ESSENTIALLY
WEALTH

Q2 2023 ISSUE 28

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RISE IN INVESTOR CONFIDENCE

Despite ongoing economic challenges, a recent survey[1] has identified a rise in investor confidence. While this is certainly encouraging, focusing on long-term goals and retaining a strong sense of discipline in investment positioning remains a prerequisite for any successful investor.

Optimism in the air

It's fair to say 2022 was a turbulent year for global markets. The war in Ukraine, soaring inflation and rising interest rates all weighed heavily on a challenging 12-month period. Towards the end of the year, however, markets did stage a cautious recovery despite ongoing fears of a looming recession.

Inflation expected to fall

The final quarter of last year also witnessed a rebound in investor sentiment, with the same survey reporting an increase of five percentage points in respondents' confidence about their portfolios compared to the previous quarter. This optimism was driven by hopes that inflation may have peaked and looks set to continue falling in the months ahead; a view reflected in the International Monetary Fund's latest economic musings[2] which predict global inflation will drop from 8.8% in 2022 to 6.6% this year and 4.3% in 2024.

Young guns

Data from the survey also revealed most investors were either positive or ambivalent about last year's market volatility and its impact on their investing mindset. Almost one in four (23%) 18 to 34-year-olds say their investing appetite increased in 2022 whilst just 6% of over-55s share this view. This variation will partly reflect differing retirement time horizons, as younger investors are able to adopt a longer-term view.

Investor discipline

Maintaining a long-term philosophy and discipline in investment positioning, based on prudent risk management principles and avoiding panicky decisions has always been a key element for successful investing. In practice, this means achieving an appropriate level of diversification and understanding how to blend investments – that's what we do.

[1]eToro, 2023, [2]IMF, 2023

CHOOSING HOW TO TRANSFER YOUR WEALTH

Record flows of assets are set to pass down the generations over the coming years, making the subject of wealth transfer an increasingly important financial topic. It can be complicated knowing how you can best transfer your wealth in the way you want, avoiding any inheritance planning anxieties.

'Great wealth transfer'

The next three decades are set to witness the largest ever intergenerational transfer of wealth as baby boomers pass on assets. Analysts have dubbed it the *'great wealth transfer'*, with trillions set to cascade down the generations.

Differing attitudes

A new survey[3] highlights baby boomer concerns about how this transferred wealth may ultimately be spent. A third of baby boomers are reluctant to pass wealth to someone whose attitude to money differs from their own; additionally, Gen Z were found to be much more likely to adopt a short-term financial outlook than their forebears. Researchers suspect these differing attitudes could therefore impact wealth transfer decisions.

Intergenerational approach

Working with a financial adviser can help to build cross-generational connections and ensure any asset transfer is conducted in a way that meets your specific needs. Developing such relationships with your beneficiaries to ensure younger generations will receive financial decision-making support can create invaluable peace of mind for both you and your heirs.

Understanding the options

A range of options are available for people looking to transfer wealth, with lifetime gifting amongst the popular methods. Complexities with Inheritance Tax and setting up trusts though, mean sound advice is critical in order to adopt the most efficient approach.

Here to support you

All the evidence suggests developing strong relationships is key to the success of intergenerational financial planning. With our support, you and your family can work towards determining and achieving your inheritance planning objectives.

[3]abrdn, 2023

BE AWARE OF *'FISCAL DRAG'*

Frozen allowances, such as the personal allowance and higher rate threshold for Income Tax, coupled with the gradual reduction of disposable income due to inflation, will weigh on your finances, causing *'fiscal drag'*.

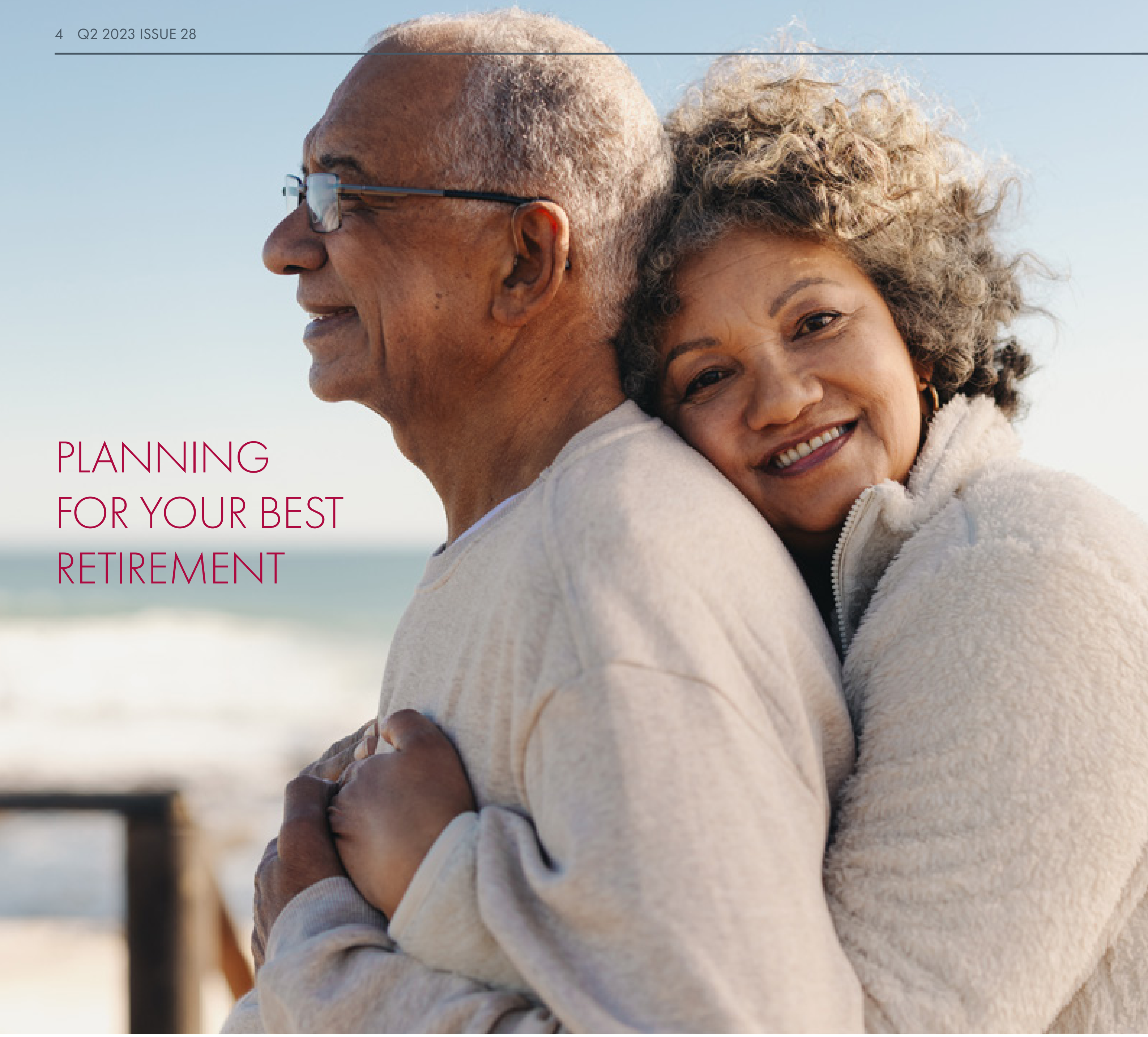
You can potentially reduce the impact of fiscal drag on your investments by adopting various strategies, thereby increasing your chances of achieving your long-term financial goals.

The worst thing is to do nothing. By succumbing to inertia, you are more likely to pay increased levels of tax, whether that's Income Tax due to the frozen personal allowance and reduced Dividend Allowance, or other taxes such as Capital Gains Tax (CGT) and Inheritance Tax (IHT).

The good news is that there are legitimate mitigation strategies and, depending on your personal circumstances, various allowances and tax reliefs available. By using your Individual Savings Account (ISA) allowance or making pension contributions early in a new tax year, you could benefit from extra potential growth, as well as receiving an element of pension tax relief on contributions earlier on.

We can help you consider tax-efficient investments, while diversifying and rebalancing your portfolio regularly helps ensure your asset allocation remains aligned with your objectives and attitude to risk; rebalancing will help minimise the impact of fiscal drag over time.

YOU CAN POTENTIALLY REDUCE THE IMPACT OF FISCAL DRAG ON YOUR INVESTMENTS BY ADOPTING VARIOUS STRATEGIES



PLANNING FOR YOUR BEST RETIREMENT

Dreaming about the retirement you want is one thing, but it can be difficult to understand what funds you'll need to finance these dreams and how this compares to the income you can expect to receive from your pensions and investments. It's even harder to keep track when the cost of living is spiralling.

Setting standards

The Pensions and Lifetime Savings Association (PLSA) developed its Retirement Living Standards[4] to help people envisage different lifestyles in retirement, based on the costs of common goods and services.

The cost of a **Minimum** lifestyle for a single person increased from £10,900 in 2021 to £12,800 in 2022, a rise of 18%. For a couple, income of £16,700 required in 2021 rose to £19,900 (19% increase). Costs factored into this lifestyle include – £96 for a couple's weekly food shop, eating out about once a month, a one-week annual holiday in the UK and some leisure activities. But there is no budget to run a car.

Dreaming of more than the minimum?

At the **Comfortable** Retirement Living Standard, retirees can expect more luxuries like regular beauty treatments, three weeks holiday in Europe each year and theatre trips. The weekly food shop for a couple in this lifestyle amounts to £238 per week.

What savings do I need?

For a comfortable retirement PLSA estimate that a couple who are both in receipt of the full new State Pension would need to accumulate a retirement pot of £328,000 each, based on an annuity rate of £6,200 per £100,000.

Your retirement, your choice

If you're concerned about how to fund the retirement you want, we can help you prepare financially. Retirement planning involves visualising your key goals for your retirement years and setting up a plan to help you achieve those goals through financial planning.

[4] PLSA, 2023

SPRING BUDGET RUNDOWN

On 15 March, Jeremy Hunt delivered his *"Budget for Growth,"* kicking off with the latest economic projections from the Office for Budget Responsibility (OBR).

Expectations are for the UK to avoid a technical recession this year, though with the economy set to contract by 0.2% in 2023, with growth then predicted to reach 1.8% in 2024 and 2.5% in 2025. Inflation is predicted to fall from an average rate of 10.7% in Q4 2022 to 2.9% by the end of this year. This decline can be partly attributed to the three-month extension to the household Energy Price Guarantee (EPG), confirmed by the government on 15 March.

Pillars and pensions

The Chancellor's growth strategy focuses on four pillars *'Everywhere, Enterprise, Employment and Education.'* Key areas of focus include investment for *'Levelling-Up'* initiatives, providing the right conditions for businesses to succeed and new measures to get people back to work, including childcare support.

To encourage over-50s to extend their working lives, the government is increasing tax relief limits on pension contributions and pots:

- The Annual Allowance is being raised from £40,000 to £60,000 from this April; at the same time, the Lifetime Allowance (LTA) charge is being removed, and the LTA will be abolished from April 2024
- The maximum amount that can be accessed tax free (Pension Commencement Lump Sum) will be frozen at its current level of £268,275 (25% of current LTA)
- From April, the minimum Tapered Annual Allowance (TAA) and the Money Purchase Annual Allowance (MPAA) increase from £4,000 to £10,000. The adjusted income threshold for the TAA also rises, from £240,000 to £260,000
- As previously announced, the Basic State Pension is increasing to £156.20 per week from April, with the full new State Pension increasing to £203.85 per week.

HAPPY NEW TAX YEAR!

A new tax year has begun and the chance to start your tax planning early, but why rush when there's almost a year until the next one? Here are a few reasons:

- You can take advantage of various tax allowances available for the year, such as your Individual Savings Account (ISA) and pension annual allowances
- You're likely to benefit from having your money invested in the market for longer
- If you can't invest a lump sum, you can set up a regular payment into your ISA or pension, to spread the cost over 12 months
- Avoiding the last minute rush gives you plenty of time to get everything done
- You can set up a system for keeping track of all your income, expenses and other financial transactions throughout the year, helping you to budget
- There is time to research your options and get financial advice to make informed decisions.

We're here to help you get the new tax year off to the best start.

BRINGING (FINANCIAL) CLARITY

A recent study from the Financial Services Compensation Scheme (FSCS)[5] has shone the spotlight on the financial *'advice gap.'*

The FSCS data highlights that nearly two-thirds of adults in the UK with savings, investments or a mortgage have not sought regulated financial advice in the last five years. FSCS Chief Executive Caroline Rainbird warned that the financial advice gap is a concern as it places people *"at greater risk of making poor decisions about their money"* by leaving them open to scammers who *"prey on people's fears and exploit any gaps in their financial knowledge."* This highlights the key role we can play in helping clients take control of their finances, providing clarity and working towards ensuring they avoid taking any undue risks or make costly mistakes with their money.

Advice for everyone

Another finding from the FSCS study showed that over half of all adults with a financial product believe professional advice is just for the wealthy. Clearly a commonly held misconception, the reality is that everyone can benefit from expert advice, not just wealthy individuals.

THE REALITY IS THAT EVERYONE CAN BENEFIT FROM EXPERT ADVICE, NOT JUST WEALTHY INDIVIDUALS

Building a relationship

Developing a strong and enduring relationship by holding regular reviews builds in the flexibility for carefully constructed financial plans to be adapted when life events inevitably bring change. We're here to help add clarity to your financial decision making as you progress through life's exhilarating journey.

[5]FSCS, 2023

ARE YOU KEEPING FINANCIAL SECRETS?

Almost two fifths of UK adults in a relationship are apparently committing *'financial infidelity'*, which includes *'deceptions'* like having secret savings accounts or credit cards and concealing purchases from their partners, according to a recent study[6].

Despite 67% of couples holding a joint current account and just over half (51%) having joint savings accounts, 38% of those surveyed have *'money stashed away'* that their partner has no knowledge of.

Almost a third (32%) of those survey respondents with a secret account say their motivation for this is a wish to maintain some independence or retain some control of their finances, while 25% want to be in a position to treat themselves without their partner knowing.

[6]Aviva, 2023

OVER 50? RE-JOINING THE WORKFORCE? PRIORITISE YOUR PENSION

An estimated 3.6 million people aged 50 to 64 are economically inactive, 300,000 higher than pre-pandemic[7].

With growth a major focus of the Spring Budget, there's little doubt that the country's economic growth will partly be reliant on getting the over-50s back to work.

Maybe you've taken early retirement but are having second thoughts? If you're thinking about re-joining the workforce, it's a good idea to ponder the below:

- Check if your new employer has a waiting period before auto-enrolling you into its workplace pension scheme – is there a means to opt into the scheme earlier to benefit from additional contributions?
- Find out how much you can save in your pension. As announced in the Spring Budget, tax relief on pensions has changed. We can help if you have any questions about your pension and how much you can contribute
- Will your employer match any additional contributions you make over your minimum level?
- Does your new employer offer you the option to exchange some of your salary in return for a pension contribution, which the employer then pays into your pension scheme along with their pension contribution? If so, this can prove to be extremely tax-efficient
- Decide how you want your contributions to be invested and select a realistic retirement date
- Set up a personal pension if you're self-employed
- Remember to consider your other pension pots and investments to take account of your altered circumstances and ensure you have enough to be able to retire comfortably when the time comes
- And finally, call us to help with any pension queries you may have.

[7]Centre for Ageing Better, 2023

TRACING UNPAID IHT

A specialist team has been established by HMRC to focus on the estates of wealthy deceased individuals to determine whether a greater Inheritance Tax (IHT) liability may have been due than originally calculated by estate executors.

Data has revealed that £326m was collected by HMRC as a result of targeted IHT investigations in the year to March 2022, the largest annual amount ever recovered. This represents a 28% uptick on the amount raised by investigators in the previous 12-month period.

Frozen thresholds
With IHT thresholds frozen until 2028, this inevitably means more people are likely to be drawn into the IHT net. Families collectively paid £6.1bn in death duties in 2021/22, up from £5.4bn the previous year. Monthly data up to December suggests the figure for 2022/23 will be even higher.

OVER 13,000 INDIVIDUALS HAVE BECOME EMBROILED IN IHT INVESTIGATIONS SINCE 2019; ALTHOUGH SOME BEREAVED FAMILIES MAY HAVE ACTED DELIBERATELY, MANY OTHERS ARE LIKELY TO HAVE MADE INNOCENT MISTAKES

Complexity
Over 13,000 individuals have become embroiled in IHT investigations since 2019; although some bereaved families may have acted deliberately, many others are likely to have made innocent mistakes and fallen foul of IHT rule complexities. Two areas where mistakes commonly occur relate to the provision of lifetime gifts and the valuation of personal possessions.

If you need advice on any aspect relating to IHT please get in touch.

OVERWHELMED BY JARGON?

With seven in 10 UK adults puzzled by financial jargon[8], even if you're a skilled communicator in other areas, financial terminology may include specialist jargon that can leave you feeling lost.

The research shows that under 25s are least likely to feel confused by jargon, with 52% of those aged 18 to 24 stating this, compared to 69% across all age groups. One explanation as to why the under 25s feel less confused by jargon is that they might not be familiar with certain financial terms or products. For example, 61% of UK adults in this age group report hearing the term *'pension'* compared to 97% of those aged 55 and above. In contrast, 18 to 24-year-olds are the group most likely to be aware of the term *'ESG fund'* (Environmental, Social and Governance). Even if you have heard a term, it doesn't necessarily mean that you understand it. Just 61% of people who are aware of an *'ESG fund'* feel confident of its meaning.

We speak your language
Remember that financial jargon is a tool for communicating complex concepts and ideas. We explain everything you need to know in plain English.

[8]Aviva, 2022