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INDEPENDENT FINANCIAL ADVISERS

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.

INVESTING IN UNCERTAIN TIMES

Global stock markets are experiencing a period of volatility as a result of the COVID-19 outbreak. Although markets do not respond well to periods of uncertainty and downward movements can be concerning, experience has taught us to expect the unexpected.

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. Even though it can be challenging to ignore market movements, it is vital to focus on the long term and remember that volatility also presents opportunities.

Investment requires a disciplined approach and a degree of holding your nerve if markets fall. 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.

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.

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.

DON'T LET 'DECISION FATIGUE' IMPACT YOUR FINANCES

A recent survey[1] 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 10 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.

[1]Scottish Widows, 2019

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. The value of investments and income from them may go down. You may not get back the original amount invested.

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.

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.

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.

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.

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[2] 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.

[2]Pensions Policy Institute, 2019

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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.

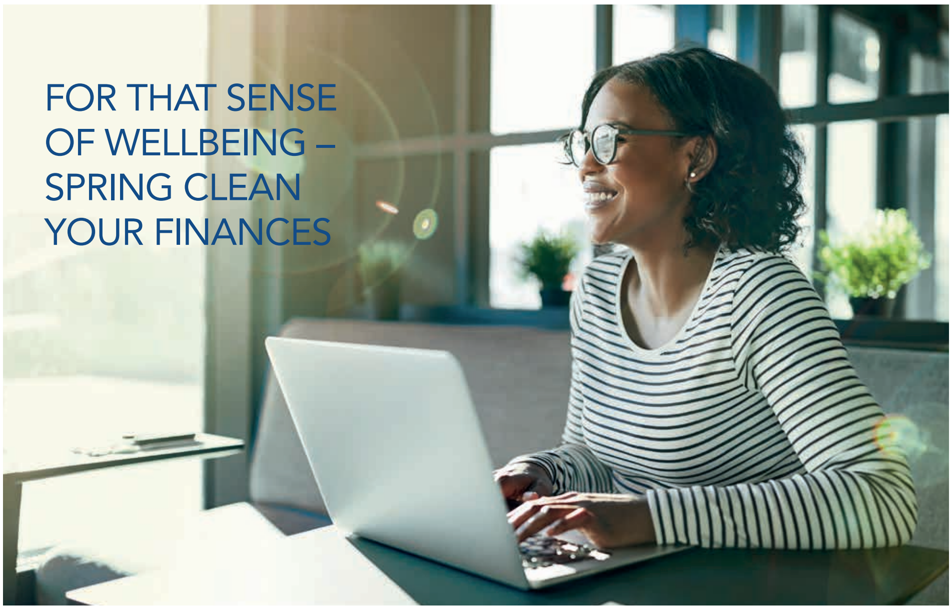
This is according to Financial Capability, part of the government-sponsored Money and Pensions Service. Financial education in primary school, it says, needs to move beyond teaching children to recognise the pounds and pence that make up their pocket money. It should also be getting them ready to open 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 10 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.

FOR THAT SENSE OF WELLBEING – SPRING CLEAN YOUR FINANCES



In an attempt to understand the connection between wellbeing and wealth, a recent survey[3] 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 well-being.

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 well-being both now and into the future.

[3]BlackRock, 2020

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