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YOUR FINANCE *MATTERS*

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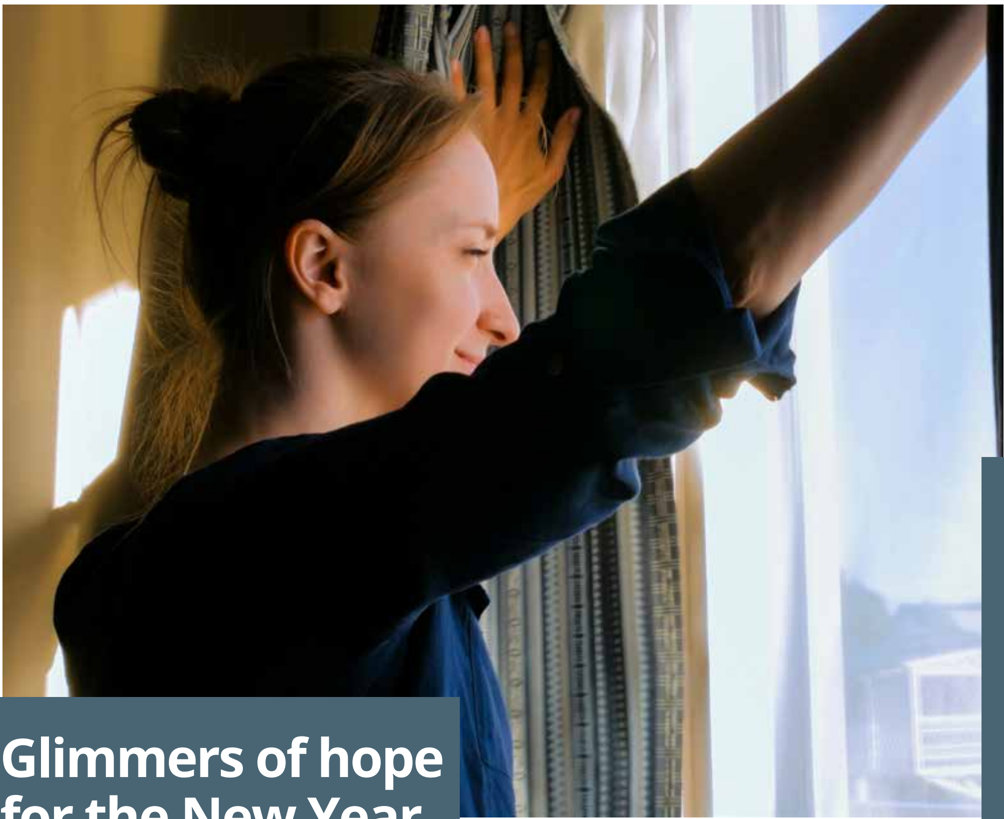

Glimmers of hope for the New Year

Over the past year, our vulnerabilities have been starkly exposed by coronavirus, and the pandemic continues to present an array of challenges on many different levels. Economic frailties have also been laid bare but, as we enter a new year, shoots of optimism are beginning to emerge, with rising hopes of recovery in 2021 and beyond.

A gradual recovery
The International Monetary Fund's (IMF) final 2020 assessment of global economic prospects was entitled *'A Long and Difficult Ascent'*. This provides an apt description of the current situation, with the international soothsayer's predictions pointing to a moderate rebound in 2021 with a continuing gradual recovery over the following few years.

Reasons to be cheerful
While the IMF forecast does highlight continuing risks and uncertainties, which largely centre on the future path of the pandemic, there are reasons for some guarded optimism. Continuing progress in the search for COVID-19 vaccines and the economic stimuli promised by US President-elect Joe Biden, for instance, should both have a positive impact on market sentiment during 2021.

as we enter a new year, shoots of optimism are beginning to emerge

Look to the future
Whatever the future holds though, the key to successful investing will inevitably remain embracing a long-term philosophy that is based on sound financial planning principles. In practice, this means maintaining a diversified investment portfolio which suits your attitude to risk and resisting any urge to panic trade. It also means looking forwards, focusing on future key trends and longer-term investment themes.

Advice remains paramount
Another key component for investor success will undoubtedly be the provision of expert advice and the construction of a tailored plan setting out realistic and achievable financial goals. Indeed, given the heightened market turbulence and uncertainty, it has arguably never been more important to obtain professional financial advice. So, get in touch and we'll help you navigate your way through the opportunities and challenges that emerge as the new year unfolds.

IHT receipts fall for first time in a decade

Inheritance Tax (IHT) receipts have fallen for the first time since 2009, according to data from HMRC. The amount of IHT collected in the 2019/20 tax year fell 4% (or £223m) to £5.2bn, with the introduction of the main residence nil rate band (RNRB) said to be the primary driver behind the fall.

The RNRB, introduced in 2017/18, is an additional allowance that is available if a person's estate includes their home and is left to their direct descendants (children, stepchildren or grandchildren). The RNRB currently stands at £175,000 and, when added to the nil-rate threshold (£325,000), could give rise to an overall IHT allowance of £500,000, unless an estate exceeds £2m, at which point the RNRB starts to reduce.

If you're married or in a civil partnership, any unused threshold can be added to your partner's threshold when you die, giving a total IHT allowance of up to £1m. Beyond these thresholds, IHT is usually payable at 40%.

Could a review be on the way?
With the furlough scheme alone having already cost the government more than £39.3bn, Chancellor Rishi Sunak may decide to alter IHT rules in the coming months to help fill the hole in his budget. We'll keep you updated with the latest news and work with you so that you can pass on assets in the most effective way.

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Inheritance Tax Planning is not regulated by the Financial Conduct Authority.

New Year's resolution? Get to know your pension age(s)

Did you know that the phased increases to State Pension age (SPA) reached 66 for both men and women in October 2020 and it's set to rise further? The minimum age for taking funds from a personal pension is also set to rise in 2028. Getting to know your pension ages, and what you can expect to receive, is vital in creating your retirement plan.

Your State Pension – age 66, 67 or older?

To find out your State Pension age, visit the government website www.gov.uk/state-pension-age.

The State Pension is paid to anyone who has made at least ten years' worth of National Insurance contributions during their working lifetime. The maximum payment is currently £175.20 a week (£9,110.40 a year), but how much you get depends on how many years you contributed for. Some people who have accrued Additional State Pension may get more than this 'maximum'. To check your State Pension forecast, go to www.gov.uk/check-state-pension.

Personal pensions

Currently, savers who pay into either a workplace or individual personal pension can access their pension pot at age 55. In September 2020, the government confirmed this would rise to 57 in 2028. The change, which has been prompted by increased life expectancy, will mean that those who are currently 47 or under and wish to pursue this option will have to wait an extra couple of years.

Decimalisation 50 years on

Shillings and pence were replaced with 'new pence' on 15 February 1971, in what proved to be quite a complex process. On 'D-Day' businesses had to switch their accounting and pricing to decimal, banks had to adapt their part-computerised, part-manual systems and everyone had to learn the new system, including school children. Decimalisation made life much simpler, even if it meant saying goodbye to old friends such as florins, half crowns and ten bob notes.

Investors increasingly opt for responsible funds

A record quarterly amount of over £7bn had been invested into responsible investment funds by the end of Q3 2020, compared to £1.9bn invested during the same period in 2019. Statistics for September alone show responsible investment funds saw a net retail inflow of £975m for the month. Such funds under management stood at £40bn at the end of September, representing 3% of total funds under management[1].

Capital Gains Tax review

The Office of Tax Simplification (OTS) has published its first of two reform reports on Capital Gains Tax (CGT) which calls for CGT to be set at the same rate as Income Tax, which could raise a substantial amount of tax for the Exchequer.

A lowering of the annual exemption is also recommended – the OTS estimate that the number of CGT taxpayers would double if the allowance were reduced to £5,000.

Fund managers largely optimistic for 2021

A survey[2] has found that 74.5% of all fund managers expect the economy to improve in 2021. Of these, 28% expect it to be 'much better' and 46.5% 'slightly better.' Only 15.5% expected performance to be worse in 2021 and the remainder thought the economy would perform about the same.

[1]Investment Association, 2020

[2]BDO, 2020

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Retirement – it's not ALL about your finances

Whenever we talk about retirement, the focus tends to be on pensions, with an assumption that everything will fall into place, providing there is enough in your pension pot when you retire.

Preparing emotionally
Many retirees simply aren't prepared for how significantly their life will change, and many, while not missing work, will certainly miss the sense of purpose that comes with the organisational structure to which they have become accustomed.

Suddenly stopping work after spending a lifetime focused on your career could be the catalyst for depression and other mental health issues. That's why it's important to prepare ahead to become mentally ready for retirement.

Visualise your retired self
You are likely to still want the same things in life: a sense of purpose, social interaction and activities that interest and stimulate you. Consider these tips to help prepare for a fulfilling retirement:

Wind down in stages – instead of going from full-time to retired overnight, you could try a gradual retirement to keep the fulfilment of work combined with the free time to pursue other interests

Exercise - we all know the benefits of exercise for our physical and mental health. Getting into the habit could help your emotional state when you retire

Review your interests – in addition to solitary hobbies and interests, joining groups and clubs can help you develop new social networks

Get your finances in order – while preparing emotionally is a big part of retirement, you need money to allow you to live life to the fullest.

Sorting out the finances
This is where we can help, so that you can rest assured you have the resources to spend your retirement free from money worries, allowing you to enjoy your later years.

Many retirees simply aren't prepared for how significantly their life will change

Self-employed? Be pension proud

Last year was challenging, with job losses and pay cuts causing many to tighten their budgets. It was particularly difficult for the self-employed, with many freelancers losing income as companies cut costs and stopped using contractors. Despite government grants being available, many self-employed workers have found they are not eligible.

Almost five million people in the UK are self-employed, or 15% of the workforce. This number is up from 3.2 million in 2000. Although there are many advantages to working for yourself, there are downsides too. Self-employed people don't enjoy the same benefits as employed workers, such as holiday and sick pay; they are also unable to access the benefits of pension auto-enrolment.

Pension savings suffer

On the back of this, there are concerns that self-employed workers are not saving enough for retirement, with figures[3] showing that 85% of self-employed people do not pay into a pension, up from 73% in 2008/2009. Meanwhile, those who do have a pension have 77% of the pension wealth of the average population.

This can partly be attributed to lower-than-average incomes and the need for financial liquidity, made worse due to the pandemic. However, it is also down to attitudinal and other barriers as, even among the highest paid self-employed workers, only 19% save into a pension.

Make 2021 the year you get your pension on track

If you are self-employed, it's important not to neglect your pension and make sure you get it back on track by increasing contributions where you can. If you're concerned about your pension and retirement plans, don't hesitate to get in touch.

[3]NOW Pensions, Pensions Policy Institute, 2020

Make time to get advice

Research from the Department for Work and Pensions has found that savers are often too preoccupied with day-to-day life to seek financial advice, with many avoiding seeking guidance because they think the process will be stressful, cause anxiety or be a burden.

We support you in making the right decision

It can be difficult to make the right decisions without support – one of the key benefits of working with a financial adviser is that you can pass the burden of making complicated choices over to someone experienced and qualified. Why not let us help you to lighten your load?

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"It won't happen to me" – think again

It's so easy to watch the ads on TV about scams or see the consumer shows interviewing devastated people about their financial losses as victims of fraud, and think ***"it won't happen to me***", but think again! In the year to September 2020, Action Fraud received over 17,000 reports of investment fraud, totalling £657.4m in losses.

Fuelled by the pandemic, with scammers preying on a population beleaguered by job losses and reduced incomes, this figure represents a 28% increase on the same period in 2018-2019. Head of Action Fraud, Pauline Smith commented, *"Preying on people when they are at their most vulnerable really shows how low these criminals will stoop to make a profit for themselves."*

Action Fraud have warned, *'Just because a company has a glossy website and glowing reviews from alleged high net worth investors, it does not mean it is genuine. Fraudsters will go to great lengths to convince you they are not a scam.'*

Action Fraud have urged consumers to seek regulated advice on investment opportunities. It could happen to you. If you have been approached by phone, email, social media or face-to-face, it really does pay to be suspicious, trust your instinct and:

- Seek professional advice before making a significant financial decision
- Use the Financial Conduct Authority's register to check if a company is regulated
- Remember that, if something sounds too good to be true, it probably is.
- For more information about investment fraud, visit www.fca.org.uk/scamsmart.

ESG on the business agenda in 2021

Hello to a new year, a fresh start and forward focus. We aren't the only ones looking forward and appraising the year ahead; a new report has noted that in 2021, Chief Financial Officers (CFOs) are placing a high priority on ESG (environmental, social, and governance) issues and assessing how organisational ESG activities and investments compare with evolving stakeholder expectations and business values.

It seems an increasing number of companies are seeing the value that attention to ESG matters can bring in terms of relative performance and investing in initiatives they care about. The pandemic has certainly highlighted ESG issues and it seems more organisations are embedding them as an integral part of business planning.

The US report[4] outlines, *'Many companies recognise that investing in ESG is the right thing to do, but the real incentive comes from evolving stakeholder expectations... In 2021, customers, employees, suppliers, investors and the communities in which companies operate are likely to place even greater pressure on companies through their consumption choices, preferences regarding the organizations they want to work for and with, and calls for greater transparency on ESG... Finance leaders should expect to invest more time scrutinizing and strengthening ESG metrics and reporting to sustain relevance with institutional investors, asset managers and other investors. They also need to enhance the rigor of the disclosure controls and procedures that generate ESG reports.'*

As the global landscape evolves, ESG is certainly firmly on many businesses' agendas this year, as they shift towards a vision of matching profit, coupled with the pursuit of sustainability and societal impact.

[4]Forbes, 2020

Struggling to save for retirement? Try this tip

More than ever, UK savers are struggling to prioritise their pension, with over half saying they are likely to review or reduce their pension contributions in the wake of the pandemic[5].

It's true that it can be easy to think of pension contributions as a drain on your resources. And yet, despite travel restrictions, Britons were still expected to spend £46.8bn on staycations last year, according to Visit Britain forecasts.

So why not think of your pension as saving up for holidays, too – just a bit later in life?

> why not think of your pension as saving up for holidays

Retirement – longer and healthier than ever
Life expectancy at birth is now 79.4 years for males and 83.1 years for females, according to ONS figures. And this is just an average; in 2019, the number of people aged 90 and over rose by 3.6% to 605,181.

This means that many people are now living 20 to 30 years beyond retirement age – many of whom enjoy very good health due to improved living standards. So, you're still likely to want to enjoy holidays, meals out and other treats when you retire!

Prioritising your pension
With so many demands on our income, it's not surprising that many of us struggle to prioritise our pensions. That's what we're here for. We can help you balance your finances now, so you can make those holidays a reality in the future.

[5]BlackRock, 2020

Get your life insurance in check

At the height of the pandemic, insurers received 7,000 life insurance claims and paid out £90 million – the equivalent of £980,000 every day – to support the families of those who died due to COVID-19.

The data from the Association of British Insurers (ABI) shows that between 1 March and 31 May last year, 6,689 claims were received under individual protection policies, with 351 claims under group schemes (including a small number of critical illness and permanent disability claims). The figures equate to an average of 77 claims per day.

Life insurance claims accepted
The vast majority of these claims (83%) had been paid by early August, and every life insurance claim had been accepted. The average payout for term insurance is expected to be £63,000, while the average group payout is £137,000.

ABI's Assistant Director, Head of Protection and Health, Roshani Hill, said, *"While no amount of money can ever replace a life, insurers have been doing all that they can to help families cope financially through these unprecedented and distressing times."*

The importance of cover
The figures emphasise the importance of having the right financial protection in place. No one knows what's around the corner, so if you'd like advice and support to ensure your family is properly protected in 2021, please do get in touch.

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Child talk

It's difficult to quantify the impact of the pandemic on children. Let's face it, their lives changed beyond recognition overnight too, the regular rhythms of childhood and adolescence gone indefinitely. A survey exploring what made children feel stressed during lockdown discovered that not having enough money or food featured, alongside schoolwork, family life and other causes[6].

It's heartbreaking that children are feeling these financial stresses too, but with many families impacted financially, it's pretty inevitable. What's important is discussing money in an open way. Talking about finances has been shown to help people feel less stressed or anxious and more in control, have stronger personal relationships, and help children form good lifetime money habits.

Now is an especially good time to teach your kids some basic financial info and allay their fears. Talk to them about your household budget and what credit and debt mean. It's important sometimes to say 'no' to your children about their desired purchases, as they need to learn about the balance between your financial needs and theirs. Involving them in decisions about purchases is all good experience too, so talk them through your thought process and considerations to make a wise choice.

The pandemic has shown us that having our finances in the best shape and having a savings safety net is vital. Teach your children about savings, Premium Bonds, ISAs, JISAs, and pensions. Habits formed now will set them up for a positive financial future. Remember, small, regular amounts added to a savings account, JISA and children's pension quickly add up – a very valuable lesson.

[6]Children's Commissioner, 2020

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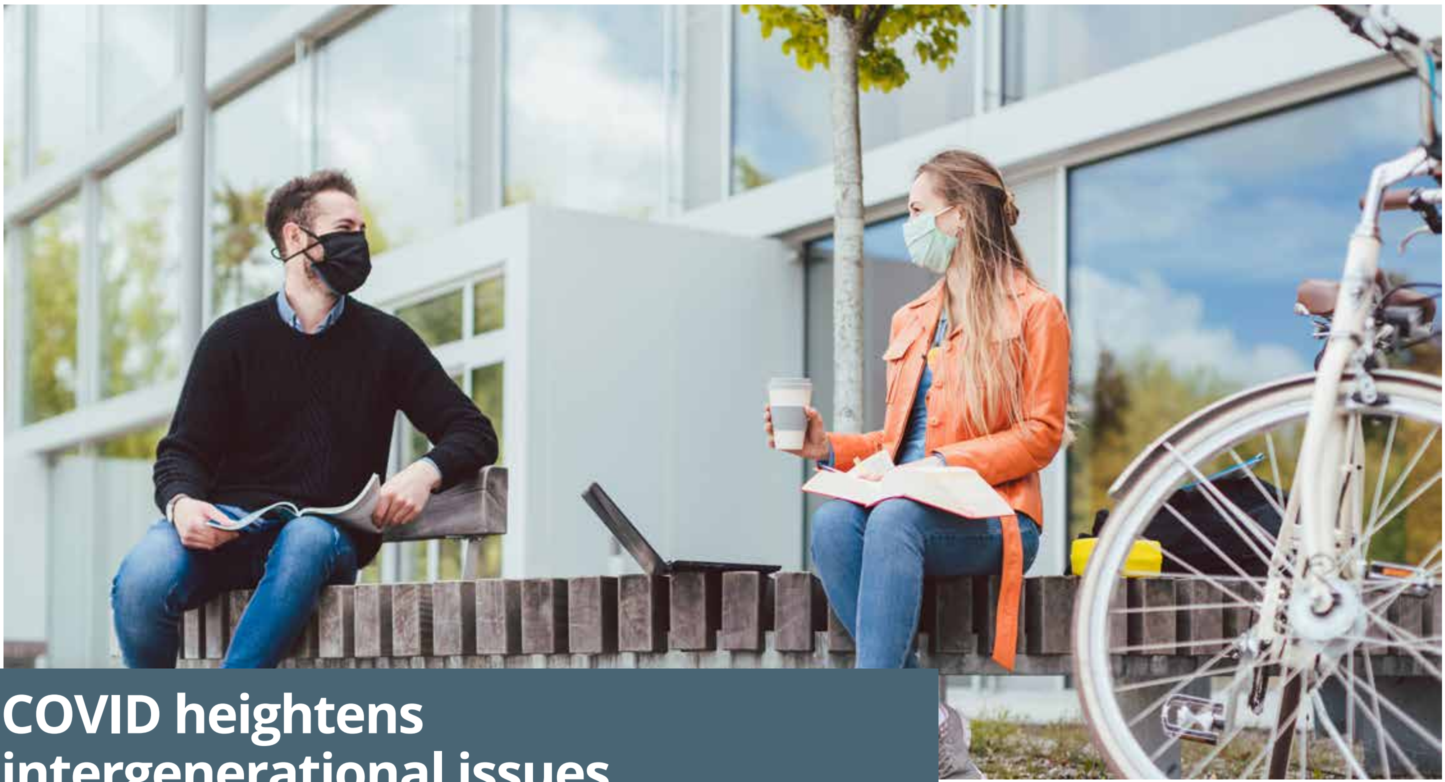

COVID heightens intergenerational issues

One effect of the pandemic has been to divide segments of the population, whether by age, where they live or what they do for a living. When divisions occur, tensions can develop, not least between the generations.

There is now rising concern about the economic impact of the pandemic upon Generation Z. A summary of youth unemployment statistics published in October revealed *'581,000 young people aged 16-24 were unemployed in June-August 2020, an increase of 35,000 from the previous quarter and an increase of 87,000 from the year before.'*

Plenty of people have reflected on the balance in their lives and the importance of feeling connected

Students stranded in halls of residence whilst learning online may feel more resentful over tuition fees and worsening job prospects. Many young people are also worried about whether they will ever leave the rental sector, as saving for the deposit for a home can be difficult while paying rent.

The Intergenerational Foundation (IF) says, *'Younger generations are under pressure like never before. IF was established to draw policy-makers' attention to this, and to get a fairer deal for young people. It concentrates on policies in housing, health and higher education, employment, taxation, pensions, voting, transport and environmental degradation.'*

Empathy is the power of connection

COVID has brought added worries for elderly people, too. One concern has been poor access to banking services and cash, with branch and ATM numbers declining due to lower usage. As Age UK puts it, *'We are hurtling towards a cashless society with no real consideration for the many people who will be left behind.'*

Many older people recognise the challenges that upcoming generations face; often they do something about it by helping grandchildren at important life stages, if concern about funding their own future care allows. Those unable to assist hope government will support key elements of young adult lives – a challenge whennational finances have been battered by the pandemic.

It's about family

Although the pandemic has certainly heightened intergenerational issues, it has also highlighted health, social, emotional and financial vulnerabilities – and impacted every generation. Plenty of people have reflected on the balance in their lives and the importance of feeling connected. It's reminded us that it's good to talk and not to be afraid to start a conversation.

Although generational divides exist, we're in this together and although we've had to endure time apart, in a strange way it's brought us all together.

If you are in a position where you want to engage your family with a conversation about finances, we understand your apprehension because money can sometimes be a contentious issue. 'Wealth transfer' is such an abstract term for such an emotional topic, but we can help break down those barriers and get your family talking in a positive and productive way.

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Put your ISA on the agenda in Q1

Putting money aside tax-free is a simple way to make your savings work a little harder

With the end of the tax year fast approaching (Monday 5 April), if you have cash that you don't need to access in the short term and would like to use some or all of this year's ISA allowance, don't leave it too late and risk missing out on this opportunity to save tax-efficiently; remember you can't carry any unused allowance over to the next tax year, so timing is important.

The ISA allowance for the 2020/21 tax year is £20,000 and if you're thinking of saving tax-efficiently for a child, the Junior ISA annual limit is £9,000.

You can put all the allowance into a cash ISA, or invest the whole amount into a stocks and shares ISA. You can also mix and match, putting some into cash and some into stocks and shares if you wish, as long as the combined amount doesn't exceed your annual allowance.

Now, more than ever, it's important for people to ensure their savings are offering the best return possible. Putting money aside tax-free is a simple way to make your savings work a little harder, an especially useful tool for those in higher tax brackets who don't benefit from the Personal Savings Allowance.

With many after-school kids' clubs off the agenda, why not invest the average spend of £57.36 per week, totalling almost £2,200 over the course of a 38-week school year, into a JISA? It all adds up.

We're here for you in 2021 and beyond

Whatever 2021 has in store, we want to reassure you that we're here for you and all your financial planning needs.

Whilst the year is expected to see the global economy rebound from the COVID-induced recession, the pace of recovery is indeterminable. In addition to uncertainties created by the pandemic, Brexit, trade and political issues will no doubt persist. As always, the only real certainty is that we live in uncertain times.

You can rely on us; we take the time to understand your objectives, apply a rigorous investment process and advise you on the investment and financial strategies most appropriate for you.

We are proud to support you through 2021 and look ahead with hope and confidence.

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Awaiting the green shoots of spring? Use your time effectively

As we enter a new year, the winter months endure, but the hope of spring hangs in the air, an enticing prospect. So, while you're awaiting the green shoots of spring, why not take the opportunity to get your finances in order before the end of the tax year? It's a good time to double-check you've taken advantage of all the tax-efficient allowances available to you; remember we're on hand to get you organised to avoid a last-minute rush.

Here's a reminder of some of your main tax planning opportunities:

Pensions – current Annual Allowance of £40,000. For every £2 of adjusted income over £240,000, an individual's Annual Allowance is reduced by £1 (the minimum Annual Allowance will be £4,000)

Pensions – The Lifetime Allowance places a limit on the amount you can hold across all your pension funds without having to pay extra tax when you withdraw money, the limit is currently £1,073,100

Individual Savings Accounts (ISAs) – maximum annual contribution of £20,000 per adult

Junior Individual Savings Accounts (JISAs) – maximum annual contribution of £9,000 per child

Making Inheritance Tax-free gifts - each financial year you can make gifts of up to £3,000 (in total, not per recipient) and if you don't use this in one tax year, you can carry over any leftover allowance to the next year (some other exempted/small gifts allowable). To reduce the amount of IHT payable, many families consider giving their assets away during their lifetime. These are called 'potentially exempt transfers'. For these gifts not to be counted as part of your estate on your death, you must outlive the gift by 7 years. If you have enough income to maintain your usual standard of living, you can make gifts from your surplus income, advice is essential as strict criteria apply.

Using Capital Gains Tax (CGT) allowances – £12,300 annual exemption per person, £6,150 for trusts – currently under review, correct at time of publication.

In other news

UK to launch first green gilt

The government is planning to launch the UK's first green gilt in 2021 in response to *"growing investor demand"*, as announced by Chancellor Rishi Sunak. He said it would be the first in a series of new issuances, with the government keen to position the UK as a world-leading green finance hub ahead of the COP 26 international climate talks in Glasgow.

Green gilts are a form of borrowing which help to fund low carbon infrastructure projects, tackle climate change and create 'green jobs'.

Secret savings

It has been reported that more than a fifth (22%) of women have a secret savings fund to act as a financial back-up if their relationship fails[7]. The same research also found that 29% of women would rather share details of their dating history than talk about the state of their finances!

Nearly half (48%) of those responding to the survey said they wanted to be prepared for any eventuality, while 44% said they have always had separate savings from their partner and wanted to retain financial independence.

Claim tax relief online

From 6 April 2020, employers have been able to pay employees up to £6 a week tax-free to cover additional costs if they have had to work from home. Employees who have not received the working from home expenses payment direct from their employer can apply to receive the tax relief from HMRC via a government portal at www.gov.uk/tax-relief-for-employees/working-at-home.

[7]Fidelity International, 2020

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