

# ESSENTIALLY **WEALTH**

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**ACHIEVING BALANCE  
THIS SPRING**

**REFOCUS TO  
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**A LIFE WORTH  
LOOKING AFTER**



HELLO TAX YEAR  
2022/23!

THE DIFFERENT VALUES  
OF FINANCIAL ADVICE

INHERITANCE TAX  
– CHANGES IN  
REPORTING

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## ACHIEVING BALANCE THIS SPRING

Spring is a season of hope and renewal, renowned for decluttering and reorganising, making now an opportune time for investors to review and rebalance their portfolios to ensure investments remain aligned to their long-term financial goals.

Inflation concerns, rising interest rates and the tragic Ukrainian invasion have critically entwined to host a disconcerting backdrop for investors, as markets search for a stable footing. Fortunately, investors with longer-term goals possess time horizons extending beyond inflationary cycles.

### A 'disrupted recovery'

Last year's gains in growth due to rebounding activity now appear to be behind us. The combination of uncertainties led the International Monetary Fund<sup>1</sup> to downgrade its global growth forecast. Although there are expectations that the global recovery will continue this year, it is predicting a 'disrupted recovery' with growth expected to moderate.

A recent IMF statement, on the Ukraine invasion and the global ramifications, outlined, *'While the situation remains highly fluid and the outlook is subject to extraordinary uncertainty, the economic consequences are already very serious. Energy and commodity prices have surged, adding to inflationary pressures from supply chain disruptions and the rebound from the COVID-19 pandemic. Price shocks will have an impact worldwide... The sanctions on Russia will also have a substantial impact on the global economy and financial markets, with significant spillovers to other countries.'*

The outlook for macroeconomic policy is becoming increasingly critical. The path of the global economy will be shaped by the consequences of Russia's invasion of Ukraine and central bank policies; and their ability to keep inflation expectations anchored while allowing a supportive environment for growth.

### Your investment strategy

With an ever-changing investment landscape, now is a good time to ensure your investments continue to work as

hard as possible for you. It's important to remember that market volatility is normal, and history shows that those who are patient and stick to their plans are more likely to achieve their financial objectives. To make sure your investment strategy is firmly aligned to your current personal circumstances, get in touch for a review.

<sup>1</sup>IMF, 2022

**ALTHOUGH THERE ARE EXPECTATIONS THAT THE GLOBAL RECOVERY WILL CONTINUE THIS YEAR, IT IS PREDICTING A 'DISRUPTED RECOVERY' WITH GROWTH EXPECTED TO MODERATE**

# HELLO TAX YEAR 2022/23!

The days are longer, it's brighter outside (hopefully!) and it's time to embark on a good spring clean to refresh, organise and bring a sense of wellbeing – a notion well worth extending to your finances.

Although there's limited change in the structure and operation of the taxation of UK individuals in the 2022/23 tax year, this 'no change' component is significant – the big tax freeze is here.

Excluding the 1.25 percentage point increase to National Insurance and Dividend Tax rates from April 2022, and an increase in the National Insurance threshold to £12,570 from July, most major tax rates, bands and allowances were frozen until 2025/26, in the Spring 2021 Budget.

## Stealth mode

Frozen allowances can really impact; estimates suggest that by 2025 there may be five million higher rate taxpayers, a massive 900,000 increase<sup>2</sup>. As another example, frozen allowances, growth in assets and accumulation of unspent income could see people falling into the Inheritance Tax (IHT) net.

## Know your numbers

The good news is that effective tax planning strategies can help shield you from the chill this spring. Some key allowances for the new tax year (2022/23) include:

- Individual Savings Account (ISA) allowance remains at £20,000
- Junior Individual Savings Account (JISA) allowance and Child Trust Fund (CTF) annual subscription limit remain at £9,000
- Inheritance Tax (IHT) nil-rate band remains at £325,000 and the residence nil-rate band at £175,000, until April 2026
- Capital Gains Tax (CGT) annual exemption remains at £12,300 for individuals and £6,150 for most trusts
- Lifetime Allowance for pensions remains at £1,073,100 until April 2026; the Annual Allowance remains at £40,000
- New single-tier State Pension increased to £185.15 per week in April 2022, the older basic State Pension increased to £141.85 per week.

<sup>2</sup>IFS, 2021



## WHAT'S YOUR LIFE ADMIN PERSONALITY TYPE?

Have you ever thought about what life admin personality type you are? When it comes to mundane but essential organisational tasks, can you give yourself a pat on the back for being ultra-efficient? It's worth thinking about because how we perceive our capabilities may be very different from the reality!

Do you tend to bite off more than you can chew, well-intended and attempting completion of tasks on your to-do list but often falling short or failing to complete tasks in time? If so, you certainly fall into the 'wishful thinker' trait set. Or perhaps you adopt an 'I'll do it later' approach to tasks; living in the moment and completely avoiding life admin, tending to run late, lack motivation or structure, resulting in poor organisation – if so, your personality type is consistent with that of a 'procrastinator'.

Possessing strong time management and organisational skills, using to-do lists, ordering priorities and achieving – the 'forward thinker' is very capable and effective.

Whatever personality trait applies to you, the good news is - we're forward thinkers so you're in capable hands!





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**INCOME PROTECTION CAN REPLACE A PERCENTAGE OF YOUR SALARY IF YOU CAN'T WORK DUE TO AN ACCIDENT OR ILLNESS, HELPING YOU TO KEEP UP WITH FINANCIAL COMMITMENTS UNTIL YOU RECOVER**

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## A LIFE WORTH LOOKING AFTER

Life insurance provides valuable peace of mind that your family or other dependants would be financially protected if you were no longer around to provide for them.

As a minimum, it's important to ensure you have enough cover to pay off your mortgage, as this is likely to be your household's largest single outgoing. It's also worth reviewing how much other debt you have, such as personal loans and credit cards.

Consider too whether you want additional protection to cover childcare costs, education expenses or household bills.

### **Consider critical illness cover**

It can be worth adding critical illness cover for an extra premium. This would pay out a lump sum if you are diagnosed with an illness or condition listed on the policy.

### **Protect your income**

Income protection can replace a percentage of your salary if you can't work due to an accident or illness, helping you to keep up with financial commitments until you recover.

### **Time to face up**

In this unpredictable life, accident or illness can strike at any time – whatever your age – so it's worth thinking about how you or your loved ones would cope should the worst happen. Life insurance provides crucial peace of mind that those we leave behind won't suffer financially, while Income Protection and Critical Illness Cover are a vital defence against loss of income and serious illness.



## REFOCUS TO TAKE CONTROL

Many people have taken their experience of the pandemic to reflect on life and make positive changes. A survey has found that three in five people now question what they consider to be important in life, while half feel their priorities have changed<sup>3</sup>.

Two in five respondents said the pandemic had encouraged them to build up more long-term savings. However, one in four now feel less comfortable about coping with unforeseen events than they did before the pandemic.

### **In your 30s or 40s? Consider your position**

Although 35 to 44-year-olds are the largest age group to face disruption to their retirement plans, they are also the most likely to feel compelled to save more because of the pandemic (54%).

### **Let's get this show on the road**

So many of us have put our lives on hold – cancelling or suspending planned life events. For example, 16% put off starting a new job, 13% postponed a house purchase, 12% reconsidered plans for setting up a new business, 10% stopped trying for a baby and 10% delayed a wedding.

### **Year of the squeeze**

Hailed the 'year of the squeeze,' outgoings are increasing due to a higher energy price cap and a rise in National Insurance Contributions, and inflation is affecting real wage growth. The number of households 'just about managing' (JAM) is set to grow.

However the pandemic has affected you; we can help refocus your goals and get your plans moving again – so you are well equipped to take control of your financial future.

<sup>3</sup>Aviva, Nov 2021

## DON'T RISK A DOUBLE TAX HIT ON YOUR PENSION

If you're thinking of cashing in any of your pension pot, it really does pay to get advice. Latest data from the Financial Conduct Authority (FCA)<sup>4</sup> shows that the number of pension pots accessed for the first time in 2020/21 totalled 596,080 of which 341,404 plans were fully withdrawn. Worryingly, only 33% of consumers taking money from their pension for the first time took regulated advice.

Those cashing in pension pots without taking advice could risk paying more tax, and those cashing in their pensions in one go could pay up to 45% Income Tax on part of their withdrawal, while also losing Inheritance Tax protection. Don't run the risk of suffering a double hit on your pension.

<sup>4</sup>FCA, Dec 2021





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**INVESTING REGULAR AMOUNTS IS ALSO A USEFUL WAY TO TAKE SOME OF THE EMOTION OUT OF YOUR DECISION-MAKING**

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## FOCUS ON LONG-TERM GOALS

Global markets have experienced bouts of volatility before, and no doubt will do so again; it's an inevitable part of investing. Even before the invasion of Ukraine, global indices were under pressure, contending with spiralling living costs and rising interest rates.

Focusing on longer-term timescales instead of short-term volatility will stand you in good stead. Consistency in your strategic investment approach, and taking advice to seize any opportunities that present, should be your primary focus, especially in volatile markets. While unsettling events will have a short-term impact on markets, it's important to be clear - your financial plan should always be focused on long-term strategic decisions.

Looking back at the early stages of the pandemic, market falls were broad-based with very few sectors escaping the impact. After the initial shock and uncertainty subsided, cooler heads prevailed and the recovery in overall market levels was rapid. Only by staying invested would you benefit from that recovery.

One way to navigate bouts of volatility is by diversifying your assets. Although diversification isn't a magic bullet, it's a very useful tool because different asset classes respond to market conditions in different ways, so the correlation and diversification properties within an asset class can be critical to managing market volatility.

Investing regular amounts is also a useful way to take some of the emotion out of your decision-making. It's easier said than done but avoiding any impulsive reactions with your investments is optimum when challenging market conditions present. The biggest mistake investors make when markets fall is to cease being an investor and sell to cash, especially when inflation is surging.

## THE DIFFERENT VALUES OF FINANCIAL ADVICE

Due to uncertainty around the pandemic, the economy and more recently the crisis in Ukraine, people have sought reassurance that their pensions, investments and protection plans are being professionally looked after.

### It's not all about making your money grow

Good financial outcomes are obviously important, but these can only be measured over the long term and are just one way of assessing the value that advice can provide.

Financial advice can add real value throughout your entire financial planning journey, giving you a consistent and trusted experience; with regular reviews and adapting to changes in your personal circumstances.

### What are the benefits of taking financial advice?

In addition to getting financial outcomes that help you to achieve your goals over the longer term, other benefits may not be immediately obvious, such as:

- Making complex matters easy to understand – a seemingly straightforward financial goal could involve numerous decisions as well as considering different products and providers
- Understanding your circumstances by listening, and helping you to identify your goals – no two clients will have the same requirements
- Ongoing support and guidance – regular reviews and contact can set your mind at rest and prevent you from making snap decisions at the wrong time
- Saving you time – doing your own research can be very time-consuming and how would you go about doing this?
- Giving you peace of mind – by knowing that your finances are in expert hands and that any change in your circumstances can be discussed with someone who knows you personally.

### Advice is key

Whatever uncertainties arise, you can rest assured that we are here to support you with all your financial planning needs.



## FINANCIAL FREEDOM IN RETIREMENT

With earlier retirement a serious consideration for many people seeking balance in their lives, a quarter of Brits who aspire to retire early feel that age 60 is the optimum time to do so<sup>5</sup>.

### What makes you happy?

If you're planning to celebrate your 60th birthday by waving goodbye to working life, it's good to know that 68% of people reported an increase in overall happiness when taking early retirement; 44% of early retirees said their family relationships improved and 34% said their friendships were better. From a health perspective, 57% of early retiree respondents reported a boost to their mental wellbeing, with 50% believing their physical wellbeing improved.

### Enjoying more freedom

Nearly a third (32%) of people who retired early or plan to do so are driven by the desire 'to enjoy more freedom while still being physically fit and well enough to enjoy it.'

Other factors driving people to pursue early retirement include financial security (26%), wanting to spend more time with family (20%) and having different priorities (23%).

### Careful planning needed

47% of retirees found that their finances worsened in retirement and a sizable 24% of people had to return to work after retiring because of financial issues.

### Positive steps to financial freedom

It's very important to be realistic when considering early retirement but with meticulous planning and careful consideration, we can assess your options and help to develop a robust plan which can help ensure that happiness doesn't need to come at a cost when retiring early.

<sup>5</sup>Aviva, Dec 2021





## INHERITANCE TAX – CHANGES IN REPORTING

Keeping up to date with tax changes is never easy and you may have missed this recent one in relation to the reporting of Inheritance Tax (IHT), especially as it's not something most of us have to become involved in very often.

### Checking for an 'excepted estate'

The changes came in at the start of this year, applying to the estate of anyone who dies on or after 1 January 2022. Now, before you make an IHT report to HM Revenue and Customs (HMRC) you need to check whether the estate is an 'excepted estate'. This will ensure you complete the correct forms.

These are reasons why an estate may be classified as one that is 'excepted':

- The estate has a value below the IHT threshold (currently £325,000 for one person)
- Any unused threshold is being transferred from a spouse or civil partner who died first, and the estate is worth £650,000 or less

- The estate is worth less than £3m and the deceased left everything in their estate to their surviving spouse or civil partner who lives in the UK, or to a qualifying registered UK charity
- The estate has UK assets worth less than £150,000 and the deceased had permanently been living outside of the UK when they died.

### Online guidance – step-by-step

Further details on how to value an estate for IHT and report its value can be found here [www.gov.uk/valuing-estate-of-someone-who-died/check-type-of-estate](http://www.gov.uk/valuing-estate-of-someone-who-died/check-type-of-estate)

### Make your own IHT plan

More people are having to pay IHT; HMRC figures show IHT receipts for the period April 2021 to January 2022 to be £5bn, which is a £700m increase on the same period one year earlier<sup>6</sup>. IHT planning is a complicated subject, but sensible financial planning can help to reduce the amount of IHT payable and help safeguard your wealth for the future.

<sup>6</sup>HMRC, 2022

## CONSCIOUS INVESTING

Recent research<sup>7</sup> has found that the war in Ukraine has prompted investors to become more vigilant about where their money is being invested.

Over half (54%) of those surveyed feel they have become more conscious of capital allocation in the wake of the conflict, regarding their investments through a more ethical lens. Four in ten respondents are considering investments aligned with their moral values as a direct result of the invasion.

### Investors demand accountability

A report<sup>8</sup> about the direction of Environmental, Social and Governance (ESG) in the months ahead highlights the rising pressure that corporate boards face to demonstrate they are adequately equipped to understand and oversee such ESG issues as climate change, human rights and social unrest. Pressure on boards to brush up their ESG credentials is set to intensify as investors demand accountability from the top and heightened focus on sustainability.

<sup>7</sup>interactive investor, 2022, <sup>8</sup>S&P Global, 2022



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