Q3 Summer Newsletter

Your Finance Matters

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and more...

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The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

The power of purposeful wealth

Most people would agree that wealth is not about hoarding money but the financial freedom and flexibility it affords to help us achieve our passions and goals. Wealth essentially has the capacity to create a powerful purpose within our lives, provided we are able to unlock its true value.

Understanding your 'why'

A good starting point for unlocking the value of wealth is to develop a clear understanding of what you want from life and what mark you want to leave. Do you want to travel; start your own business; support your family; create opportunities for others, or leave a legacy? Establishing the type of things that you really care about can provide a genuinely powerful purpose to wealth.

Sharing your wealth

One of the best ways to find fulfilment in your wealth is by sharing it; there is certainly no joy in holding onto wealth you will never use. Using wealth to help family, for instance, can be a particularly rewarding experience that allows you to positively change loved ones' lives. Indeed, as the cost-of-living crisis continues to weigh heavily on household budgets, there has perhaps never been a better time to offer financial support to family members.

Intergenerational planning

A recent report1 shows that one in three advised families now share the same financial adviser, with many turning to them for help with wealth transfers and planning. As well as cost-of-living pressures, the increasing need for intergenerational advice has also been fuelled by the Chancellor's decision to freeze Inheritance Tax (IHT) allowances until at least 2026, which will result in a growing number of people becoming liable for death duties.

Unlocking the real valueof your wealth

We can help you develop a clear understanding of what you want to achieve with your wealth and then provide the support and advice required to fulfil those goals.

Personality traits of the self-made millionaire

In the first study of its kind, researchers have distinguished the personality traits most common among self-made millionaires versus those who have inherited their wealth.

The study analysed a sample of wealthy individuals according to the so-called 'Big Five' personality traits:

- Openness (curious vs cautious)
- Conscientiousness (efficient vs disorganised)
- Extroversion (outgoing vs reserved)
- Agreeableness (friendly vs uncaring)
- Neuroticism (confident vs anxious)

The results showed that wealthy individuals across both categories tended to show a similar personality profile, being open to new experiences, extroverted, conscientious, agreeable and demonstrating low levels of neuroticism. They were also shown to be more risk tolerant than the average population.

Interestingly, the study revealed that self-made millionaires more closely match this personality profile than inheritors – and that this becomes more pronounced the wealthier they are.

The report concluded that people with this unique combination of personality traits have a higher chance of becoming rich via their own means. The good news – if you don't match this specific profile – over the years many studies have also shown that taking financial advice can result in heightened wealth accumulation.

Spotlight on investor sentiment and super trends

A new investor sentiment survey shows that, while investors are concerned about both the economic impact of the war in Ukraine and rising inflation, they remain confident about the stock market outlook and are not adjusting their portfolios just yet.

Two thirds of investors surveyed said they expect the ongoing conflict to result in higher energy prices, while 64% expect more global instability and 60% are concerned about increased cyberattacks. In addition, 92% expect the war to increase inflation and more than half believe abnormally high inflation will last longer than 12 months.

Investors remain optimistic
The survey did, however, find that investors were not at the time looking to adjust their portfolios, although they are poised to do so should the market decline further. Commenting on the findings, Co-President of UBS Global Wealth Management Iqbal Khan said, "The long-term economic implications of the war in Ukraine are difficult to assess, but most investors remain optimistic on their outlook for the stock market and are confident in their well-diversified investment portfolios."

Super trends – all change
Analysis by Credit Suisse has identified growing concerns over the economy as a key super trend, with economic anxieties now replacing the pandemic as the top worry for investors. The Swiss bank's latest review of global themes driving investment over the long term suggests that, although COVID-19 'remains a worry for many people', it now ranks below concerns about 'poverty, social inequality and unemployment.' Other super trends identified within the analysis include an infrastructure boom driven by government spending, technology with new catalysts like the metaverse providing impetus to this trend,

In the news

Huge rise in individuals exceeding pension Annual Allowance

In the past five years, the number of individuals whose yearly pension contributions breached the Annual Allowance (£40,000) has soared by more than 675%. In the 2015–16 tax year, 5,460 people reported pension contributions exceeding the Annual Allowance in their self-assessment forms. For the 2019–20 tax year, the figure stood at 42,350. Meanwhile, the value of pension contributions breaching the Annual Allowance rose by 564% during the same period.

Victim loses £48,000 in 'screen sharing' scam

The Financial Conduct Authority's (FCA's) ScamSmart scheme has turned its attention to so-called 'screen sharing' scams, whereby fraudsters take over their victims' computers using remote desktop software. Since July 2020, the FCA has seen well over 2,000 such cases, with victims losing a combined total of £25m between January 2021 and March 2022. One 59-year-old woman lost nearly £50,000 when a scammer posing as a financial adviser convinced her to download screen sharing software on the pretext of helping her complete a Bitcoin investment. Instead, they took advantage to access her banking details and other private information.

Your retirement today

The Class of 2022 retirement report provides a riveting insight into the plans and thoughts of those either planning to retire this year or recent retirees, really highlighting the changing face of retirement in the UK.

The last couple of years have impacted people's plans, with people reassessing what retirement looks like to them. Less people are giving up work entirely, choosing to adopt a more staggered approach to retirement. Two thirds (66%) plan to continue working in some capacity during retirement; of this number some plan to move to part-time hours, others intend to continue working for their own business, start their own new business or volunteer. Therefore, a third of retirees plan to give up work altogether, down from 44% of 2021 retirees.

Financial readiness
Confidence in financial readiness to retire has fallen, with only 25% feeling financially ready to retire, versus 30% in 2021. A key factor in this fall being the rising cost of living, with 28% of respondents unsure how to mitigate the impact of rising inflation on their retirement income – a prime concern for those with large cash holdings.

Pass it on
With over a half (56%) of retirees planning to pass on wealth to their loved ones, just 23% feel confident about how they will pass on any leftover assets to loved ones. Only 9% have started gifting wealth to reduce their IHT liability. Interestingly just 30% have had conversations with their partner about passing on their estate, while just 26% have spoken to their children about it.

No two retirements are the same
Retirement is a thriving new beginning to plan for. Whether you're thinking about a gradual retirement or full retirement how do you visualise your retirement years? Have you thought about your income requirements or tax implications? Have you started a conversation with family about how you want to use your wealth to help them? Advice can help you seek clarity and provide focus and direction.

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Divorce and your pension – a supporting role

Research suggests that nearly one in five people are, or will be, financially worse off due to their divorce, and that many divorcees struggle to make ends meet after separating from their partner.

The statistics make for worrying reading. A third of divorced respondents said they were forced to take money from their savings to supplement their finances, 20% had to use credit cards for everyday expenses, 18% borrowed from family and friends, while 15% resorted to selling their possessions to make ends meet.

Pensions are an asset
Pensions can be highly valuable assets – 42% (or £6.4tn) of UK wealth is currently held in private pensions – meaning that a pension can be a hugely important part of a divorce settlement. And yet, 15% of divorced people had no idea that their pension could be impacted by getting divorced, while 35% did not make any claim on their former spouse's pension.

Don't underestimate your pension
Alistair McQueen, Head of Savings & Retirement at Aviva, commented, "It's critical that, as part of the separation process, couples take time to think about and discuss one of their single most valuable assets, their pension (...) It can often be a very complex issue so, as well as hiring a family lawyer, it would be advisable for couples to contact a financial adviser to walk them through the pension valuation and financial process."

The impact of 'no-fault' divorce
It has yet to be understood how the introduction of so-called 'no-fault' divorce in April this year might be starting to impact the way in which pensions and other assets are treated in divorce settlements. We would always recommend speaking with a qualified financial adviser for guidance relating to the financial aspects of your divorce.

We are here to help you make some important decisions with your finances as you navigate the complexities (emotional and financial) of divorce.

Trust Registration Service update

The Trust Registration Service (TRS) opened in 2017 with the aim of digitalising the trust registration process. Following the UK's adoption of the EU's Fifth Anti-Money Laundering Directive (5MLD) in 2020, changes to the TRS were required in order for HM Revenue and Customs (HMRC) to fulfil its obligations under the new regulations.

The new rules require all UK express trusts and some non-UK trusts (including most non-taxable trusts) to register with HMRC. The TRS began accepting registrations from non-taxable trusts in September 2021, with an initial deadline of 10 March 2022. Due to delays in getting the TRS prepared, this deadline was later amended to 1 September 2022.

Rules relating to non-taxable trusts
The September 2022 deadline applies to all trusts that existed on or after 6 October 2020 – even if they are now closed. Following this deadline, all new trusts (and any changes to the details of existing trusts) must be registered within 90 days. In order to not penalise trusts set up close to the September 2022 deadline, however, the 90-day rule will also apply to trusts set up on or after 2 June 2022.

Which non-taxable trusts are exempt?
There are some trusts that are exempt from registration unless they pay UK tax. Some examples include trusts used to hold money or assets of a UK-registered pension scheme, trusts holding life insurance and other policies that pay out upon a person's death, charitable trusts and will trusts.

We understand that the rules relating to trusts are complex, so please don't hesitate to contact us if you are unsure.

Revisiting your IHT strategy

Latest data from HMRC revealed IHT receipts for April 2021 to March 2022 were £6.1bn, 14% (£0.7bn) higher than in the same period 12 months earlier.

Factors at play
Receipts have increased partly due to higher death rates during the pandemic, as well as due to the rise in property prices which has seen more families coming into scope for IHT. With thresholds frozen at current levels – the nil-rate band is £325,000 and the main residence nil-rate band is £175,000 – IHT is effectively a stealth tax.

Time for a refresh? IHT top tips

- **Gifts –** use your £3,000 annual allowance before the end of each tax year. You can also make gifts of up to £250 per person per tax year
- **Trusts –** for example, putting money into a trust to pay for a grandchild's education or to support another relative
- **Make a Will –** and keep it up to date
- **Leave money to charity –** if you leave at least 10% of your net estate to charity, the IHT rate reduces from 40% to 36%
- **Take out life assurance –** this won't reduce your estate but instead provides a lump sum to your beneficiaries to pay the IHT bill. The policy should be written under a suitable trust
- **Take advice –** sensible IHT planning can help to reduce the amount of IHT your beneficiaries will have to pay and safeguard your wealth for the future.

When in (financial) doubt – talk it out!

According to a recent survey, 90% of households are worried about rising prices. Financial worries can cause a great deal of stress and anxiety; nearly one in five people say they have lost sleep over soaring prices in recent months.

Money and wealth often feel like a bit of a taboo topic for families. Research found that a third of people keep financial secrets from their partner, for example, hiding savings or investments from them.

It's so good to talk
With the rising cost-of-living impacting so many people, taking the time to discuss important financial matters with other family members will help to ensure that the right financial plans are in place to potentially support other family members and safeguard family interests.

In other news
Keep focused Openly discussing financial matters with your family and us can help establish priorities, clarify goals and ensure that plans are put in place to support each generation according to their financial needs. Having a holistic approach to your family's wealth can stand you in good stead and provide real focus. We are increasingly being asked to be part of these conversations, not least because we offer sound practical advice in a dispassionate manner. If you'd like us to help your family, then please do get in touch.

In other news

'Side hustling' becomes the norm
Nearly half (46%) of people are supplementing their income with a 'side hustle', according to recent research. The phrase, which originated in the United States, means taking on a part-time job in addition to one's regular job in order to make more money. Of those who have a side hustle, over half (56%) first started it during the pandemic.

Returns trump ESG for two thirds of investors
Despite the growing trend towards Environmental, Social and Governance (ESG) investing, return on investment remains the ultimate priority for the majority of investors. Research has revealed that 66% of investors prioritise profit over humanitarian concerns. There are significant differences between the generations, however; just 28% of Baby Boomers said ESG was a factor when choosing investments, against 56% and 57% of younger Millennials and Gen Z investors, respectively.

More Baby Boomers work past retirement age and provide financial support to family
Nearly 40% of Baby Boomers (i.e. the generation aged between 57 and 75) are set to continue working past the current State Pension age of 66. On average, this group plan to work for a further 4.3 years past their 66th birthday. The same study highlighted that just under a quarter (23%) of Boomers are financially supporting their children, with this intergenerational subsidisation also cascading to a second generation; 16% of Boomers are providing financial support to their grandchildren.

Come retirement, you reap what you sow

Hindsight, they say, is a wonderful thing and that is certainly true for many retirees struggling financially. Diligent planning at the earliest opportunity, however, can make all the difference between enjoying a comfortable retirement and enduring a regretful one.

Retirement regrets
Research constantly shows that people typically leave retirement planning too late and regret not saving more across their working lives.
For instance, a survey recently revealed one in five people expect to leave planning for their retirement until they are aged at least 60. Another study found almost half of over-50s regret not saving into a pension sooner, while nearly two thirds wished they had made larger contributions at an earlier stage. These findings vividly highlight the need for more people to take control and prioritise retirement planning earlier in their working lives.

Pension blind spots
Other research has revealed the cost of being kept in the dark on key pension details, with over three-quarters of people not knowing how much they pay in pension fees. Additionally, a third of pension holders are unaware of their pension's risk profile, with a similar proportion invested in low-risk funds. This lack of awareness in relation to fees and investment choices is estimated to cost an average pension holder around £120,000 over their working life.

Engagement gap
The lack of engagement has led the Association of British Insurers and Pensions and Lifetime Savings Association to launch an industry campaign to boost people's understanding of pensions. The campaign, which is due to run this autumn and winter, will aim to raise awareness of various pension-related issues so that more people can ultimately enjoy a better standard of living in retirement.

Help at hand
While current everyday financial pressures can make saving a difficult task, it is clearly imperative not to neglect your pension if you do want to avoid retirement regrets. We can help you take control to ensure you are able to enjoy the happy and fulfilling retirement you deserve.

Know your pension numbers

Starting or maintaining your pension contributions is important

With so many financial priorities to juggle, it can be hard to put your pension first, especially with spiralling household costs. Starting or maintaining your pension contributions is important.

Whatever type of pension plan you have, you get tax relief at the highest rate of Income Tax you pay on all contributions you make, subject to annual and lifetime allowances. This effectively means that some of your earnings which would have gone to the government as tax are diverted to boost your pension pot instead.

Make the most of your allowances
The Annual Allowance for pensions is £40,000. For those with an income above £240,000 (£200,000 threshold income plus the £40,000 you can save into a pension) the Annual Allowance begins to taper; for every £2 of adjusted income above £240,000, the Annual Allowance for that year reduces by £1. The minimum annual allowance is £4,000. The Lifetime Allowance – the maximum amount you can have in a pension over a lifetime without incurring an extra tax charge is £1,073,100.

Don't forget your State Pension
From 6 April, the new single-tier State Pension increased to £185.15 per week and the older basic State Pension rose to £141.85 per week. You can get a projection and find out your retirement age here www.gov.uk/check-state-pension

Treating you as an individual
We offer advice and help with all aspects of pensions and retirement planning, whether you're just starting out and want help choosing the most appropriate pension products, or you're approaching the stage of life when you need to utilise your pension pot and want to know the most efficient way to access your funds.

Don't give up your protection policy

With households facing the biggest squeeze on their incomes in many years, it's understandable that families are looking for ways to cut costs.

When looking to cut back, reviewing our subscriptions and direct debits (for example, for streaming services, food subscription boxes or gym memberships) is often a good place to start, but there is one cost that you shouldn't be so quick to give up.

Protection is vital
As tempting as it is to cancel protection insurance policies, times of financial difficulty are exactly when we need protection the most. Many policyholders aren't aware that life insurance cover can be flexible, and there are ways to reduce your cover rather than cancelling it outright.

Get in touch
If you have any questions about your protection policy please do get in touch. We can help you organise your finances and keep your vital protection cover in place.

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Good to know – JISA to adult ISA transition period

A J unior Individual Savings Account (JISA) can be held by a child until the day they turn 18, the annual allowance for which is currently £9,000. On their 18th birthday, the child can open an adult stocks and shares ISA, the annual subscription for which is currently £20,000. All pretty straightforward.

Now, for the interesting part – at present a child can open an adult cash ISA when they turn 16, benefiting from the full £20,000 adult allowance – a child can hold an adult cash ISA alongside a JISA whilst they are under 18.

So, with current allowances, a total of £29,000 can be paid into their ISAs in one tax year. Repeatable in the tax years they turn 17 and 18, contributions totalling £87,000 can be made in under three years.

It's a wrap
For people looking to put money aside for their children or grandchildren, there are interesting tax wrapper opportunities out there. Now, that's worth considering, isn't it?

Sandwich generation: how are you?

The sandwich generation are certainly used to challenges and putting other people's needs before their own. However, cost-of-living challenges look set to heap further pressure on this group which makes it vitally important they seek advice before taking any rash decisions which could sacrifice their financial futures.

Stiff upper lip
Research suggests that, although many over 45-year-olds have found themselves facing potential financial vulnerability, they tend to keep this firmly to themselves. In total, seven out of ten respondents had personally experienced such a situation, but few said they had been willing to ask for help.

Double whammy
Other analysis shows the potential for such problems is mounting. This is because people who provide support to adult loved ones will typically be hit twice by the cost-of-living crisis; not only will they find their own household bills rising but also those of the people they are supporting financially. This is particularly true for people in their early 40s who are most likely to be helping family members with the cost of monthly essentials.

Investors ponder contributions
There is also evidence that rising cost pressures are now resulting in people cutting back on their long-term savings commitments, with recent research

showing one in four investors halting contributions to ISAs and pensions. Depending on your circumstances, for many investors, it may be more important than ever to continue to put long-term savings in the stock market. Over the longer term, investing in equities can be regarded as an effective way to keep pace with inflation.

We can help
Although it can seem unnatural for members of the sandwich generation to consider their own needs, we are here to listen, support and provide advice when you need it. So if you do need to talk, get in touch and we'll do our best to help

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