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# Money & Wealth

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## Inside this issue:

In the current climate, there is uncertainty in all of our lives with both health and financial concerns. However, while we are all understandably focusing on the here and now, it might be worth using this time to take a step back and review your long-term financial wellbeing as well. This newsletter takes a look at some of the areas you might want to consider. Of course, we are on hand to support you through any challenges ahead.

## Contents



# For that sense of wellbeing – spring clean your finances

In an attempt to understand the connection between wellbeing and wealth, a recent survey[1] asked people how they think and feel about their financial health.

### How is the nation's financial health?

In the UK, 45% of respondents said that money is a major cause of stress; for those with no savings or investments to act as a financial safety net, this figure increases to 66%. When compared to the global average based on 13 countries, the UK population is more likely to have no savings or investments and holds fewer market-based investments.

In a question about financial health, 75% of UK respondents felt that this meant *'having little or no debt and being prepared for unexpected events.'*

### Reasons for not investing

A common reason preventing younger respondents from investing was cited as *'lack of knowledge'*, with 49% of Millennials agreeing with this, compared to 35% of Baby Boomers. Across all age groups, 34% stated that a fear of losing everything was stopping them from making investments.

### Setting goals

Setting realistic financial goals, as well as saving or investing towards these goals, can help you to feel more in control, reduce stress and improve your feelings of financial wellbeing.

Taking the first step can be difficult but talking to a trusted financial adviser can help. In fact, 75% of survey respondents, who use a financial adviser, reported having a positive sense of wellbeing.

Talk to us today and we can help you to set goals and improve your financial wellbeing both now and into the future.

[1]BlackRock, 2020

Over the next three decades, the asset-rich 'Baby Boomer' generation is expected to pass down a record-breaking amount of wealth to their often debt-saddled and rent-paying Millennial and Generation Z offspring.

# *Are you ready for 'The Great Wealth Transfer'?*

Money matters are never the easiest topic, but if this intergenerational wealth transfer is to be handled successfully, families need to start discussing it.

**Passing on the pounds**

Baby Boomers, the wealthiest generation in history, are ageing. This will mean substantial growth in the yearly number of inheritances and financial gifts to offspring. Economists and financial observers have dubbed this intergenerational movement of money 'The Great Wealth Transfer'. Estimates[2] suggest that, over the next 30 years, an unprecedented £5.5tn could pass between generations in the UK and the average value of inheritances is set to grow from £62,000 in 2017 to £91,000 in 2027.

**Tackling the taboo**

The importance of the wealth transfer process is unquestionable, but most families remain uncomfortable when talking about money – with finance among the few remaining taboo topics. However, it is vitally important that retirees involve their offspring in financial planning decisions if the wealth transfer process is ultimately to be successful.

**Inheritance dilemmas**

Planning for inheritance, unsurprisingly, raises a number of concerns for parents. How do they help their children financially without damaging their work ethic or their relationship with their partner? In addition, parents need to balance the emotional desire to leave significant sums to heirs with the need to ensure their own financial wellbeing, particularly in an era of spiralling long-term care costs.

**Talk about finance**

Arguably, the key inheritance challenge is one of ensuring that children are ready to take on financial responsibility for family assets. Encouraging their involvement in your financial planning decisions now is a particularly good way to boost their financial literacy and ensure they are ready when the time comes. We have experience in instigating and assisting these conversations.

[2]Kings Court Trust, 2017

## Safeguarding your finances

As the number of financial scams continues to increase and the cons advance in sophistication and reach, you owe it to yourself to be scam-savvy, to avoid the pitfalls and protect yourself and your finances.

Five common scams have been identified by the Financial Services Compensation Scheme (FSCS) ***www.fscs.org.uk/news/fraud/top-5-financial-scams/***

1. **Boiler room schemes**
2. **Phishing scams and smishing scams (email and texting scams)**
3. **Pension liberation schemes**
4. **Homebuying fraud**
5. **Freebie scams**

The FSCS provide 'fight back' advice for each scenario. In addition, the Financial Conduct Authority provide a warning list, where you can check the credibility of an investment or pension opportunity ***www.fca.org.uk/scamsmart/warning-list***

If in doubt, please get in touch.

# Riding out the storm together

Global stock markets are suffering a period of volatility as a result of the COVID-19 outbreak. Markets do not respond well to uncertainty, but what is certain is that volatility is synonymous with stock market investment; and although market movements can be concerning, we have all become much better at expecting the unexpected. On Budget day, the Chancellor, Rishi Sunak, and the outgoing Governor of the Bank of England, Mark Carney, were keen to emphasise the temporary nature of the economic impact of COVID-19.

### In it for the long haul

Even though it can be difficult to ignore daily market movements, it is vital to focus on the long term and remember that volatility also presents investment opportunities. To navigate market volatility, stick to your plan, diversify your holdings and very importantly, expect and accept volatility. Investors with diversified portfolios, who stay in the market, have historically and consistently experienced steady gains over time.

### Keep a clear head

Rudyard Kipling wrote, it's important to *"keep your head when all about you are losing theirs"*. Investment requires a degree of holding your nerve if markets fall. Investment professionals know that markets can be volatile and will go down as well as up from time to time. The worst investment strategy you can adopt is to jump in and out of the stock market, panic when prices fall and sell investments at the bottom of the market.

Instead of being worried by volatility, the best strategy is to be prepared. A well-defined investment plan, tailored to your objectives, in line with your attitude to risk, that takes into account your financial situation, can help you weather short-term market fluctuations. Market volatility is a timely reminder to keep your investments under regular review – that's our job.

# Key Points from the Spring Budget

### The economy

- Economy predicted to grow by 1.1% in 2020-21, revised down from 1.4% forecast a year ago (this figure does not take into account the impact of COVID-19)
- Growth predicted to rebound to 1.8% in 2021-22, easing back to 1.5% in 2022-23
- Inflation forecast of 1.4% this year, increasing to 1.8% in 2021-2022

### Public services and coronavirus

- £5bn emergency response fund to support the NHS and other public services in England
- All those advised to self-isolate will be entitled to Statutory Sick Pay, even if they have not presented with symptoms
- Self-employed workers who are not eligible will be able to claim contributory Employment and Support Allowance (available from day one)
- £500m hardship fund for councils in England to help the most vulnerable in their areas
- Firms with fewer than 250 staff will be refunded for sick pay payments for two weeks
- Small firms will be able to access business interruption loans
- Business rates in England will be suspended for firms in the retail, leisure and hospitality sectors with a rateable value below £51,000
- £6bn in extra NHS funding over five years to pay for staff recruitment and start of hospital upgrades

### Personal taxation, wages and pensions

- Tax paid on the pensions of high earners, including NHS consultants, to be recalculated to address staffing issues
- The two tapered Annual Allowance thresholds for pensions will each be raised by £90,000
- The minimum level to which the Annual Allowance can taper down will reduce from £10,000 to £4,000 from April 2020
- Annual Capital Gains Tax exemption increased to £12,300 from 2020-21
- The Lifetime Allowance for pensions will increase in line with the Consumer Prices Index, to £1,073,100 for 2020-21
- From 11 March 2020 the Lifetime Allowance on gains eligible for Entrepreneurs' Relief reduced from £10m to £1m.

# *Don't let 'decision fatigue' impact your finances*

A recent survey[3] has found that people in Britain suffer from 'decision fatigue' when it comes to financial planning.

Lack of time and mental space for tackling difficult money issues means that less important decisions are prioritised instead. Over half (52%) of survey participants said they would make time to compare holiday destinations but only one in three (29%) said the same about considering their pensions options.

### No time for life admin

According to the research, more than four million Brits admit that they don't have the mental space to tackle difficult financial decisions, while a further 6.4 million don't have time for important life admin. A tendency to spend time 'sweating the small stuff' leaves less time available for focusing on important financial matters.

### Attention deficit

A large proportion of the population is putting off important financial decisions. For example, 51% of respondents haven't decided whether to buy critical illness cover, 47% have never considered changing their pension arrangements and 38% were undecided about life cover.

In addition, when financial decisions are being made, many don't give them their full attention, with over four in ten sorting out finances while sat on the sofa, one in ten doing so at work and 52% doing it with a movie or TV on in the background.

### Tips to aid decision-making

The good news, however, is that small behavioural changes can have a big impact on people's ability to tackle difficult decisions. For instance, picking a quiet location free from distractions and a time when you can focus fully on an issue will help, as will avoiding decision-making after a tough day. Visualising the future and linking financial decisions to life ambitions can also be beneficial.

### Moving in the right direction

Making financial decisions need not be too time-consuming or challenging. We are here to help you with life's difficult financial decisions. So, get in touch and we'll give you the help you need to navigate the decision-making process with ease.

[3] Scottish Widows, 2019

# *The pensions challenges of Gen X*

We are used to hearing about the bleak financial prospects of Millennials and Generation Z, compared with their older Baby Boomer counterparts.

But we hear comparatively little about the long-term savings position and financial health of people born between 1966 and 1980. A new report[4] from the Pensions Policy Institute (PPI) focuses on the potential pension woes of those known as Generation X.

### Running out of time

Members of Generation X have between 12 and 28 years left to work and build up a sufficient pension pot to fund their post-working years. The PPI report suggests this group is at greater risk of reaching retirement with insufficient income. Contributing factors include changes in the labour market and pension landscape, as well as a challenging economic climate. All have increased the complexity of preparing for later life.

### A shifting pension landscape

Certain specific issues have contributed to the risk of Generation Xers reaching retirement with inadequate funds. Many defined benefit schemes in the private sector were phased out, meaning that a large proportion of this group will rely on defined contribution schemes. The PPI says they are also likely, on average, to receive a lower State Pension income than their predecessors. Additionally, many Generation Xers were in their late thirties, or older, when auto enrolment was introduced – too late for them to benefit fully.

### Time to take action

It's never too late to start saving for retirement but it's potentially more urgent for members of Generation X to make time now to review their personal circumstances, preferably with some professional help. If you have concerns about the adequacy of your pension, get in touch.

[4]Pensions Policy Institute, 2019

# Life insurance is mission possible

Although it can be challenging to think about, it's best to be financially prepared for many different scenarios, to give you and your family valuable peace of mind. After all, you never know what's around the corner.

### Houston – we have a problem

The first astronauts encountered a problem. No insurance companies would consider insuring anyone about to embark on a potentially lethal mission.

Luckily NASA came up with an idea to arrange 'insurance covers' whereby the crew autographed postal envelopes. The assumption was that these would soar in value if the crew died on the mission, leaving enough funds to take care of their families – a stroke of genius. Fortunately, this back up plan was never called upon as the crew returned to Earth safe and sound.

### Over the moon

The good news is that it's considerably more straightforward for the average person to obtain protection insurance these days. It's important to have everyday risks covered. Please get in touch, we can help find the cover suitable for your circumstances – whatever they may be.

## KNOW YOUR NUMBERS – SPRING BUDGET

In the Budget delivered on 11 March, Chancellor of the Exchequer Rishi Sunak unveiled the biggest boost to public investment for generations in an effort to shore up the economy and see the country through the COVID-19 outbreak. A dramatic Budget Day commenced with an emergency half-point reduction in base rate announcement from the Bank of England, amid growing concerns over the economic impact of COVID-19. This returned the rate to 0.25%, its lowest ever level. A further cut to 0.1% was announced on 19 March. Later, Mr Sunak outlined GDP projections which, excluding the inevitable coronavirus impact, suggested the UK economy would grow 1.1% in 2020-21 (down from the previously forecast 1.4%).

### Personal taxation

One of the Chancellor's primary changes regarding personal taxation was an increase in the National Insurance threshold to £9,500 from April, which will save most workers around £100 annually. The Personal Allowance, at which people start paying Income Tax, was frozen at £12,500, while the £50,000 higher-rate threshold also remains unchanged (in parts of the UK where Income Tax is not devolved). As previously announced the new single-tier State Pension will rise from £168.60 a week to £175.20 in April, while the older basic State Pension will increase from £129.20 to £134.25 per week.

### The savings scene

One of the notable changes was an increase in the JISA (Junior Individual Savings Account) allowance and Child Trust Fund annual subscription limit from £4,368 to £9,000 in the coming tax year. The ISA (Individual Savings Account) allowance, including the Lifetime ISA allowance if used, was left unchanged at £20,000. Another potential impact on savers, concerns the reduced amount of money set to be raised via National Savings and Investments, which suggests rates at the government's savings arm may become less competitive during the coming year.

# Women face ‘gender pension gap’

The latest ‘Women and Retirement’ report[5] reveals an increasing proportion of women are prepared for retirement. Unsurprisingly, it also shows that the historic gender pay gap translates into a gender pension savings gap.

**Record contribution levels**

The number of women contributing to a pension has risen by 15% in the last 15 years, with the proportion considered to be saving enough for retirement at 57%. In addition, the average level of savings amongst women has increased over that period.

**Men saving more**

These days, addressing the gender pay gap is a priority for employers, but its legacy means men are still saving far more in pensions than their female counterparts. Indeed, at the point of retirement, men typically benefit from an additional £78,000 in their pension pots, equivalent to 2.5 times the average UK household disposable income.

**Many remain under-prepared**

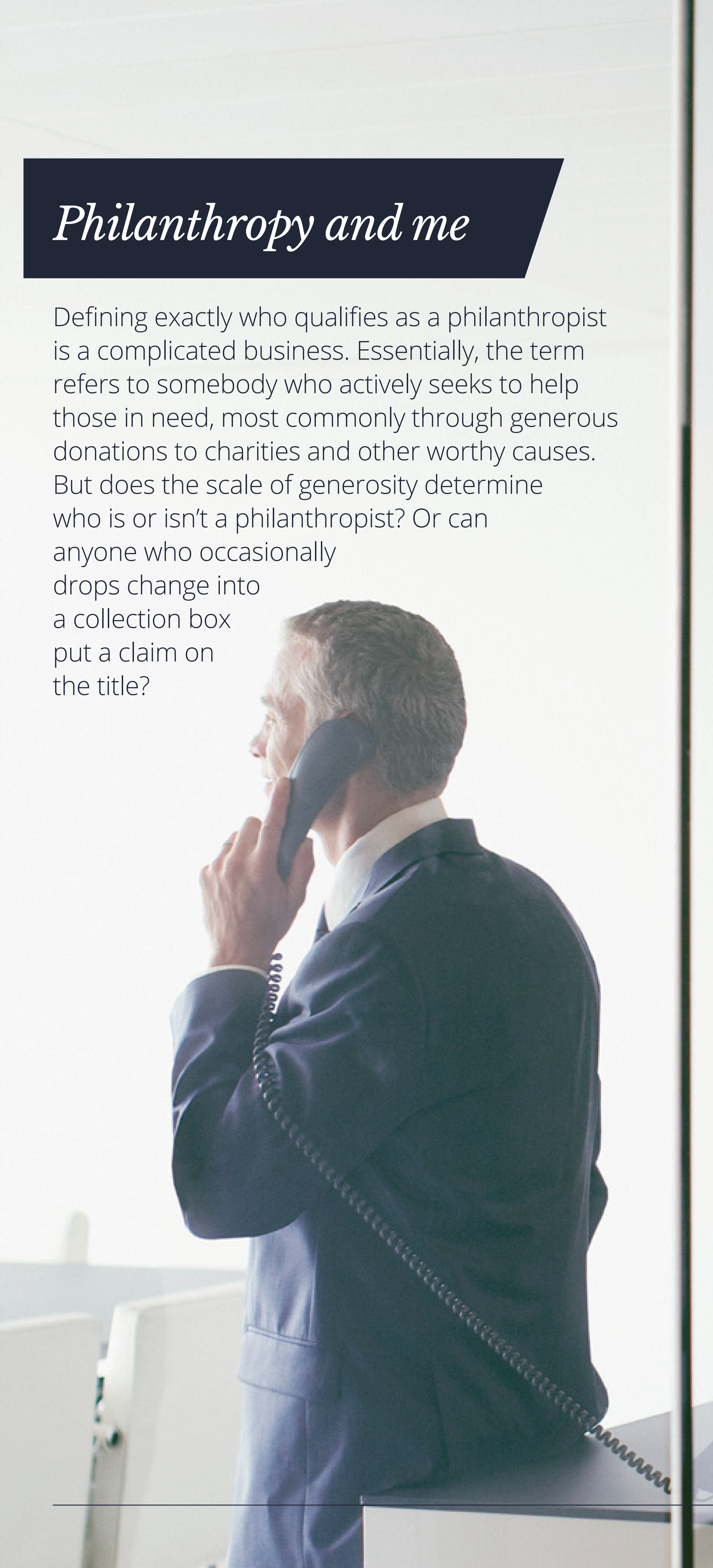
According to Scottish Widows, several groups of women remain under-prepared for retirement, reflecting the extra financial pressures they face. Female lower and middle earners are amongst the least prepared. Additionally, over a third of women entrepreneurs were found to be saving nothing for retirement.

Given that women typically earn less than men, a larger proportion of their income will inevitably be directed towards essentials such as property or childcare costs.

**Consult an expert**

The increasing number of women who are now saving adequately for pensions is encouraging, but the proportion with little or no pension provision remains high. If you’re concerned about your retirement prospects, then get in touch with us. It’s never too late to get your retirement plans on track.

[5]Scottish Widows, 2019



# Philanthropy and me

Defining exactly who qualifies as a philanthropist is a complicated business. Essentially, the term refers to somebody who actively seeks to help those in need, most commonly through generous donations to charities and other worthy causes. But does the scale of generosity determine who is or isn't a philanthropist? Or can anyone who occasionally drops change into a collection box put a claim on the title?

To qualify as a true philanthropist, the amount and regularity of giving is probably of some significance. At the top end of the scale, billionaire couple Bill and Melinda Gates work to reduce poverty and improve healthcare internationally through their charitable foundation. But what if philanthropy were measured in terms of self-sacrifice? Could some coins in a charity pot, or a small monthly donation offered by somebody with little of their own to spare, be called philanthropy?

**The philanthropic spectrum**

Between the two extremes of billionaires' charities and the public's spare change exist a broad spectrum of philanthropists supporting a multitude of charitable concerns. To assist philanthropists in reaching those in need, community foundations have sprung up in some UK counties. For example, the work of the Essex Community Foundation involves *'identifying common interests and developing strategies designed to bring philanthropists closer to the work of recipients.'*

Those hoping to emulate the altruism of history's famous philanthropic families, including Rowntree, Rathbone and Cadbury, should carefully plan their acts of kindness and take financial advice on the effect their benevolence could have on their wealth. For example, philanthropists might be able to benefit from tax advantages (subject to current HMRC rules) such as Gift Aid on taxpayers' donations or Inheritance Tax rate cuts, which could reduce your IHT liability from 40% to 36% if you leave at least 10% of your estate to charity.

# Teaching children about money sets them up for the future

The way children think about money is established earlier than we might think – by the age of just seven, in fact.

This is according to Financial Capability, part of the government-sponsored Money and Pensions Service. Financial education in primary schools, it says, needs to move beyond teaching children to recognise the pounds and pence that make up their pocket money. It should also be getting them ready to open a bank account by age 11.

Children and young adults who receive a formal financial education are more likely to be confident with money, research reveals. They are also more likely to be competent savers, understand how debt works, have their own bank account and generally possess the skills required to manage their money effectively as adults.

**'Untaught' life skills**

Why then, asks Financial Capability, is the school curriculum not prioritising these skills? Only four in ten children and young adults currently receive any kind of formal financial education, but schools that want to offer more are restricted by limited curriculum time and resources. That's where Financial Capability comes in, providing much-needed resources to schools, parents, employers and individuals. Meanwhile, if you're looking for other ideas to improve your child's money confidence, you could try board games such as Cashflow 101 or Junior Monopoly.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# *Dividend growth reaches highs*

UK companies paid out a record £110.5bn in dividends in 2019, which was 10.7% up on 2018[6]. This may be good news for income investors, although higher payouts will mean more investors are subject to Dividend Tax, unless investments are held in tax efficient wrappers.

Ongoing uncertainty around Brexit throughout the year, which resulted in comparative sterling weakness against the dollar, meant that dividend returns were boosted due to many UK dividends being declared in US dollars. The record figure was also artificially increased by an exceptionally large £12bn of 'special dividends' – particularly from the banking, mining and IT sectors.

experts were already warning investors not to expect the same in 2020, even before the COVID-19 outbreak

### No repeat in 2020

Once currency factors and special dividends have been taken out of the equation, underlying dividends saw a modest rise of just 2.8% in 2019, which is the slowest growth since 2014. So, experts were already warning investors not to expect the same in 2020, even before the COVID-19 outbreak.

[6]Link Assets, 2019


# The undulation of economic hopes

The most recent raft of gross domestic product (GDP) figures confirm the global economy wavered at the end of last year. Although decisive policy action is focused at supporting growth, it's likely the economic fallout from the COVID-19 outbreak will dent hopes of an imminent recovery.

At the turn of the year, fourth quarter GDP data painted a sombre picture of the global economy. In the UK, the economy stagnated with no growth at all, while the German economy barely registered any growth and the Italian and French economies both shrank. While in Japan the economy contracted sharply in the fourth quarter. China and the US performed more strongly, posting identical growth rates during the final quarter of last year to those recorded during Q3. However, even in these two countries, the data confirmed a broader overall trend towards decelerating growth rates.

### Growth supported by policy action

A number of central banks and the US Federal Reserve cut interest rates during the second half of last year and this monetary stimulus has provided some support to the global economy. Policymakers are also introducing other measures designed to promote recovery; in December, Japan announced a $120bn stimulus package to shore up its ailing economy.

### COVID-19 will hinder recovery

The economic problems caused by the outbreak, however, look set to impede efforts to boost growth. While producing reliable estimates of the likely impact of the COVID-19 outbreak is challenging, economists suggest China is facing a short-lived but potentially sharp economic shock. Given China's significance on the global economic stage, this, in addition to the continuing spread of the disease, will undoubtedly have implications for growth across the world.

## SPOTLIGHT ON 'MEGATRENDS'

'Megatrend' describes a set of changes in our world that are huge in their impact, unprecedented and unstoppable. The interconnectivity of our world means that trends overlay one another and investment themes present themselves.

### Defining our future

Global megatrends are sustained, macroeconomic, transformative developments, set to alter the course of the economy, society, business, and our personal lives, which will define and shape our future world. The implications of these trends are diverse, presenting both opportunities and risks.

A series of megatrends expected to shape our lives in the next 20 years or so, include climate change, technological breakthroughs, shifts in global economic power, rapid urbanisation and demographic and social change[7].

[7]PwC and BlackRock/iShares, 2020