

Your Window on

# Money

WINTER 2021



## Looking forward to a better year

**Last January, as a new decade dawned, little did we know how the next 12 months would unfold. Now, as another year begins, there are growing shoots of optimism but, whatever the year does bring, a crucial lesson from 2020 is undoubtedly the need to prioritise financial wellbeing in order to ensure we can cope with life's trials and tribulations.**

### Key lessons

The coronavirus pandemic has vividly laid bare our fragility and vulnerabilities, and presented immense challenges on many different levels. It's also reinforced a number of key financial lessons, from the importance of budgeting and building up an emergency savings fund, to investment diversification and holding appropriate life and protection policies.

In short, the pandemic has demonstrated the value of maintaining sound financial planning principles and the peace of mind this delivers. In effect, by getting into good financial habits, it is possible to ensure you are cushioned against the shock when crisis does strike.

### Financial wellbeing

Another key takeaway from last year's experience has been the entwined relationship between financial wellbeing and emotional wellbeing: while a lack of financial stability typically leads to stress and anxiety, sound finances can provide mental peace.

Research conducted by insurer Royal London also highlights the critical role expert advice plays in improving emotional wellbeing by increasing clients' financial confidence and resilience. According to the study, advised customers who have an ongoing relationship with their adviser were nearly twice as likely to feel in control of their finances as those who didn't.

### Help at hand

The New Year period inevitably provides the perfect opportunity to take stock of your finances and build foundations for a better financial future. And seeking professional advice is a vital step in achieving those objectives. So, get in touch and we'll help you develop sound plans designed to ensure you hit your short and long-term financial goals and ultimately provide a boost to both your financial and emotional wellbeing.

## Put your ISA on the agenda in Q1

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.

***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.***

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## 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<sup>1</sup>. 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](http://www.gov.uk/tax-relief-for-employees/working-at-home).

## 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 estimates that the number of CGT taxpayers would double if the allowance was reduced to £5,000.

<sup>1</sup>Fidelity International, 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<sup>2</sup>.

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?

## 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.

<sup>2</sup>BlackRock, 2020



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# 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<sup>3</sup> showing

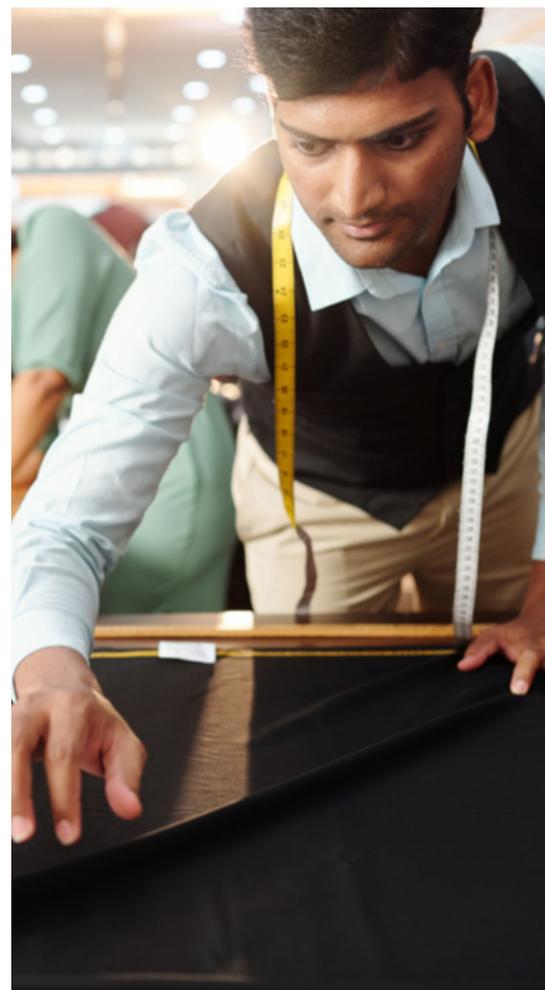
that 85% of self-employed people do not pay into a pension, up from 73% in 2008/2009. Meanwhile, those who do have a pension have 77% of the pension wealth of the average population.

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.

<sup>3</sup>NOW Pensions, Pensions Policy Institute, 2020



## **“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](http://www.fca.org.uk/scamsmart).

## **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?

## 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.**

While the coming months are 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 and circumstances and advise you on the financial strategies most appropriate for you.

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

## 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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***It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.***

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***may not necessarily be repeated. If you withdraw from an investment in the early years, you may not get back the full amount you invested. Changes in the rates of exchange may have an adverse effect on the value or price of an investment in sterling terms if it is denominated in a foreign currency. Taxation depends on individual circumstances as well as tax law and HMRC practice which can change.***

***The information contained within this newsletter is for information only purposes and does not constitute financial advice. The purpose of this newsletter is to provide technical and general guidance and should not be interpreted as a personal recommendation or advice.***

***The Financial Conduct Authority does not regulate advice on deposit accounts and some forms of tax advice.***

## 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<sup>4</sup>.**

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.

<sup>4</sup>Children's Commissioner, 2020

**IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.**

