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WEALTH

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YOUR FINANCIAL FUTURE – LOOKING AHEAD WITH HOPE

UK DIVIDENDS – LOOKING POSITIVE?

FINANCIAL GOALS – KEEP FOCUSED

RETIREMENT FEARS PUT TO REST – PLANNING PAYS

A MILESTONE FOR ISAs

PASSING YOUR PENSION TO THE NEXT GENERATION

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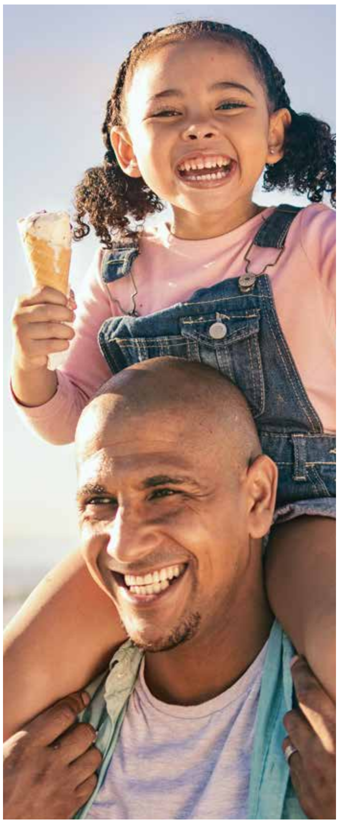
IN THIS ISSUE



YOUR FINANCIAL FUTURE – LOOKING AHEAD WITH HOPE

After a long, bleak winter and a rainy spring, summer not only brings hope of sunnier days but also hope of a better financial future. With inflationary pressures receding and the economy showing signs of growth, it could be a good opportunity to prioritise some pension-related matters to ensure brighter days really do lie ahead.

Be clear about your wishes

Did you know almost half[1] of all UK pension savers have not thought about who will inherit or otherwise benefit from their retirement savings? It is therefore extremely concerning that the same research also highlighted that over half of respondents had not completed an expression of wishes form (this form tells your pension provider who should receive your pension savings if you die before you retire). A further one in ten were unaware if their forms were up to date.

Time to boost the pot?

Financial Conduct Authority data covering 2022/23 highlights the financial difficulties experienced by people over the past few years, with the number of pension plans accessed for the first time increasing by 4.8%. However, as challenges ease, it is hoped that people will focus on boosting their retirement pots.

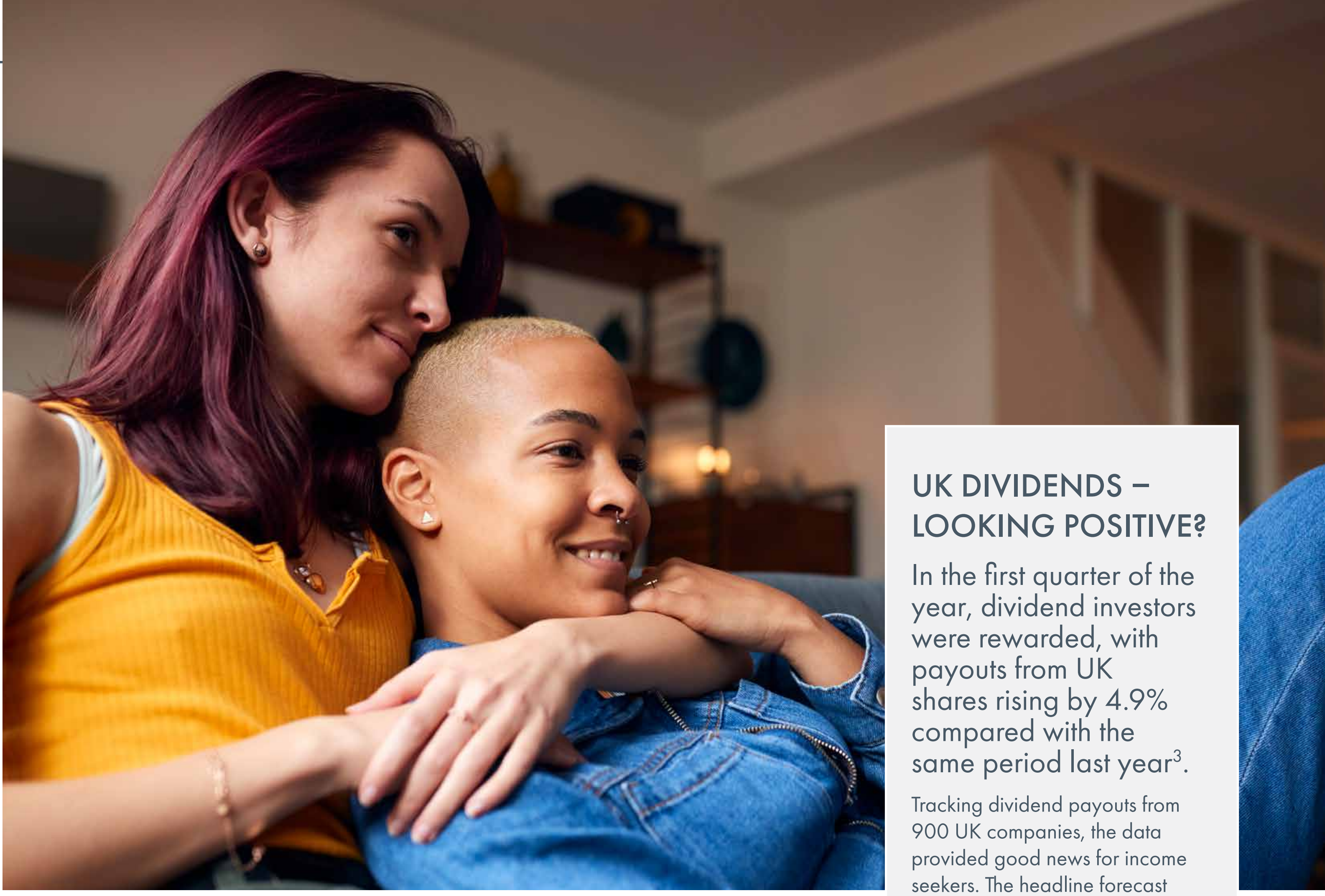
Pass it on

While the tax advantages associated with pension contributions are often appreciated, what can be overlooked is their potential to pass on wealth tax-efficiently. Pensions can play an important role in supporting your loved ones after you pass away. They can also be used to deal with the Child Benefit trap, because pension contributions reduce taxable income, thereby enabling some people to avoid paying the Child Benefit Charge.

Devote some time

Understanding the value of investing time in your pension now ensures benefits in the future. Talking through your options will help you maximise your pension benefits, for you and your beneficiaries.

[1]Canada Life, 2024



FINANCIAL GOALS – KEEP FOCUSED

What motivates you most in life? According to a recent poll over half (56%) of adults say improving their financial situation is their prime motivator, including reducing debt and increasing their disposable income[2]. Interestingly of those making money-related new year's resolutions, 67% gave up by 1 April and 80% by the end of April!

Amongst the poll of 2,000 adults, the main blockers to being successful in achieving these financial goals were specified as being unrealistic when setting the goals (16%), laziness (10%), a lack of motivation (8%) and too many distractions, cited by 7% of respondents.

It is hard to keep motivated when you're tackling things alone, it can be easy to lose focus and dedication to goals and long-term objectives.

Adopting the mindset of an Olympian to achieve your financial goals

The research was conducted in conjunction with Team GB, to give people a motivational boost this summer ahead of the Paris Olympics. Six-time Olympic champion, Sir Chris Hoy commented, *"As a professional athlete, I know first-hand the significant role motivation plays in achieving your goals. During my training for each of the Olympic Games, my coach's words of encouragement and the unwavering support... were a huge part of my motivation... so whatever your goals are, you have the motivation to strive for the finish line."*

If you need help getting back on track with your financial goals and objectives, you don't need to go it alone – we can help.

[2]NatWest, 2024

WHATEVER YOUR GOALS ARE, YOU HAVE THE MOTIVATION TO STRIVE FOR THE FINISH LINE.

UK DIVIDENDS – LOOKING POSITIVE?

In the first quarter of the year, dividend investors were rewarded, with payouts from UK shares rising by 4.9% compared with the same period last year[3].

Tracking dividend payouts from 900 UK companies, the data provided good news for income seekers. The headline forecast from Computershare was upgraded from £93.9bn to £94.5bn in total payouts this year (2024) – this represents a 4.3% year-on-year increase compared with the previous prediction of 3.7%.

Special dividends, which are predicted to be significantly larger than last year, are likely to be key drivers of this increase. Meanwhile, regular dividends are predicted to be up 1.5% year-on-year (to £89.5bn), down from 2% last year.

The leisure, airline and travel sectors, which continue to recover from the pandemic, are showing the fastest dividend growth rates so far this year, with banks likely to make the largest contribution to dividend growth in the UK for the third consecutive year, according to the report.

Looking ahead, Computershare believe the UK dividend outlook is 'healthy but unexciting' with most sectors registering *'steady, low single-digit growth.'*

[3]Computershare Dividend Monitor, 2024

BROADENING YOUR INVESTMENT HORIZONS BY LIMITING 'HOME BIAS'

Many investors prefer familiar UK companies and UK-centric funds, a tendency known as 'home bias'. While this instinct is understandable, over-reliance on domestic investments can limit your portfolio's growth potential, as well as the benefits gained by diversifying.

Pitfalls of home bias

One major drawback of home bias is its restriction on your portfolio's growth prospects. A global investment approach exposes your portfolio to a diverse array of countries, industries and companies, which gives potential for higher returns over time. This broader perspective is essential, as it provides access to high-growth sectors and companies not always available in the UK market. By concentrating solely on UK investments, you may miss out on these lucrative opportunities, even if some local companies perform well.

The power of diversification

Home bias also contradicts a fundamental investment principle – diversification. Diversifying your portfolio across various asset classes, countries, and companies is a straightforward yet highly effective strategy to reduce risk and achieve consistent returns. Historical data and studies demonstrate that international investments enhance a portfolio's risk-adjusted returns due to their diversification benefits. While investing globally does come with geopolitical risks, the wider range of asset classes and markets can buffer your portfolio against economic downturns specific to the UK.

However, be cautious of over-diversification, which occurs when additional investments reduce returns without significantly lowering risk. Regular reviews and rebalancing of your portfolio can help maintain optimal diversification and manage potential concentration risks over time.

A GLOBAL INVESTMENT APPROACH EXPOSES YOUR PORTFOLIO TO A DIVERSE ARRAY OF COUNTRIES, INDUSTRIES AND COMPANIES, WHICH GIVES POTENTIAL FOR HIGHER RETURNS OVER TIME.

Taking the next step

Recent research indicates that some Britons are beginning to save more despite the cost-of-living crisis[4]. If you have extra funds available, now might be an ideal time to consider expanding your investment strategy. By looking beyond the UK, you can take advantage of global opportunities that could help to build a more robust and resilient portfolio.

[4]Aldermore, 2024

RETIREMENT FEARS PUT TO REST – PLANNING PAYS

Do you have any concerns about retirement? Perhaps the lifestyle change, health worries, in addition to financial considerations? Whatever your worries, it's likely you're not alone in focusing on the potential negatives of this exciting, yet unknown phase of your life – however far off it may be.

A recent survey of financial advisers has highlighted what clients are most concerned about when it comes to retirement. Some 71% of respondents responded that the most common client fear is running out of money[5]. Meanwhile, 64% of advisers cited the cost-of-living crisis as a cause for concern, and just under half (49%) mentioned the cost implications of long-term care. All understandable fears, unfortunately underscored by the substantial increase over the last year in the amount needed to fund a moderate retirement[6].

Stay grounded

The study shows the retirement wishes of many remain grounded, with over three quarters (76%) of surveyed clients hoping to maintain the same standard of living in retirement. Helping the next generation financially is a hope for almost two thirds (65%) of those surveyed.

Retirement planning pays off by ensuring financial security, maintaining independence, reducing stress, enabling goal achievement, providing for your family and thinking about their future too, clearly a priority for many, whilst also balancing your financial needs. You work hard and deserve to enjoy your retirement unconstrained by financial concerns.

[5]Aegon, 2024, [6]PLSA, 2024

A MILESTONE FOR ISAs

Individual Savings Accounts (ISA) have become a cornerstone of the UK savings and investment landscape.

Quarter of a century – a worthy celebration

By any standard, the humble ISA has been a tremendous success, launched on 6 April 1999 as successor to PEPs and TESSAs. According to the latest HMRC figures, over 22 million UK adults hold an ISA, with the total market value of these accounts exceeding £740bn. The primary advantage of ISAs is the tax exemption on dividends, interest or capital growth. ISAs will collectively save investors around £7bn in tax this year alone.

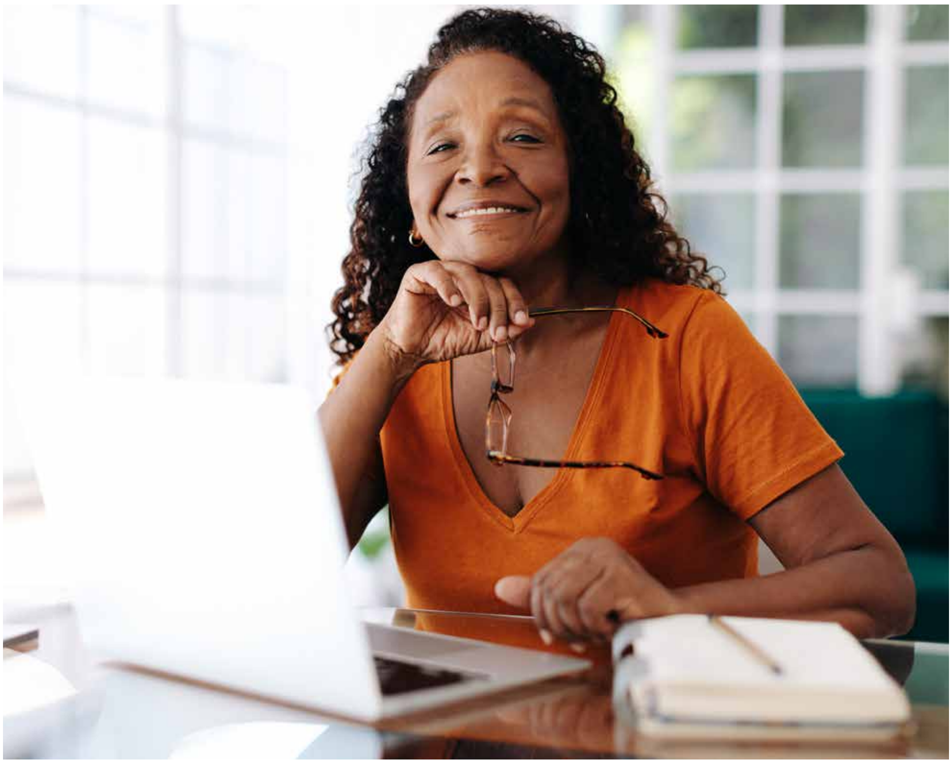
The early bird

Evidence[7] suggests that those individuals who choose to invest early in a new tax year are likely to have amassed a larger amount than those who waited until the end of the tax year. Showing that time in the market that counts rather than timing the market. The same analysis suggests that anyone who invested the maximum stocks and shares annual ISA allowance each year over the last quarter of a century could, depending on the performance of their chosen investments, have accumulated an investment pot worth around £900,000.

Little and often pays off too

Some people may favour adding little and often to their ISA, another approach that can certainly amount to significant sums being saved over time too. So, whether saving on a regular basis or investing a lump sum, the key is making sure you utilise as much as possible (having regard for other aspects of your current and future finances) of your ISA allowance each year.

[7]Vanguard, 2024



UNDERSTANDING THE MULTIFACETED NATURE OF FINANCIAL WELLBEING

Research[8] indicates that 81% of the UK's wealthiest individuals feel 'stressed' about their finances, underscoring that financial wellbeing is about more than just how well off you may be. Almost everyone has concerns about their financial future.

Planning for the future

The main concerns for individuals revolve around retirement and planning for the future. Key worries include maintaining a comparable lifestyle in later life (51%), the value of investments (39%), providing for future generations (25%), tax burdens (24%), and the risk of fraud (22%). Interestingly, nearly three in five wealthy individuals (59%) in the UK are contemplating relocating overseas for an improved standard of living (36%), lower property costs (28%), and a more favourable tax regime (21%).

The importance of financial wellbeing

Financial wellbeing transcends having large sums of money. It is about feeling secure and in control of your finances, both now and in the future. The Global Financial Wellbeing Report 2024[9] reveals that the primary goal across surveyed countries is to 'feel secure' (94%). Those who feel financially confident are '*two times more likely to have goals, ambitions, and dreams for their life.*'

Your purpose

While money alone cannot buy happiness, it can provide security and freedom. Achieving this requires a plan with a starting point identifying what is most important to you and what you want to achieve. Wealth can create a powerful purpose in our lives if we unlock its true value by understanding our 'why.' Once established, you can devise your individual plan to work toward your goals with purpose.

Unlock the real value of wealth

We can help you develop a clear understanding of your financial goals and provide the support and expert advice needed to create a financial strategy. Instead of worrying about your financial future, take valuable steps now to gain control and face the future with confidence.

[8]Arbuthnot Latham, 2024, [9]nudge, 2024

MAXIMISING A BONUS THROUGH YOUR PENSION

Receiving a bonus at work is a rewarding experience, but it's important to remember that bonuses are subject to Income Tax and National Insurance Contributions, which can significantly reduce the amount you take home. A substantial bonus may even push you into a higher tax bracket, further diminishing your net gain.

Interestingly, 44%[10] of workers who received a bonus last year chose to put some or all of it into their pension. Depending on your financial goals, circumstances, and timeline, this could be a beneficial option for you. Pension contributions enjoy tax relief at the highest rate of Income Tax you pay—currently 20% for basic rate taxpayers and 40% or 45% for higher or additional rate taxpayers.

Sarah Pennells, Consumer Finance Specialist at Royal London, notes, *"There isn't a right or wrong way to use your bonus but investing it in your pension could potentially yield more in the long run. Sacrificing your bonus into your pension is a savvy way to save on tax."*

As your financial advisers, we can help you understand the tax implications of your bonus, advise on the best investment strategies and adjust your financial plan to reflect any new circumstances and goals.

[10]Royal London, 2024

'MAGPIE' INVESTING

Nearly one in ten adults are termed 'magpie' investors. According to recent research[11], these individuals invest in luxury items in the hope of seeing an increase in value and attractive returns.

The favoured items to purchase include watches, jewellery, collectibles, art, wine, whisky, classic cars and high-end accessories like clothes and handbags. Jewellery came top of the list, with almost half (46%) investing in it with the expectation of appreciation in value.

On average, these magpie investors have allocated over £40,000 each to luxury items. From 1,000 people surveyed, the trend looks set to continue as nearly half (47%) of these investors plan to increase their investment in luxury items over the next five years. Specifically, more than one in eight (13%) intend to dramatically increase their investment in such assets. Meanwhile, around a third (34%) expect their investment levels to remain steady, and 9% foresee a decrease.

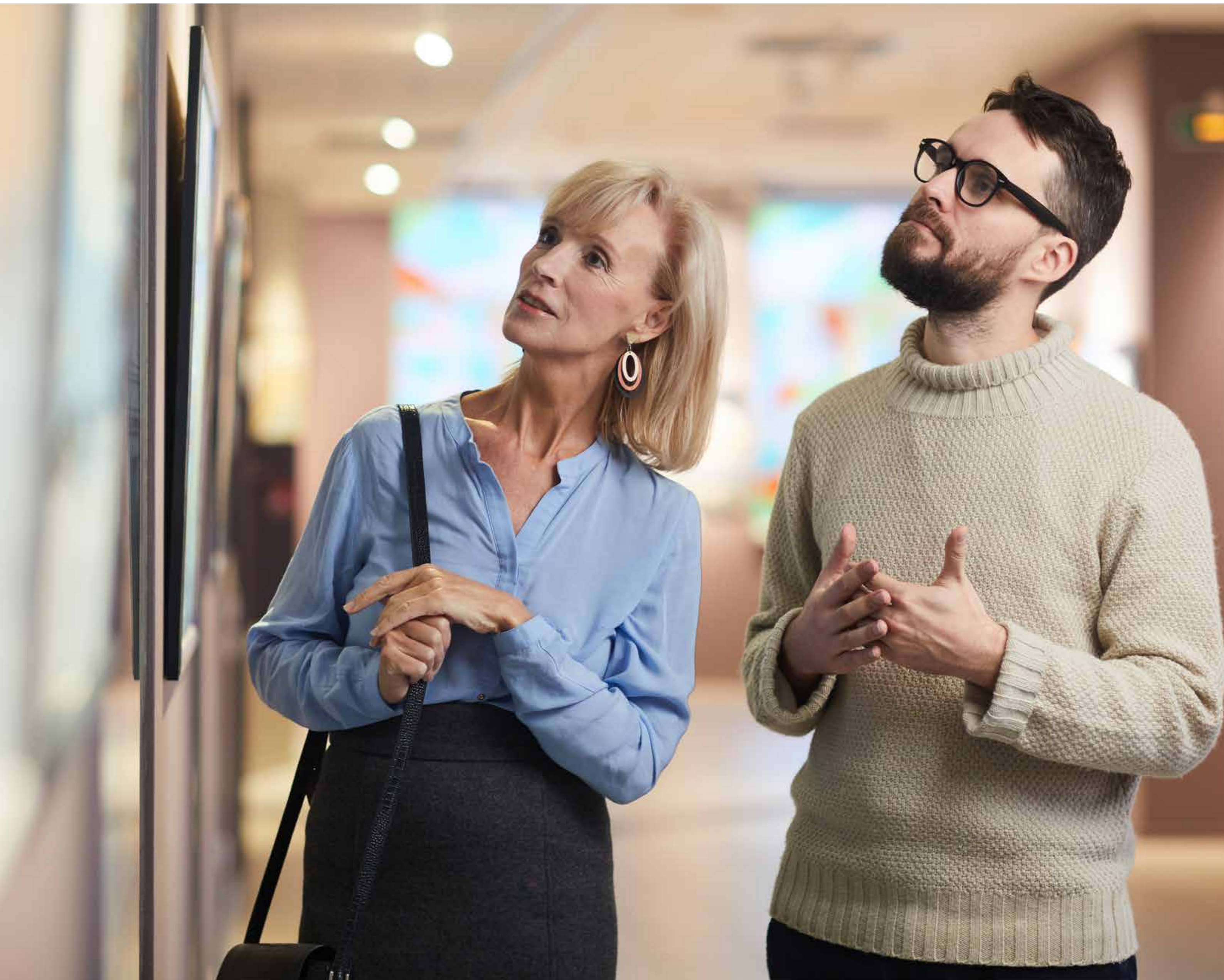
The appeal of luxury investments lies in their potential for high returns and the enjoyment of owning prestigious items. However, it can be a higher-risk approach; magpie investors need to ensure they are considering the overall balance of their portfolio, the illiquid nature of luxury investments and the risks associated with investing in non-traditional assets.

INVESTORS CAN ACCESS FUNDS THAT INVEST IN TANGIBLE ASSETS AS A MORE LIQUID WAY OF GAINING EXPOSURE TO SUCH MARKETS.

Investors can access funds that invest in tangible assets as a more liquid way of gaining exposure to such markets.

We can help to ensure you have a well-rounded and resilient investment strategy.

[11]Investec, 2024



PASSING YOUR PENSION TO THE NEXT GENERATION

Your pension isn't just a retirement savings pot, it's an effective tool to help support future generations. In addition to ensuring your financial certainty when you finish working, defined contribution pensions are a tax-efficient way of passing on your wealth.

Pensions can sit outside your estate for IHT purposes, so the money within your defined contribution pension can be passed onto your loved ones without incurring any IHT.

YOU MIGHT CONSIDER A TAX-EFFICIENT GIFT OF A PENSION.

Alleviate some financial pressures

With financial pressures mounting for many people, you might consider a tax-efficient gift of a pension worth passing on to your children perhaps. Your loved ones will usually inherit the pension itself rather than the money inside it, meaning they can continue to benefit from the tax advantages, including tax-free investment growth.

As another option, you may wish to consider starting a pension plan, within limits, for a child, rather than (or in addition to) leaving them yours. Looking further ahead your children might even pass the pension onto their children, still without paying a penny of IHT if current rules still apply.

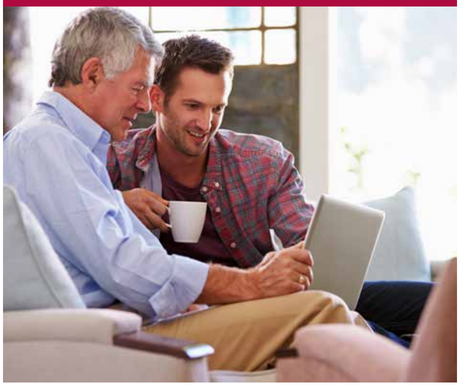
Passing a pension on might not be the right choice for everyone, there's plenty to consider.

PROVIDE A PENSION BOOST BY LEAVING IT INVESTED

Some fascinating new modelling research[12] has shone a light on the financial benefits of leaving your pension invested for longer.

Closely studying 232,654 different retirement claim transactions in the four years from 2019, has shown that just 20% of people have waited until their Selected Retirement Age (SRA) before drawing down on their pension. With the average amount withdrawn from a pension totaling £47,000, the modelling illustrates that if the money stayed invested from the age of 55 (when you can first draw on your pension) for 10 years to the age of 65, this could provide a boost of over half, specifically £24,661, rising to over £38,000 if invested to the age of 70.

[12]Scottish Widows, 2024



Past performance may not be repeated in future. Future returns cannot be guaranteed. For ISAs, investors do not pay any personal tax on income or gains but ISAs do pay unrecoverable tax on income from stocks and shares received by the ISA manager. Tax treatment varies according to individual circumstances and is subject to change. The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.

The Financial Conduct Authority does not regulate Trusts, Inheritance Tax Planning, Cash in Deposits, Capital Gains or Tax Planning or Taxation Advice.

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Approver: Quilter Financial Planning Solutions Limited. 16/07/2024