacies'

Over-55s are increasingly looking to help their families out financially while they are still alive, rather than leaving everything in the form of an inheritance. Research[7] has revealed a trend towards 'living legacies', due to increased life expectancy pushing up the average age at which younger generations inherit from their parents. People born in the 1980s are now predicted to receive their inheritance at age 64 on average, compared to 58 for those born in the 1960s.

Historically, the risk of running out of money during retirement has prevented many older people from offering financial support during their lifetime. This concern appears to be lessening, however, with a third of researchers' respondents saying they'd be unwilling to help a family member onto the property ladder without knowing how much they'd need in retirement – against half of respondents to the same survey in 2016.

Aviva's Matt McGill commented, *"This increasing tendency towards considering helping out now rather than beneficiaries receiving an inheritance after death is perhaps a reflection of the turbulence and uncertainty that everyone has been through since we previously ran our survey in 2016, and which shows no sign of diminishing. Along with the hardship people have faced, it's also been a time of reflection for many and this could have included a resolution to live more for the moment and help family and loved ones now."*

[7]Aviva, 2022

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An *'epidemic of fraud'* impacting young and old

Scammers are also seeing a growing opportunity in cryptocurrencies, which are not regulated by the UK's Financial Conduct Authority

The latest annual fraud report published by UK Finance stresses the need for an urgent response to *'the epidemic of fraud'* that the UK is currently facing.

The report reveals that £1.3bn was stolen by criminals through authorised and unauthorised fraud in 2021. In total, 56% of UK adults[8] have received a suspicious communication or known someone who has in the last year, which equates to an estimated 29.6 million UK adults being affected by scams last year.

Preying on the elderly

Reportedly, scam victims aged over 70 lost about £977m[9] in total between April 2019 and 2022. Official figures fail to capture the true extent of such fraud because these crimes remain under-reported, especially among elderly people who live alone.

Cost of living

During the pandemic, criminals exploited victims' fears over coronavirus. Now, the cost-of-living crisis has become a new line of attack. The UK Finance report showed that authorised push payment (APP) fraud, where victims are tricked into transferring money into scammers' accounts, leapt by 40% last year. Such techniques are now being used to prey on people's financial preoccupations.

Tech effect

Everyone, young or old, can be a victim of fraud. Indeed, under-25s are more likely to be defrauded on the phone than older generations. One study[10] found the youngest cohort 75% more likely to have been scammed this way than those over 55.

Scammers are also seeing a growing opportunity in cryptocurrencies, which are not regulated by the UK's Financial Conduct Authority. In the year to May 2022, crypto frauds soared 58% to £226m, new research[11] has found.

Don't suffer in silence

Anyone can be a victim of fraud. We can help you protect your finances.

[8]Canada Life, 2022, [9]Action Fraud, 2022
[10]Truecaller 2022, [11]NordVPN, 2022

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The current investment landscape undoubtedly presents a challenge, even for experienced investors, but those who can keep their head when all about are losing theirs definitely have the best chance of success

In other news

Pausing pensions could be costly

Analysis[12] has revealed that reducing or stopping pension contributions, even for a relatively short period of time such as a year, can have a significant impact on your final pension pot, with savers potentially being thousands of pounds less well off in retirement. Almost all (93%) of those surveyed said they are feeling the impact of increasing costs and inflation. Whilst 77% expect to have to make cutbacks on spending or saving, an encouragingly low figure of 6% said they would reduce their pension contributions.

Record CGT

HM Revenue and Customs has revealed that a record amount of Capital Gains Tax (CGT) was due in the 2020-2021 tax year. The total amount of CGT liability was £14.3bn, realised on £80bn of gains for 323,000 taxpayers. The total CGT liability increased by 42% from the previous year, while the amount of gains and number of taxpayers increased by 19% and 20% respectively. More people are likely to be impacted by CGT over the coming years after the March 2021 Budget decision to freeze the annual £12,300 CGT allowance until 5 April 2026.

[12]Standard Life, 2022

Keeping investment emotions in check

While Rudyard Kipling may not have been thinking about investments when he penned his famous poem 'If', his words will certainly resonate with investors at the moment. The current investment landscape undoubtedly presents a challenge, even for experienced investors, but those who can keep their head when all about are losing theirs definitely have the best chance of success.

Emotional roller coaster

It can be extremely difficult for investors to keep their emotions in check when there is so much economic and geopolitical noise being reported on a daily basis. But market volatility is normal and investors who hold a well-diversified, risk-appropriate portfolio and stay focused on their long-term objectives, goals and aspirations are historically best equipped to get through such periods.

Clear goals are essential

Setting clear goals and developing a corresponding plan to achieve them is invariably the key to investment success. Although plans may need to be adapted from time to time to take account of changes in individual circumstances or investment goals, having a well-thought-out strategy helps investors deal with unexpected events and remain calm when markets become turbulent.

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Rise in protection insurance payouts

Claims paid out under protection insurance totalled £6.8bn in 2021[13], a second consecutive yearly high, with more than £18.6m paid out every day in life insurance, income protection and critical illness claims

Last year was the third year in a row where the overall average individual payout increased, rising by 9% year-on-year to reach £14,994. For term assurance, the average claim payment was £61,944 and the average critical illness claim payment was £67,500.

Claims do pay out
Last year, 98% of individual and group claims were paid. However, 'non-disclosure' was cited as the main reason for the 2% of rejected claims. This is when a customer fails to provide information about something that might have influenced the insurer's decision to provide cover or the price of that cover.

Ups and downs
One noteworthy trend in 2021 was a 40% rise in claims for musculoskeletal conditions. It is suggested this could be linked to the higher number of people working from home in unsuitable conditions.

In contrast, there were 20% fewer claims relating to mental health last year, although mental health claims were still above their 2019 level.

More than a number
Protection policies can help give you peace of mind by making sure you can meet financial commitments and knowing that your loved ones will not face hardship. Behind the headline facts are the huge number of families given support when they needed it most.

[13]ABI and GRiD, 2022

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Retire early – repent at leisure?

It is the dream of many to retire early. Indeed, 270,000 people in their 50s and 60s left the UK workforce during the pandemic, according to the Institute for Fiscal Studies.

Concerns about retirement poverty
However, two thirds of people aged 50 to 70 who quit work or lost their job during the pandemic left the workforce earlier than expected[14]. This means that they might not have the funds they need for a longer-than-anticipated retirement, sparking concerns that they could face poverty later in life. Of particular concern is the financial impact of accessing your pension too early, with research[15] showing that doing so before reaching State Pension age could reduce your pot by 59% on average.

Compounding the issue is the fact that those who now want to re-enter the workforce are finding it difficult to get rehired. According to research from the Centre for Ageing Better, unemployed over-50s are twice as likely to be out of work for 12 months or more, than their younger counterparts.

Many factors to consider
Early retirement may be enticing, but it certainly bears thinking about. Before acting, it is always a good idea to take financial advice and think carefully about the following factors:

- Do you know how much you'll need to live comfortably in retirement?
- If so, do you have enough in your pension pot for the lifestyle you want?
- Do you have savings or any other source of income?
- Do you still have a mortgage or any other outstanding debt you are still liable for?
- Could working for just a few more years offer you valuable financial security?

Whatever your goals for retirement, we're here to help you get into the best possible financial position for later life.

[14]ONS, 2022, [15]Canada Life, 2022

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