

ESSENTIALLY WEALTH

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**GLOBAL ECONOMY
FACES RECOVERY
CHALLENGE**

**2020/21 – KNOW
YOUR NUMBERS**

**COVID-19 – THE ULTIMATE
FINANCIAL STRESS TEST?**



NEARLY £20BN
SITTING IN UNCLAIMED
PENSION POTS

DIVERSIFY, DIVERSIFY,
DIVERSIFY

PROTECT YOUR
FAMILY'S FUTURE
THROUGH ESTATE
PLANNING

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DREAMING OF THE RURAL LIFE

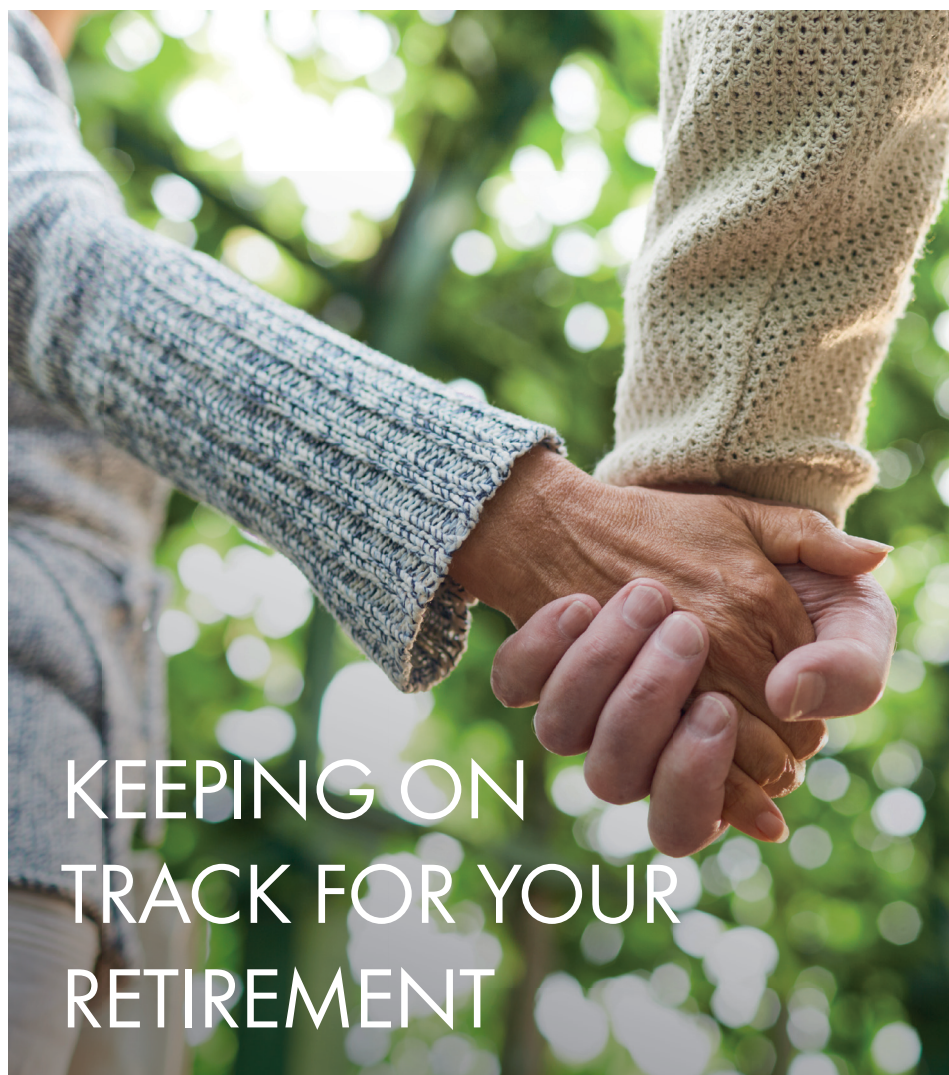
Following lockdown, people are likely to be working from home much more in future, leading many to consider the space they currently live in and their attitudes to moving to a different location.

Homebuyers who have successfully worked remotely and no longer need to commute so frequently and be in an office environment five days a week, are now able to consider a much wider area when looking for property.

A new survey¹ found that many respondents expressed a desire for space and access to the countryside. Almost four in 10 said they are now more inclined to pick a village location than they were before the pandemic, while 54% of those with school age children now find the idea of relocating to the countryside more attractive than pre-lockdown.

¹Savills, 2020





KEEPING ON TRACK FOR YOUR RETIREMENT

Recent stock market volatility may have made you anxious about your pension, particularly if you are nearing retirement, but it is important to consider the wider picture to keep your plans on track.

Resilient financial planning

Those who stick to their carefully-thought-out financial plans will inevitably be in better shape to ride out market volatility. Furthermore, those close to retirement may have already benefited by having their pension fund 'lifestyled', which automatically switches funds into safer assets such as cash, gilts and bonds.

Keep on course

Making decisions based on what is happening in the short-term can be a very risky thing to do, with the potential to lock in any losses you have incurred. Pensions are long-term investments, so for younger investors, there should be plenty of time for markets to recover and pension pots to achieve the necessary growth before retirement income is needed.

For those closer to retirement, it is a good idea to review your pension pot alongside

other savings and investments to get a full picture of your financial situation.

Funds for later life

An increasingly popular option to consider is that of a staggered retirement, where you continue to work part-time before giving up work completely. With people living longer, to ensure your pension lasts as long as you do, this trend provides for greater flexibility and preserves retirement funds into later life.

Financial advice is key

Recent months have seen an increased demand for professional financial advice. It has never been more important to get sound advice to keep your retirement plans firmly on track.

We're here to help

If you are concerned about the impact of the pandemic on your retirement plans, contact us. We can review your options and tailor make plans specifically to your individual needs.

2020/21

KNOW YOUR NUMBERS

Here are a few figures worth knowing in 2020/21 to help maximise your tax allowances and exemptions:

Personal taxation

The National Insurance threshold is £9,500 and the Personal Allowance remains the same as last year, at £12,500.

Pensions

The Annual Allowance for pensions is £40,000 and begins to taper (to a minimum of £4,000) for those who have an income above £240,000.

The Lifetime Allowance – the maximum amount you can have in a pension over a lifetime – has increased to £1,073,100.

From April, the new single-tier State Pension has risen to £175.20 per week and the older basic State Pension increased to £134.25 per week.

Savings

The annual amount you can save into a JISA (Junior Individual Savings Account) or Child Trust Fund has increased substantially, from £4,368 to £9,000. The ISA (Individual Savings Account) allowance, including the Lifetime ISA allowance if used, is £20,000.

Inheritance Tax (IHT)

The current IHT nil-rate threshold is £325,000 for individuals and £650,000 for a married couple or civil partners. Beyond these thresholds, IHT is usually payable at a rate of 40%. The main residence nil-rate band, which may apply if you leave your main residence to a direct descendant, is £175,000.

Planning pays

We can advise you on taking sensible steps to reduce the amount of tax you pay, on the path to achieving your financial goals.

GLOBAL ECONOMY FACES RECOVERY CHALLENGE

Economic data from the first quarter of 2020 has provided a foretaste of the impact the pandemic is set to have on global economic activity.

Europe

In the UK, output fell by 2% across the first three months of 2020, with the economy shrinking by a massive 5.8% in March alone.

An even larger decline was seen across the 19-country Eurozone, with output falling by a record 3.8% in the January–March period. Italy and France plunged into recession, with quarterly contractions of 4.7% and 5.8% respectively, while the German economy also slipped into recession, contracting by 2.2% for the quarter.

US and Japan economies shrinking

The US economy shrank at an annualised rate of 5% in the first quarter and a worse outcome is expected for the April–June quarter. The Japanese economy, already struggling following a sales tax hike last October, also fell, contracting at an annualised rate of 3.4% in the opening three months of 2020.

WE ARE FACING 'AN UNCERTAIN RECOVERY' FROM A 'CRISIS LIKE NO OTHER'

China's economy also faltering

The world's second-largest economy shrank at an annualised rate of 6.8% during the first quarter and Beijing will not set an economic growth goal for this year.

'A crisis like no other'

Continuing uncertainties surrounding the future spread of COVID-19 and the likelihood of developing a successful vaccine obviously make it difficult to predict the future path of the global economy. The International Monetary Fund's (IMF) latest assessment suggests we are facing 'an uncertain recovery' from a 'crisis like no other.' The IMF projections for 2021 show a rebound in global growth of 5.4%, but the IMF has stressed that there is a higher than usual degree of uncertainty around this forecast.

NEARLY £20BN SITTING IN UNCLAIMED PENSION POTS

There's so much to do when you move home and notifying the many organisations and institutions that hold your data can be one of the most onerous tasks. Research² has suggested that just one in 25 people would notify their pension provider if they moved.

According to the Association of British Insurers (ABI), a staggering £19.4bn is stagnating in 1.6 million unclaimed pension pots, simply because people have failed to notify their provider that they have moved. That's almost £13,000 per pension pot! Make sure this doesn't happen to you.

²ABI, 2020





PROTECT YOUR FAMILY'S FUTURE THROUGH ESTATE PLANNING

One way of ensuring that your loved ones receive assets is to pass them over while you're still alive. However, this needs careful thought as you may not want to relinquish control and you need to make sure you keep enough yourself to live off – a difficult balancing act.

The first stage

As a starting point, you need to value your estate, including your home, other property, shares and investments, money and savings, business assets, cars, jewellery and other personal possessions. From this, deduct debts and liabilities, including your mortgage, bills, loans, credit cards, overdrafts, and funeral expenses.

Make your wishes known

Successful estate planning includes having a valid Will in place and establishing trusts which manage money or other assets on behalf of beneficiaries. Trusts can give you control over who receives what and when.

It is also a good idea to set up lasting powers of attorney (LPAs), covering 'health and welfare' and 'property and financial affairs' at an early stage.

Inheritance Tax (IHT)

Estate planning can be used to reduce the amount of IHT payable, enabling you to pass on more of your assets. The current IHT nil-rate threshold is £325,000 for individuals and £650,000 for a married couple or civil partners. Any unused portion of the nil-rate band can be passed to a surviving spouse or civil partner on death. IHT is usually payable at a rate of 40% beyond these thresholds.

A main residence nil-rate band (currently £175,000) may also apply if you want to pass your main residence to a direct descendant.

Gifts

If you have surplus income, you could consider gifting money to the next generation. Professional advice on the current rules is recommended, to ensure gifts are made in the right way to qualify for relevant exemptions, so that IHT is not chargeable on them later unless the rules change.

Help with your estate planning

Our advice will help you to pass on your assets to the people you want, in the most effective and tax efficient way.

The Financial Conduct Authority do not regulate estate planning.



EARLIER IS BETTER FOR ISA INVESTORS

Investing in an ISA is a great way to build up your savings. Research³ looking into the savings habits of hypothetical stocks and shares ISA investors has demonstrated that the earlier in the tax year you invest, the better off you'll be.

According to the report, based on the performance of the FTSE All-Share Index, 'Early Shirleys' who have invested their full ISA allowance on the very first day of the tax year for the past 20 years would be £12,000 richer than 'Last Minute Laras', who waited to invest until the end of each tax year.

The study also looked at 'Monthly Monty', who has invested according to a monthly savings plan. By paying in regular instalments, he would also reap better returns than if he'd invested at the last minute. Splitting your investments in this way over the 20-year period would still leave you £7,496 better off than a 'Last Minute Lara'.

³Fidelity International, April 2020

INVESTING IN AN ISA IS A GREAT WAY TO BUILD UP YOUR SAVINGS.



COVID-19 – THE ULTIMATE FINANCIAL STRESS TEST?

Coronavirus has affected every aspect of our lives, particularly our financial stability. The crisis has acted as a stress test for the nation's finances, highlighting the fragility of many people's financial safety nets.

It has compelled individuals to take a closer look at their finances to see how they can reduce their expenses and become more mindful spenders.

Just like the Bank of England conducts stress tests on banks to gauge how they can withstand severe economic scenarios and have enough capital and are able to support the economy, the pandemic has provided a stress test for the personal finances of millions of people around the globe.

Saving for a rainy day

The outbreak has emphasised the importance of having emergency savings

to fall back on. If you have some money put by, it is worth shopping around for the best rates, rather than letting your savings stagnate in a poorly paying account. If you don't have savings, then a regular savings scheme could be an excellent way of building up those rainy day funds.

Protection is paramount

While it is easy to think you will never be ill enough to be unable to work, lockdown has changed that attitude for many. Insurance policies such as life cover, critical illness cover or income protection insurance could really help reduce the financial burden on you and your family.

Difficulties with debt

A sudden reduction in income for much of the population has left many facing higher levels of debt. While mortgage or other debt payment holidays have provided temporary relief, they will not last forever. Doing nothing could put a permanent black mark on your credit score, it's best to be proactive...

Help is at hand

If the pandemic has shown us anything, it is that we never really know what's around the corner. We're here to help you get financially prepared for whatever lies ahead – so please get in touch.

WHEN IS A £20 NOTE NOT A £20 NOTE?

When it's worth £7,500!
A new polymer £20 note, featuring artist JMW Turner, was recently sold at auction for this sum, with proceeds going to charity.

Listed with a guide price of between £3,000 and £4,000, the note eventually sold for 375 times its face value.

Whenever a new note enters circulation, the first one is gifted to the Queen with the serial number AA01 000001. The note ending 000010, which was the case here, is usually the first to enter circulation.



IF THE PANDEMIC HAS SHOWN US ANYTHING, IT IS THAT WE NEVER REALLY KNOW WHAT'S AROUND THE CORNER

SUMMER ECONOMIC UPDATE DELIVERS A "PLAN FOR JOBS"

On 8 July, Chancellor Rishi Sunak delivered his "plan for jobs", the second phase of the government's economic response to the coronavirus pandemic.

Before outlining his three-step plan, Mr Sunak stated that the nation faces "profound economic challenges" on the road to recovery, but that "no one will be left without hope."

Supporting jobs

The first step in the Chancellor's plan is to support people in retaining or finding jobs, announcing:

- A 'Job Retention Bonus' of £1,000 per employee for employers bringing back furloughed staff and retaining them until 31 January 2021.
- A £2bn 'Kickstart Scheme' to help younger people find jobs, traineeships and apprenticeships.

Creating jobs

Mr Sunak then moved his plan to create jobs, specifically "green jobs". He announced:

- A £3bn package to improve the energy efficiency of homes and public buildings, supporting around 140,000 green jobs.
- A 'Stamp Duty Holiday' until 31 March 2021, temporarily increasing the threshold from £125,000 to £500,000.

Protecting jobs

He concluded with his plan to protect jobs in the hard-hit tourism and hospitality sectors:

- A "unique" 'Eat Out to Help Out' restaurant discount scheme, to attract customers back into restaurants during August.
- Reduction of VAT on food, accommodation and attractions from 20% to 5%.

TRUSTED FINANCIAL ADVICE IN UNCERTAIN TIMES

A study⁴ of savers and investors has found that one in 25 people have recently sought advice for the first time ever. It also highlights myths that exist surrounding financial advice, with two in five people thinking they aren't wealthy enough to seek advice and 27% thinking advice is only for those with over £100,000.

Advice throughout your life

The reality is that 77% of those who have either sought advice or who currently have an adviser, have savings and investments of less than £100,000, compared to just 5% with more than £500,000.

The pandemic has clearly prompted a proportion of people to seek advice. It is often a life event which triggers the need for advice, rather than hitting a financial milestone. Common reasons for seeking advice include a desire for a financial health check, a change in family circumstances like marriage or a decision to invest for a child or grandchild.

Measuring value

Over the years, research has produced some interesting findings that highlight the benefit of taking advice when making financial decisions.

One study⁵ found that individuals who receive financial advice were likely, on average, to receive 4.4% more per annum in net returns. This was through a combination of financial planning, tax advice, preventing behavioural mistakes and rebalancing portfolios.

Helping you with important decisions

Successful planning involves a regular review of your circumstances and adapting to changes over the long-term.

If you'd like help planning for life's important milestones or feel that you could benefit from an assessment of your current circumstances and would like help devising an individual plan for your financial future then do get in touch, we're here to help.

⁴Aegon, 2020

⁵Russell Investments, 2019

SUCCESSFUL PLANNING INVOLVES A REGULAR REVIEW OF YOUR CIRCUMSTANCES AND ADAPTING TO CHANGES OVER THE LONG-TERM.



DIVERSIFY, DIVERSIFY, DIVERSIFY

History can provide several examples that show the old adage about eggs and baskets to be true – spreading risk has always made sense.

The Poseidon misadventure

Fifty years ago, the share price of Australian nickel mining company, Poseidon, rocketed from A\$0.80 to \$280.00 over the course of a few months before profit-taking began and the share price crashed. Receivership followed in 1974.

Twenty years later, another 'rising star' of the stock market burned out. Minor fashion house, Polly Peck, was acquired by new owners in 1980 and used as a vehicle for ventures in Northern Cyprus. After a series of deals in the 1980s, the growth was such that the company's shares entered the FTSE 100, before



being suspended in September 1990 amid fraud allegations.

Fear of missing out

Before Poseidon and Polly Peck, there had been plenty of previous warnings about the risk of blindly following the herd, on an opportunity 'not to be missed.' The South Sea Bubble ruined many British investors as far back as 1720.

Diversification is right for everyone

As a general principle, any investment

in shares needs to be spread across different areas, such as industry sectors and geographical regions, so that if one share price slumps it only affects part of your overall portfolio. A sensible way to achieve a spread of risk is through collective investment schemes with a risk profile to match your objectives and needs. We can advise on the investment strategies and products most appropriate for your individual circumstances.

WEALTH PRESERVATION

Having worked hard to save and invest during your younger years, your strategy then needs to turn to wealth preservation, or at least, to guard against the erosion of your wealth.

This is vital in ensuring that you have sufficient assets to realise your goals during your lifetime and to make an enduring legacy for your family.

Certain things will be under your direct control, such as your spending habits, but when an unexpected event, such as recent stock market volatility, takes place, having a diversified portfolio, together with a

holistic view of your finances, can help to protect your investments.

Quality financial advice is needed more than ever. We understand the challenges you may face and want to reassure you that we are here to support you. You can rely on our experience and knowledge; and through open and honest communication, we can guide you through any challenges.

IMPORTANT INFORMATION: We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.