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ESSENTIALLY WEALTH

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AUTUMN: A TIME OF PREPARATION

Traditionally, autumn has been a time of harvest; of preparing for the long winter ahead. These days, we're more likely to be hunkering down indoors as the days get shorter. Even so, as a season associated with change and preparation, autumn is still an excellent time to get things in order.

Getting organised
If you're looking to get things done, you're certainly in the right season – and this is also true when it comes to your finances. October marks the midpoint of the tax year, making it a great time to review ISA and JISA contributions and any other tax-related issues. While you're at it, you might as well check that your pension arrangements are on track and that your protection cover is still adequate for your needs.

Don't put it off
Everyone knows the benefits of looking after our finances – but that doesn't mean we make it top priority! A recently commissioned poll[1] has found that the vast majority (84%) of the UK population procrastinate on important tasks by either doing nothing or doing something more enjoyable or completely unrelated. One in five procrastinate like this every single day.

Engage and prepare
Failing to engage with your finances until you absolutely need to is a sure-fire way to increase your stress levels. However, more of us know the value of our house (58%), car (55%) and television (63%) than the value of our pension pot (38%), according to research. Nearly as many of us know the value of our wardrobe contents (34%)[2]!

So, it's clear that Brits are born procrastinators, but don't they also say there's no time like the present? That's why we're here: to help with the task of getting your financial affairs in order. For help ticking off the to-do list, get in touch.

[1]Micro Biz Mag, 2021, [2]Aviva, 2021

'PRE-INHERITANCE' GAINING PROMINENCE

Issues relating to intergenerational wealth and the growing need to provide financial assistance to the younger generation have become a recurring theme in today's society and, with so many people now benefiting from inheritance pay-outs, this has inevitably led to more and more family conversations about 'pre-inheritance'.

The scale of inheritance

According to a recent study conducted by Key, 11.6 million people in the UK received an inheritance at some point during the past ten years. More than half of these were left money by their parents, with grandparents the next most likely source followed by uncles or aunts, family friends, cousins and siblings. Interestingly, the average age for someone to receive an inheritance was 47.

Right time of life?

For many people, inheritance can involve substantial, potentially life-changing sums of money, especially when property is involved. However, the idea of inheritance arguably works best when a beneficiary receives support when their financial need is greatest. By the time most people receive an inheritance though, they have typically already built up a sizeable stock of assets themselves.

Providing a helping hand

As a result, the idea of 'pre-inheritance' is gaining traction. Early inheritance gifts enable people to provide a cash injection at a time when their support is most needed. In addition, 'pre-inheritance' provides the person making the gift with an opportunity to witness the impact their generosity has on a loved one's life.

Sound advice is key

Before making an early inheritance gift though, it is vital to fully consider all of the consequences, particularly in relation to your own financial situation. Understanding any potential tax implications, especially relating to Inheritance Tax, is also clearly paramount. Given the complexities involved, it is therefore essential to seek professional financial advice prior to taking any actions.

'PRE-INHERITANCE' PROVIDES THE PERSON MAKING THE GIFT WITH AN OPPORTUNITY TO WITNESS THE IMPACT THEIR GENEROSITY HAS ON A LOVED ONE'S LIFE

WATCH OUT FOR SCAMS, HMRC WARNS STUDENTS

University students taking on part-time work could be vulnerable to scams this year, Her Majesty's Revenue and Customs (HMRC) has warned.

In early September, HMRC published advice for young people taking on part-time jobs to fund their university courses. Likely to be new to interacting with HMRC, they may lack the ability to distinguish genuine contact from scammers using a trusted brand to add credibility to their criminality.

The tip of the iceberg

In just one month between April and May this year, young people between the ages of 18 and 24 reported over 5,000 phone-based scams to HMRC. This is just the tip of the iceberg; in 2020, HMRC responded to 413,527 reports of phone scams – 92% up on 2019[3].

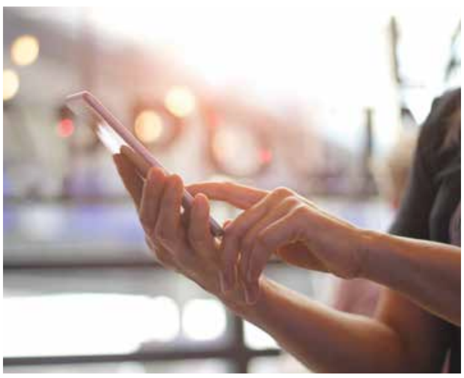
Falling for a scam can have extremely damaging consequences; clicking on links in emails or texts can result in your personal details being stolen, or malicious software being downloaded onto your device to steal money or personal data.

Trust your instinct

So, what can vulnerable young people do to avoid being tricked out of their hard-earned cash?

Mike Fell, Head of Cyber Security Operations at HMRC, commented, *"Our advice is to be wary if you are contacted out of the blue by someone asking for money or personal information. If in doubt, our advice is – do not reply directly to anything suspicious, but contact HMRC through GOV.UK straight away and search GOV.UK for 'HMRC scams'."*

[3]HMRC, 2021



WORKING TOGETHER TO TACKLE THE CLIMATE CRISIS – THE INVESTMENT INDUSTRY STEPS UP

Held in Glasgow in November – COP26 – the United Nation's 26th Conference of the Parties is recognised as the most important climate change event since the 2015 Paris Agreement.

Bringing together world leaders from around the globe, to build on the work started by COP25 and the goals set out in the Paris Agreement, the main objectives include:

Securing global net zero by mid-century and keep 1.5 degrees Celsius within reach
Countries are being asked to put forward ambitious carbon emissions targets by 2030

Protecting natural habitats and communities
Countries will find ways to protect and restore ecosystems and prevent further habitat loss

Mobilising finance
Developed countries must work to release trillions in private and public sector finance

Work together to deliver
The challenges presented by the climate crisis can only be tackled by working together.

Tipping point?
With extreme weather events increasing in frequency, we're already seeing what awaits if climate inaction continues. A recent report published by the UN's Intergovernmental Panel on Climate Change, highlighted that *'it is more likely than not'* that the global temperature will reach the *'tipping point'* of 1.5 degrees above pre-industrial temperatures in the next two decades.

Investment industry – a part to play
Launched last December, the Net Zero Asset Managers initiative has grown to over 120 investors, managing $43trn in assets – all committed to supporting the net zero goal and investing aligned with net zero emissions. COP provides an opportunity for investors to consider how they can develop solutions to climate issues and finance sector transition.

Commenting on the popularity of the initiative, Institutional Investors Group on Climate Change CEO, Stephanie Pfeifer, commented, *"In just six months, nearly half of the global asset management sector has committed to achieving net zero emissions with their clients across the funds they manage. This marks a fundamental tipping point across the investment sector and a significant boost in efforts to tackle climate change and decarbonise the global economy. There's a lot more to achieve, but the sector is increasingly on a path to a net zero future."*

TRIPLE LOCK GUARANTEE TO BE REPLACED BY A 'DOUBLE LOCK' FOR 2022-23

After much speculation, in September, the Secretary of State for Work and Pensions, confirmed suspension of the average earnings component of the pension triple lock, to avoid a disproportionate rise of the State Pension following the pandemic.

For the 2022-23 tax year only, the new and basic State Pension will increase by the higher of either 2.5% or the consumer rate of inflation. The triple lock is due to be restored after one year, with the government expected to implement the policy throughout the remainder of their parliament.

THE TRIPLE LOCK IS DUE TO BE RESTORED AFTER ONE YEAR

AVOIDING THE NEGATIVE IMPACTS OF SUDDEN WEALTH

Far from being a happy event, for some people, receiving a financial windfall can prove an enormous emotional shock. Whether you're selling your business or inheriting, maybe a successful entrepreneur, sudden wealth can feel overwhelming and can even result in a recognised psychological condition called 'Sudden Wealth Syndrome.'

Varying from person to person, symptoms can include feelings of isolation, uncertainty about the future, fear of losing new-found financial stability, and guilt about the good fortune. Adapting to this new financial status can lead to poor mental health and self-destructive behaviour, such as embarking on risky investments or excessive spending. Our mental state has an impact on how we handle our money. Almost half (46%) of people with problem debt also have a mental health issue[4]. Stories about people who win the lottery jackpot before losing it all, or getting into debt, are commonplace.

Step by step

Although we can't always plan for it, or avoid some of the negative feelings associated with a windfall, there are things we can do to safeguard our finances:

– Avoid hasty decisions – put your windfall into an easy-access savings account(s) (within Financial Services Compensation Scheme limits), where it can accrue interest, until you have decided what to do with it

– Keep it under the radar – Sudden Wealth Syndrome can cause anxiety and paranoia that people only like you because you have money. Keeping things discreet will help alleviate these feelings and help with clear decision-making

– Take professional advice – investing or spending large sums of money without advice can be catastrophic for your finances. Investment and tax planning advice are essential to help you make wise decisions and ensure your new-found wealth works hard for you and your family.

[4]Money and Mental Health Policy Institution, 2019

SELF-CARE FOR THE SELF-EMPLOYED (AND EVERYONE ELSE!)

The concept of 'self-care' involves taking time out of your day to do things to promote good mental health and reduce stress (lounging on the sofa counts!).

Working for yourself, while having clear advantages, also has some downsides, including a lack of holiday pay, entitlement to sick pay or access to a workplace pension scheme. Looking after your finances is one of the best ways to take care of yourself, self-employed or not.

There are a number of things you can do to protect yourself from financial blows, including:

Paying into a personal pension
With well over four million people in the UK now registered as self-employed, figures vary but the general consensus is that the majority of self-employed people don't have a pension and with the best will in the world, even with the full State Pension, most people are likely to need additional savings in order to live comfortably in retirement.

Protect your income
Taking out an income protection policy could act as a financial safety net if you were too sick to work or had to take time off due to an injury. These policies are designed to pay out a monthly income, on a short or long-term basis, to cover expenses such as your rent or mortgage, bills and other living costs if you are unable to work.

Take advantage of tax relief
If you're self-employed, you can deduct some of the costs of running your business from your taxable profits, reducing the overall amount of tax you pay. These are called 'allowable expenses' and include (but aren't limited to): office costs, travel expenses, costs of your business premises, stock or raw materials purchased to sell on, advertising or marketing.

Remember to keep accounts!
It can sometimes be more challenging to get a mortgage if you're self-employed, but keeping impeccable accounts will certainly help. Lenders will want to see two to three years' accounts signed off by an accountant, so keep this in mind if you're looking to buy.

Ask the experts
We're here to help you take care of your finances, whatever your employment status.

LOOKING AFTER YOUR FINANCES IS ONE OF THE BEST WAYS TO TAKE CARE OF YOURSELF, SELF-EMPLOYED OR NOT.

ESG ASSETS ON COURSE TO TOP £36TRN BY 2025

According to Bloomberg Intelligence[5], ESG assets are forecast to exceed $50trn (£36.5trn) – over a third of projected global assets – by 2025. The analysis comes as environmental, social and governance factors are becoming increasingly important to investors across the globe.

According to Adeline Diab, Head of ESG and Thematic Investing EMEA & APAC at Bloomberg Intelligence, *"The pandemic and the global race to net zero carbon emissions have put ESG criteria into orbit – from niche to mainstream to mandatory... ESG is fundamentally reshaping the financial industry, becoming part of financial reporting. This is in part due to mounting scrutiny from regulators, markets being more sensitive to ESG-related news, and asset owners appointing managers on the basis of ESG across asset classes."*

[5]Bloomberg Intelligence, 2021

UK INVESTORS WILLING TO SPEND LESS TO INVEST MORE

When spending opportunities fell during the pandemic, many people increased their investment contributions. Now, travel, leisure and hospitality spending are recovering, but the investing buzz looks set to continue.

Don't stop investing

A poll[6] has revealed that 76% of UK investors plan to keep their lockdown habits now restrictions have eased. Notably, half of respondents will reduce everyday spending in order to continue investing the same amount or more.

On average, investors intend to contribute 19% more each month than during lockdown. This figure is even higher for younger generations (36%). In contrast, just 6% plan to reduce their contributions.

Generational shift

The pandemic spawned a new generation of investors. Some analysts assumed this was a temporary craze, but these findings seem to indicate a more permanent shift in the UK's attitude towards investing. The recent rise in investing is also aided by the backdrop of rock-bottom interest rates.

Get started on your investment journey

While it is never guaranteed, investments have historically delivered better returns than savings over the long term. We can build a diversified portfolio aligned to your risk profile.

[6]Barclays Smart Investor, 2021

76% OF UK INVESTORS PLAN TO KEEP THEIR LOCKDOWN HABITS NOW RESTRICTIONS HAVE EASED

INFLATION RISK FOR PARENT SAVERS

For some years, the Bank of England's target for annual Consumer Prices Index (CPI) growth has been an average of 2%. In 2021, however, inflation indices have risen faster as the economy bounces back. This poses a problem for savers, who risk seeing the real value of their savings dwindle.

Invisible danger
Inflation can have a significant impact on savers and investors. While a modest level of price inflation is generally seen as acceptable and even as a sign of a healthy economy, a high inflation rate erodes the spending power of money. For those with a lot of cash in the bank, interest rates lower than the inflation rate mean they will see their cash eaten away by an invisible but corrosive force.

Bank interest rates have been very low since the global financial crisis; the inflation rate indicated by CPI growth has also been subdued. This year, however, the recovering economy and some global factors have caused inflation to rise significantly – and many economists think above-target inflation may prove persistent.

Is cash really king?
It is therefore surprising that a survey of 2,000+ participants by NatWest Group found that four in five of the 76% of parents or guardians who save or invest for their children are doing so exclusively in cash. Whilst praising those that put money aside for their children, NatWest also questioned the effectiveness of their decision-making, *'The purchasing power of these 'safe' cash balances actually goes backwards over the longer term.'*

Of course, a healthy bank balance has its place, acting as a reassuring buffer against unexpected expenditure (appropriate insurance policies reduce the risk of this). But cash is rarely the best long-term strategy for larger sums.

IHT RISE HIGHLIGHTS NEED FOR ESTATE PLANNING

With the latest data showing Inheritance Tax (IHT) receipts rising and set to reach record levels this year, the need to formulate an effective plan to minimise death duties is becoming increasingly important for anyone who wants to maximise the amount they pass on to beneficiaries.

IHT receipts up...
In late July, HM Revenue & Customs published their annual IHT statistics which showed the amount collected via this tax is on an upward trajectory. In total, £5.4bn flowed into government coffers through IHT receipts during 2020/21, a 4% increase compared to the previous financial year.

...and set to reach record levels
Furthermore, analysis by the Office for Budget Responsibility (OBR) suggests a continuation of this upward trend. According to the OBR's latest forecast, IHT receipts are projected to hit £6.3bn by 2023/24, 17% more than was collected in 2020/21.

Frozen tax thresholds
The surge in house prices over the past year is a key reason behind the rise, while the decision to freeze IHT thresholds at the last Budget is another contributing factor. In March 2021, the Chancellor announced that both the 'nil-rate band' of £325,000 and the 'residence nil-rate band' of £175,000 would remain at their existing levels until April 2026.

Early planning is key
While it is possible to minimise or eliminate any tax due on an estate through forward planning, the key is undoubtedly to create a plan at the earliest opportunity. A number of exemptions and reliefs are available for people seeking to mitigate the impact of IHT on their estate, ranging from simple lifetime gifts to more complex trust arrangements, but the options become more limited the longer you leave it. Estate planning is also a specialist area, so seeking professional input is essential.

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.