VIEWPOINT AUTUMN EDITION

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

COLLECTIVE financial planning

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2020 The story so far

Little did we know, as we entered a new decade, what was in store for the global economy in 2020. Around the globe, the Covid-19 pandemic has inflicted a huge human cost. The response, and the measures to reduce the spread of the virus have inevitably had a significant impact on global economic activity.

A recent Organisation for Economic Co-operation and Development (OECD) outlook, cautioned, *'as restrictions begin to be eased, the path to economic recovery remains highly uncertain and vulnerable to a second wave of infections. With or without a second outbreak, the consequences will be severe and long-lasting.'* With business activity frozen in many sectors, confidence has understandably been undermined.

With lockdowns now easing in some regions and economies beginning to reopen, many major indices have rebounded from the lows reached in March as the pandemic took hold.

On home shores

In the UK, recent ONS data highlighted the UK economy contracted in April by 20.4%, the largest monthly contraction on record. The OECD data showed the UK is likely to be one of the hardest hit major economies due to its service-based nature. The Bank of England's Monetary Policy Committee (MPC) recently increased the size of its bond-buying programme to help fight the coronavirus-induced downturn. The MPC expressed in their minutes, that the fall in global GDP in Q2 will be less severe than expected and there are signs that services output and consumer spending are picking up.

Other regions

As concerns about a second spike of infection surfaced in the US in June, Steven Mnuchin, US Treasury Secretary, ruled out shutting down the US economy again. International Monetary Fund data for the 19-country Eurozone, revealed growth across the bloc contracted by 3.8% in Q1. As lockdown measures eased, European markets have rallied, but should there be a 'second wave' of Covid-19 infections it will dampen optimism. Output in China contracted during Q1, the first recorded contraction since at least 1992. Chinese authorities will not be establishing growth targets this year. The country faces significant challenges, with a struggling economy and rising international hostility.

Uncertain times, keep talking

Uncertainty surrounds the future spread of the virus and the success of efforts to develop a vaccine and therapies to counter it, making it challenging to predict the path for the global economy.

A well-defined investment plan, that considers your personal circumstances, can help you weather market storm. Volatility is a timely reminder to keep your investments under regular review. We want to reassure you that we understand the challenges you may face and are here to support you.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

OW2862 Exp. 29/10/2020

2020/21
tax year know your numbers

Whilst we would all probably agree that paying tax goes towards providing the important services we all rely on, no one needs to end up paying more than their fair share. Each year, the government announces the tax allowances and exemptions that we are entitled to and it makes sense to maximise their use in meeting our individual financial goals.

Here are a few figures worth knowing:

Personal taxation

At the Budget, the Chancellor's main change to personal taxation was an increase in the National Insurance threshold to **£9,500**, which will save most workers around £100 each year. The Personal Allowance was frozen at **£12,500**, while the £50,000 higher-rate threshold remains unchanged in parts of the UK where Income Tax is not devolved.

Pensions

One of the key attractions of paying into a pension is the tax relief available, 20% for basic rate taxpayers, 40% for higher rate and 45% for additional rate taxpayers. The Annual Allowance for pensions in the 2020/21 tax year remains at **£40,000**.

From 6 April the Annual Allowance will begin to taper for those who have an income above **£240,000** – the £200,000 allowance plus the £40,000 you can save into a pension. It means that for every £2 of adjusted income that goes over £240,000, the Annual Allowance for that year reduces by £1. The minimum Annual Allowance reduced from £10,000 to £**4,000**, affecting those with an income over £300,000.

The Lifetime Allowance – the maximum amount you can have in a pension over a lifetime – increased on 6 April to **£1,073,100**. Increases to State Pensions since 6 April see the new single-tier State Pension rising to **£175.20** and the older basic State Pension increasing to **£134.25** per week.

Savings landscape

A major announcement for savers at the Budget was a substantial increase in the JISA (Junior Individual Savings Account) allowance and Child Trust Fund annual subscription limit from £4,368 to £9,000. The ISA (Individual Savings Account) allowance, including the Lifetime ISA allowance if used, was left unchanged at £20,000. ISAs represent a tax-efficient way of saving or investing and the JISA is a great way of building up funds for your child.

IHT thresholds

For individuals, the current IHT nil-rate threshold is **£325,000**, and **£650,000** for a married couple or civil partners. Beyond these thresholds, IHT is usually payable at a rate of **40%**. The main residence nil-rate band, which applies if you want to pass your main residence to a direct descendant, increased to **£175,000** on 6 April.

Planning pays

Tax planning involves taking sensible steps to reduce the amount of tax you pay. Whilst tax-efficiency can play a vital part in successful saving and investing, it's important not to make it the sole driver of your savings or investment decisions, or to steer you away from achieving your core goals.

The value of investments and any income from them can go down as well as up and you may not get back the original amount invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

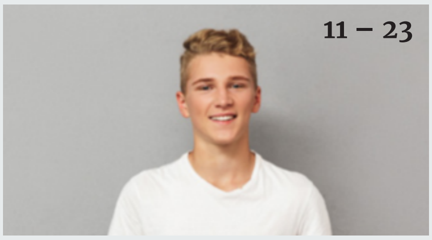
OW2772 Exp. 05/04/2021

Tax-efficient investing across the ages

As investors progress through the various stages of life, their investment priorities as well as their financial goals will inevitably change. However, whatever life stage you are at, it's always important to take advantage of any tax-efficient investment opportunities available to you.

Generation Alpha

The principal tax-wrapper available to the youngest generation (new-borns to 18-year-olds) is a Junior ISA (Individual Savings Account). Changes announced in the Spring Budget mean parents, grandparents and family friends can invest up to £9,000 a year in a Junior ISA from 6 April 2020, with the proceeds free from dividend, income and capital gains tax. Another tax-efficient investment option for Generation Alpha is a junior pension which allows a maximum contribution of £2,880 per year – equivalent to investing £3,600 when topped up by government tax relief.



Generation Z

This cohort includes 11 to 23-year-olds, with younger members still being eligible for both a Junior ISA and junior pension. Older Generation Z could also open an adult ISA and those in paid employment will be eligible for a workplace pension. Another opportunity open to older members of this group is a Lifetime ISA, which allows adults under the age of 40 to invest up to £4,000 a year to fund the purchase of a first home or for retirement, with government adding a 25% bonus up to a maximum of £1,000 per year.

Millennials

Buying a home will inevitably be a key financial goal for members of this group (24 to 39-year-olds), which means a Lifetime ISA is usually an investment priority. While extra commitments mean cash is not always plentiful at this stage of life, if possible, Millennials should also direct regular amounts, large or small, into an adult ISA in order to take advantage of the overall £20,000 annual allowance. Making additional pension contributions can also be an effective tax-efficient savings strategy for this group.

Generation X

Members of this cohort, aged between 40 and 55, will often be at the peak of their earning prowess. Financial demands also tend to reduce at this life stage which means Generation X often have the resources to maximise ISA investments. With retirement looming, members of this group are also generally keen to boost pension savings, particularly higher rate taxpayers who qualify for extra tax relief on contributions.

Baby Boomers

This group includes 56 to 74-year-olds and maximising pension contributions is likely to be a key tax-efficient investment strategy for its pre-retired members. Baby Boomers will also be able to take advantage of the 25% tax-free lump sum they can withdraw under the pension freedoms rules. Cash ISAs are also likely to feature more prominently for members of this group, particularly those who are retired.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN.
YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

OW2688 Exp. 05/04/2021

Spreading the risk

Stock markets do not react well in times of uncertainty and the effects of the pandemic continue to pile pressure on financial markets worldwide. During periods of increased volatility, such as we have seen over the last few months, the importance of spreading risk and considering the longer term, remain constant investment principles.

Why diversify?

Adopting portfolio diversification means you do not put all your eggs in one basket. A balanced portfolio contains a combination of different asset classes, such as equities (shares), bonds, property and cash. Equities have the potential to deliver higher returns than bonds, but bonds can provide an element of capital preservation for times when a more risk-averse approach is required. You can also diversify your portfolio further through choosing different geographical regions and industry sectors.

Don't overdo it

While building diversity into an investment portfolio is undoubtedly important, try to guard against over-diversification. This could make your portfolio unmanageable and could mean you spread your investments too thinly, resulting in a detrimental impact on potential returns.

Holding your nerve

The pandemic has unsettled global markets and it has been an unnerving time for many investors. I's important to remember that stock market volatility is inevitable, and markets can often rebound quickly once immediate issues are resolved. Experienced long-term investors know that the worst investment strategy you can adopt is to jump in and out of the stock market and sell up when investments have hit rock bottom.

Diversification is key

We can help you to identify how much risk you are prepared to take and advise you how to achieve your long-term investment goals, through an appropriate balance of risk and reward. A sensible way to build a portfolio is through collective investment schemes with a risk profile to match your objectives and needs. We can advise on the investment strategies and products most appropriate for your own individual circumstances.

Keep in touch

Financial advice and regular reviews are essential to keep your portfolio in line with your attitude to risk and your objectives. This allows you to develop and continue to follow a well-defined plan.

Your circumstances or objectives may well have changed recently, so please don't hesitate to contact us with any questions or concerns you may have.

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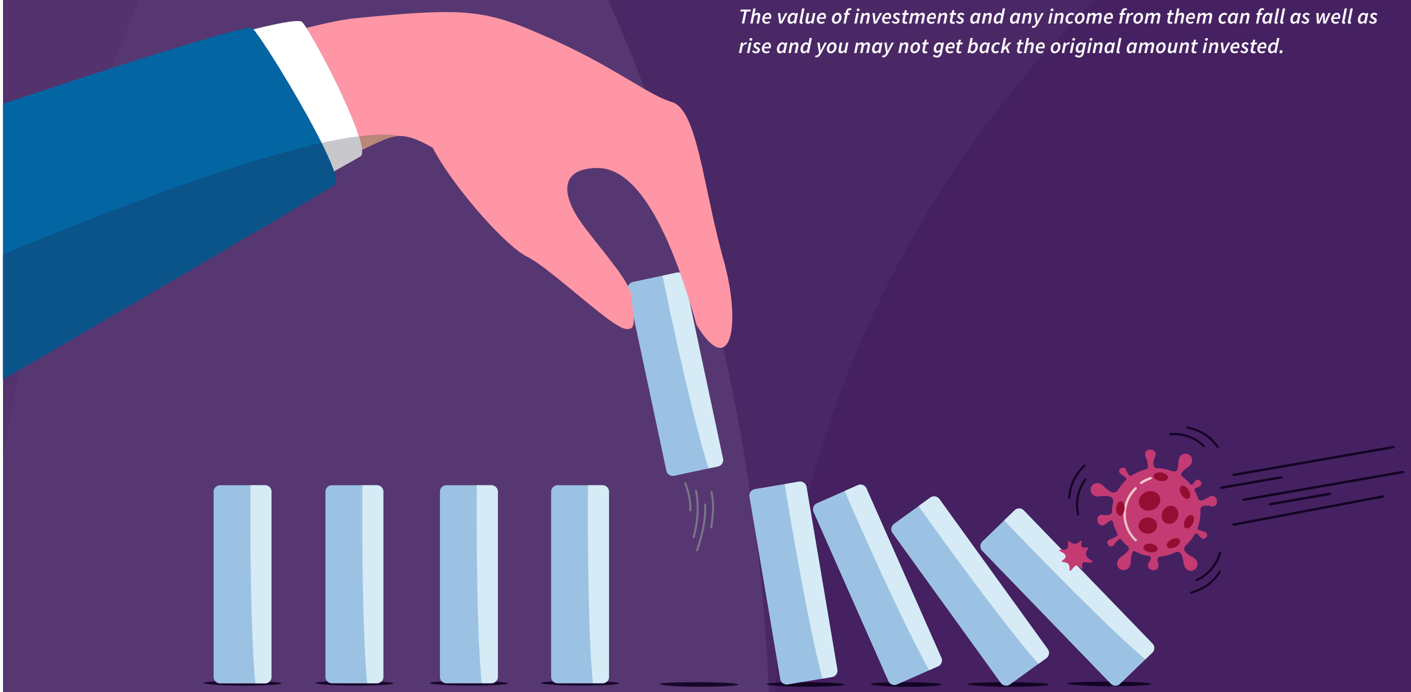

The importance of life cover for carers

One in five people in the UK act as a carer. Figures show more than seven out of ten of those who look after familiy, friends or other members of the community do not have any protection policies in place. Furthermore, a fifth do not know who would take over their caring duties if they fell ill themselves and 20% do not know who would provide them with the care they might need.

Whichever type of care you provide, whether that's personal care, helping with shopping or taking someone to appointments, one important type of protection all carers should consider is life insurance.

Protection for stay-at-home parents

Carers do not just include those who look after people who are sick, elderly or disabled. If you're a stay-at-home parent, life insurance can be just as important as it is for working parents. Consider all the tasks you do around the home – looking after the children, cooking, cleaning, school runs, the list is endless.

If you were no longer around, your partner might have to take time off work or even stop working altogether to look after the children. Life insurance can provide sufficient funds to cover the costs of childcare, if you aren't there to provide it.

Reasons for procrastination

Many people put off buying life insurance because they think it's too expensive, they get cover through their job, or they believe they don't need a policy.

In reality, life insurance policies are often inexpensive – particularly if you take out a policy while you are young and fit – and it is a small price to pay for protecting those you care for. If you have cover as part of your employment package, keep in mind it may not be sufficient, and you'll likely lose the cover if you change job.

Here to help

Whatever type of carer you are, life insurance is an essential part of your protection toolkit. If you would like to know more about the benefits and costs of protection policies, plus how much cover you need, do get in touch.

Getting the right type of cover

Life insurance typically pays out a lump sum to your dependants if you die during the term of the policy. The beneficiaries of your policy can include children, family members, friends, or anyone else you care for.

It provides valuable peace of mind that those who rely on you will be protected financially should the unexpected happen. The money received can be used to pay rent or mortgage costs, bills and other expenses, or to employ another carer.

Critical illness cover can often be added to a life insurance policy and pays out a tax-free amount if you are diagnosed with a specified critical illness.