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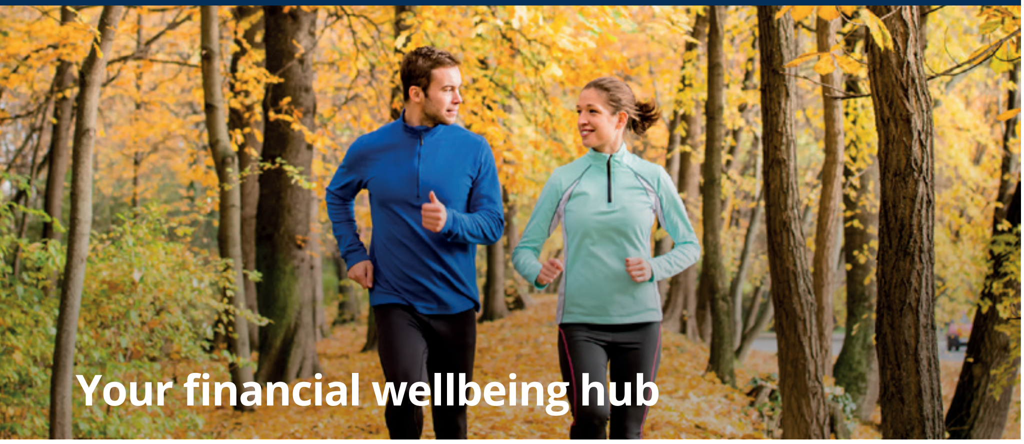
Your **Money** Autumn Q4 2022



Your financial wellbeing hub

The past couple of years have undoubtedly been a challenge for us all but, by pulling together, we have managed to get though an extraordinarily difficult period of time. Now, as we emerge into the post-COVID economy, we face a different set of challenges which, in their own way, appear no less daunting. One thing though does stay the same – we're still here, by your side, and determined to continue steering you safely through any financially choppy waters that lie ahead.

Economic uncertainties

Although the economy did stage a tentative recovery last year and in the early part of 2022, it's fair to say the outlook has become increasingly challenging in recent months. Surging inflation has curtailed our spending power and, with energy bills set to rise further over the autumn and winter months, the cost-of-living squeeze looks set to continue for now. Higher-than-expected inflation has also triggered a rise in interest rates, while fallout from the war in Ukraine adds to a cocktail of economic uncertainties.

Planning is paramount

No one is immune from these difficulties; while some will struggle more than others, we will all be impacted to some degree. In many ways, though, times like these serve to emphasise why people seek professional financial advice in the first place. Economic downturns are normal but having a sound, structured plan helps to ensure our financial goals and aspirations are not derailed when one does occur.

Financial wellbeing

Arguably, protecting your financial wellbeing has never been so important and the best way to do so is by sticking to your financial plan. It's therefore essential to try to maintain any ongoing commitments such as pension contributions, protection premiums and regular savings policies if you possibly can.

We're here to help

It's also vitally important to keep talking, so do get in touch if you need our help. We're here for both you and your family; ensuring your financial wellbeing is, and always will be, our primary concern.

Trending – 'living legacies'

Over-55s are increasingly looking to help their families out financially while they are still alive, rather than leaving everything in the form of an inheritance. Research[1] has revealed a trend towards 'living legacies', due to increased life expectancy pushing up the average age at which younger generations inherit from their parents. People born in the 1980s are now predicted to receive their inheritance at age 64 on average, compared to 58 for those born in the 1960s.

Historically, the risk of running out of money during retirement has prevented many older people from offering financial support during their lifetime. This concern appears to be lessening, however, with a third of researchers' respondents saying they'd be unwilling to help a family member onto the property ladder without knowing how much they'd need in retirement – against half of respondents to the same survey in 2016.

Aviva's Matt McGill commented, *"This increasing tendency towards considering helping out now rather than beneficiaries receiving an inheritance after death is perhaps a reflection of the turbulence and uncertainty that everyone has been through since we previously ran our survey in 2016, and which shows no sign of diminishing. Along with the hardship people have faced, it's also been a time of reflection for many and this could have included a resolution to live more for the moment and help family and loved ones now."*

[1]Aviva, 2022

The value of investments and income from them may go down. You may not get back the original amount invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation. Inheritance Tax Planning is not regulated by the Financial Conduct Authority.

Inside this issue

IN THE **News**

Pausing pensions could be costly

Analysis[2] has revealed that reducing or stopping pension contributions, even for a relatively short period of time such as a year, can have a significant impact on your final pension pot, with savers potentially being thousands of pounds less well off in retirement. Almost all (93%) of those surveyed said they are feeling the impact of increasing costs and inflation. Whilst 77% expect to have to make cutbacks on spending or saving, an encouragingly low figure of 6% said they would reduce their pension contributions.

Record CGT

HM Revenue and Customs has revealed that a record amount of Capital Gains Tax (CGT) was due in the 2020–2021 tax year. The total amount of CGT liability was £14.3bn, realised on £80bn of gains for 323,000 taxpayers. The total CGT liability increased by 42% from the previous year, while the amount of gains and number of taxpayers increased by 19% and 20% respectively. More people are likely to be impacted by CGT over the coming years after the March 2021 Budget decision to freeze the annual £12,300 CGT allowance until 5 April 2026.

[2]Standard Life, 2022

Controlling your investment emotions

While Rudyard Kipling may not have been thinking about investments when he penned his famous poem 'If', his words will certainly resonate with investors at the moment. The current investment landscape undoubtedly presents a challenge, even for experienced investors, but those who can keep their head when all about are losing theirs definitely have the best chance of success.

Emotional roller coaster

It can be extremely difficult for investors to keep their emotions in check when there is so much economic and geopolitical noise being reported on a daily basis. But market volatility is normal and investors who hold a well-diversified, risk-appropriate portfolio and stay focused on their long-term objectives, goals and aspirations are inevitably best equipped to get through such periods.

Clear goals are essential

Setting clear goals and developing a corresponding plan to achieve them is invariably the key to investment success. Although plans may need to be adapted from time to time to take account of changes in individual circumstances or investment goals, having a well-thought-out strategy helps investors deal with unexpected events and remain calm when markets become turbulent.

Stay the course

While it is easy to say that the nature of investing dictates that the value of investments can fall as well as rise, it is always difficult for investors to see the value of their portfolios drop during periods of market weakness. But those investors who maintain a long-term outlook are most likely to avoid expensive knee-jerk mistakes that realise losses and result in them missing out on gains when markets do recover. At times like these, being confident in your plans and staying the course is therefore paramount.

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Pensions update

Recently released research[3] suggests UK consumers are becoming more knowledgeable about pensions and prepared to take a greater role in preparing for retirement. Other research[4], however, shows significant sums are still sat in 'lost' pensions, while experts have warned about potential pension-related problems as the cost-of-living crisis bites.

Pensions knowledge improving

A survey conducted by Link Group suggests bodies within the pensions industry have had some success in building better public knowledge of pensions and the importance of retirement planning. The research found that almost four out of five consumers 'understand' pensions, with 18 to 34 year-olds more likely to display higher levels of knowledge than consumers in other age groups. In addition, nearly six out of ten respondents said they should take more responsibility for ensuring they have a good retirement income.

Time to trace lost pensions?

Estimates suggest there is currently over £19bn sat in lost pension pots across the UK. These are typically the result of people changing jobs and then not keeping track of contributions made with previous employers. The good news, however, is that the government runs a free pension tracing service (www.gov.uk/find-pension-contact-details) to help employees track down their lost pensions. So, if you've worked for a number of different employers through the years it might be worth checking to see if you can be reunited with a long-lost pension.

Pensions warnings

Experts are warning the over-55s not to be tempted to raid their pension pots in response to the cost-of-living squeeze. There are fears that if people withdraw lump sums or start taking an income sooner than planned this will result in them having less income in the future. People are also being warned not to reduce their workplace pension contributions as a knee-jerk response to the cost-of-living crisis.

[3]Link Group, 2022, [4]ABI,2022

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"A decisive decade for climate action"

A year after the United Nations 26th Conference of the Parties, on British shores, the upcoming COP27 climate conference is taking place in Sharm El-Sheikh, Egypt this November.

Key pledges made by governments last year in Glasgow included commitments to end deforestation, cut global methane emissions and to transition to zero-emission vehicles. Countries were asked to return to this year's conference with a plan to strengthen their 2030 commitments.

Mahmoud Mohieldin, the UN climate change high-level champion for Egypt, hopes the 2022 conference will be an important milestone in what he calls *"a decisive decade for climate action."* In his view, COP27 should undertake an *"urgent, ambitious, impactful, and transformative agenda, guided by a holistic approach to sustainable development."*

Climate change for investors

COP27 will undoubtedly be of interest to investors engaged with climate change, with key announcements potentially impacting their portfolios. Investment decisions have a role to play, and the investment industry continues to play a pivotal role in the global climate transition. One investor initiative – The Net Zero Asset Managers Initiative – has now grown to over 270 investor signatories with over $60trn assets under management, all committed to supporting the goal to reach net zero and investments aligned with net zero emissions.

According to the Principles for Responsible Investment (PRI), a United Nations-supported initiative, many are now recognising *'the enormous opportunity for economic growth and investment returns presented by the transition to net zero emissions.'* PRI reflect a firm belief that *'the financial sector and the investment community will play a central role in the global response to climate change and supporting the transition to a net zero economy.'*

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Looking to retire early? There's lots to think about

It is the dream of many to retire early. Indeed, 270,000 people in their 50s and 60s left the UK workforce during the pandemic, according to the Institute for Fiscal Studies.

Concerns about retirement poverty

However, two thirds of people aged 50 to 70 who quit work or lost their job during the pandemic left the workforce earlier than expected[5]. This means that they might not have the funds they need for a longer-than-anticipated retirement, sparking concerns that they could face poverty later in life. Of particular concern is the financial impact of accessing your pension too early, with research[6] showing that doing so before reaching State Pension age could reduce your pot by 59% on average.

Compounding the issue is the fact that those who now want to re-enter the workforce are finding it difficult to get rehired. According to research from the Centre for Ageing Better, unemployed over-50s are twice as likely to be out of work for 12 months or more, than their younger counterparts.

Many factors to consider

Early retirement may be enticing, but it certainly bears thinking about. Before acting, it is always a good idea to take financial advice and think carefully about the following factors:

- Do you know how much you'll need to live comfortably in retirement?
- If so, do you have enough in your pension pot for the lifestyle you want?
- Do you have savings or any other source of income?
- Do you still have a mortgage or any other outstanding debt you are still liable for?
- Could working for just a few more years offer you valuable financial security?

Whatever your goals for retirement, we're here to help you get into the best possible financial position for later life.

[5]ONS, 2022, [6]Canada Life, 2022

Protection insurance payouts on the rise

Claims paid out under protection insurance totalled £6.8bn in 2021[7], a second consecutive yearly high, with more than £18.6m paid out every day in life insurance, income protection and critical illness claims.

Last year was the third year in a row where the overall average individual payout increased, rising by 9% year-on-year to reach £14,994. For term assurance, the average claim payment was £61,944 and the average critical illness claim payment was £67,500.

Claims do pay out

In 2021, 98% of individual and group claims were paid. However, 'non-disclosure' was cited as the main reason for the 2% of rejected claims. This is when a customer fails to provide information about something that might have influenced the insurer's decision to provide cover or the price of that cover.

Ups and downs

One noteworthy trend in 2021 was a 40% rise in claims for musculoskeletal conditions. It is suggested this could be linked to the higher number of people working from home in unsuitable conditions.

In contrast, there were 20% fewer claims relating to mental health last year, although mental health claims were still above their 2019 level.

More than a number

Protection policies can help give you peace of mind by making sure you can meet financial commitments and knowing that your loved ones will not face hardship. Behind the headline facts are the huge number of families given support when they needed it most.

[7]ABI and GRiD, 2022

If you would like any advice or information on any of the areas highlighted in this newsletter, please **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 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. We cannot assume legal liability for any errors or omissions it might contain.

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Information is based on our understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation are subject to change.

A mortgage is a loan secured against your home or property. Your home or property may be repossessed if you do not keep up repayments on your mortgage or any other debt secured on it.

Tax treatment is based on individual circumstances and may be subject to change in the future.

All details correct at time of writing (September 2022).