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## Your Money

Winter 2021

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### A reminder for Q1 2021

Don't forget that you only have until the end of the tax year (Monday 5 April) to invest tax efficiently by using your Individual Savings Account (ISA) allowance. If you have cash that you won't need to access in the short term and would like to use some or all of this year's ISA allowance, don't leave it too late or you could risk missing out on this opportunity to save tax-efficiently; remember that timing is important as you can't carry any unused allowance over to the next tax year.

For 2020/21, the ISA allowance is **£20,000**, or **£9,000** if you want to save tax-efficiently for a child using a Junior ISA (JISA). You can put the full £20,000 into a cash ISA, or invest the whole amount in a stocks and shares ISA. If you prefer to mix and match, by investing into both equities and cash, you can do so, providing the total combined amount doesn't exceed your annual allowance.

Now, more than ever, you need to make sure your savings give you the best possible return. Putting money aside tax-free is an easy way to make your savings work that bit harder and is especially useful for those in higher tax bands who don't benefit from the Personal Savings Allowance. Are you benefiting from reduced childcare costs at the moment? With many after-school kids' clubs off the agenda, why not use the average spend of £57.36 per week, totalling almost £2,200 over the course of a 38-week school year, to invest in your child's future via a JISA? It all adds up.

## Looking forward to a new year

**As a new decade dawned, we could not have foreseen what the year would hold in store for us. A year on, there is growing positivity for 2021, but we mustn't forget what our experiences of the last 12 months have taught us. Surely one crucial lesson from 2020 is the need to prioritise financial wellbeing so that we can cope with life's unexpected events?**

### What lessons have we learnt?

The pandemic has clearly laid bare our fragility and vulnerabilities, presenting us with huge challenges on many different levels. It has also reinforced a number of key financial lessons, from the importance of budgeting and building up an emergency savings pot, to investment diversification and holding appropriate protection policies.

In a nutshell, the pandemic has demonstrated the value of having sound financial planning strategies in place and the peace of mind such principles can give us. By getting into good financial habits, it is possible to ensure you are cushioned from the shock of any unforeseen event.

### Financial and emotional wellbeing

Another key point to take from last year has been the close connection between financial and emotional wellbeing; while a lack of financial stability typically leads to stress and anxiety, stable finances can provide mental calm.

Expert financial advice has also been highlighted to play a critical part in improving emotional wellbeing by increasing your financial confidence and resilience. This is according to research by insurer Royal London, which also found that clients who have an ongoing relationship with their adviser were nearly twice as likely to feel in control of their finances as those who didn't.

### Help at hand

New Year is a time to take stock of our finances and consider how to build foundations for a better financial future. Seeking professional advice is a vital step in achieving those objectives. So, get in touch and we can help you to develop sound plans to ensure you hit your short and long-term financial goals and ultimately provide a boost to both your financial and emotional wellbeing.

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



### Launch of UK's first green gilt

Chancellor Rishi Sunak has announced government plans to launch the UK's first green gilt in 2021, in response to "growing investor demand." This will be the first in a series of new issuances, with the government keen to position the UK as a world-leading, green finance hub ahead of the COP 26 international climate talks in Glasgow this year.

Green gilts are a form of borrowing which help raise funds to tackle climate change, fund low carbon infrastructure projects and create 'green jobs'.

### Secret stash

It has been reported that more than a fifth (22%) of women have a secret stash of cash that they could use as a financial back-up if their relationship were to fail<sup>1</sup>. The same research also found that 29% of women would rather share details of their dating history than talk about their finances!

Almost half (48%) of respondents to the survey said they had savings so as to be prepared for any eventuality, while 44% said they have always had separate savings from their partner and wanted to keep their financial independence.

### Online tax relief

From 6 April 2020, employers have been able to pay employees up to £6 a week tax-free to cover additional costs arising from working from home. Employees who have not received the expenses payment direct from their employer can apply to receive the tax relief direct from HMRC via a government portal at [www.gov.uk/tax-relief-for-employees/working-at-home](http://www.gov.uk/tax-relief-for-employees/working-at-home)

<sup>1</sup>Fidelity International, 2020



## Try this tip to rethink your retirement

**It comes as no surprise to find out that UK savers struggled to prioritise their pension in 2020, with over half (51%) saying they were unable to save sufficiently for the retirement they want and likely to review or reduce their pension contributions in the wake of the pandemic<sup>2</sup>.**

It's understandable why many people think of pension contributions as a drain on resources, when there are short-term priorities to think about. However, despite travel restrictions, Visit Britain estimated that Britons were still expected to spend £46.8bn on staycations last year. So why not think of your pension as saving up for holidays – just a bit later in life?

### Planning for a long, healthy retirement

Life expectancy at birth is now 79.4 years for males and 83.1 years for females,

according to Office for National Statistics (ONS) figures. Remember, this is just an average; in 2019, the number of people aged 90 and over rose by 3.6% to 605,181.

This means that many people are now spending 20 to 30 years in retirement – many of whom enjoy very good health due to improved living standards. So, you're still likely to want to enjoy holidays, meals out and other treats when you retire!

### Making your pension a priority

With so many demands on our income, it's not surprising that many of us struggle to prioritise our pensions. We can help you balance your finances now and plan for the future, so you can make those holidays a reality in the future.

<sup>2</sup>BlackRock, 2020

### Capital Gains Tax review

The Office of Tax Simplification (OTS) has published the first of its two reform reports on Capital Gains Tax (CGT). The report calls for CGT to be set at the same rate as Income Tax, a move which could raise a substantial amount for the Exchequer. Another OTS recommendation is a reduction in the annual exemption – the OTS estimates that the number of CGT taxpayers would double if the allowance was reduced to £5,000.

**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.**

## Stay vigilant so it doesn't happen to you

Scams are still happening to many people. It can be tempting to think, "it won't happen to me" but think again and stay vigilant! In the year to September 2020, Action Fraud received over 17,000 reports of investment fraud, totalling £657.4m in losses, up by 28% on the same period a year earlier.

Fuelled by the pandemic, scammers have been taking advantage of a population hit hard by job losses and reduced incomes. Head of Action Fraud, Pauline Smith, commented, "All of these factors provide criminals with the opportunity to attract more people with their fraudulent investment schemes. Preying on people when they are at their most vulnerable really shows how low these criminals will stoop to make a profit for themselves."

Action Fraud have warned, 'Fraudsters will go to great lengths to convince you they are not a scam' and have urged consumers to seek regulated advice on investment opportunities. If you have been approached by phone, email, social media or in person, it really does pay to be suspicious, trust your instinct and:

- Seek professional advice from an authorised financial adviser before making a significant financial decision
- Remember that, if something sounds too good to be true, it probably is
- Fraudsters may impersonate legitimate companies, so be vigilant.

For more information about investment fraud, visit [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)

## Get your life insurance in order

At the peak of the pandemic, insurers received nearly 7,000 life insurance claims and paid out £90m, which is equivalent to payments totalling £980,000 every day, paid out to support families of those dying from COVID-19.

Data from the Association of British Insurers (ABI) shows that between 1 March and 31 May last year, 6,689 claims were received under individual protection policies and 351 claims were received under group schemes (including a small number of critical illness and permanent disability claims). On average, this equates to 77 claims per day.

### Claims paid

The vast majority of these claims (83%) had been settled by early August and every life insurance claim made during this time was accepted. The average claim value paid on term insurance policies is expected to be £63,000, while the average payout on group policies is expected to be £137,000.

ABI's Assistant Director, Head of Protection and Health, Roshani Hill, said, "While no amount of money can ever replace



*a life, insurers have been doing all that they can to help families cope financially through these unprecedented and distressing times."*

### Protection is important

The importance of having the right protection cover in place cannot be overstated, as evidenced by these figures on claims and payouts. None of us can predict the future, which is why it's important to get advice and support to ensure your family is properly protected in 2021.

## Self-employed? Engage with your pension

Last year proved to be very challenging for many, with pay cuts and job losses forcing many of us to tighten our budgets. The pandemic highlighted the particular difficulties faced by the self-employed, with many freelancers losing income as companies cut costs and reduced their use of contractors. Many self-employed people have also found they are not eligible for government financial support.

Around 15% of the UK workforce are self-employed – almost five million people. This number is up from 3.2 million in 2000. Although there are many benefits to be gained when working for yourself, there are downsides too. Self-employed people don't enjoy the same benefits as employed workers, such as sick pay and paid holidays; they are also unable to access the benefits of pension auto-enrolment.

### Alarm bells for pensions

Many commentators have raised concerns that self-employed workers are not saving enough for retirement, with figures<sup>3</sup> showing that 85% of self-employed people do not pay into a pension, up from 73% in 2008/2009. The remaining 15% who do manage to save into a pension, have 77% of the pension wealth of the average population.

This can partly be attributed to lower-than-average incomes and the need for financial liquidity, made worse due to the pandemic. However, it is also down to attitudinal and other barriers as, even among the highest paid self-employed workers, only 19% save into a pension.

### Get your pension on track in 2021

If you are self-employed it's important not to neglect your pension. Make sure you get it on the right track this year by reviewing your contributions and increasing them where you can.

<sup>3</sup>NOW Pensions, Pensions Policy Institute, 2020

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# Talking openly to children to form good lifetime money habits

Along with the rest of us, children's lives changed beyond recognition at the start of the pandemic. The regular routine of school life, hobbies, celebrations and even dreaded exams were gone overnight. How can we begin to quantify the effect this may have on children? One survey asked children what had made them feel stressed during lockdown and discovered money worries featured, together with concerns about schoolwork, family life and other causes<sup>4</sup>.

Whilst it is upsetting to think that children feel these financial stresses too, with many families impacted financially, it's probably inevitable. The question is, how to deal with it? Talking openly about finances has been shown to help people feel less stressed or anxious, more in control, have stronger personal relationships, as well as helping children to form good lifetime money habits.

## Teaching the basics

Now is an especially good time to teach your kids some basic financial facts to

help calm their fears. Talk to them about your household budget and explain the main financial terms, such as credit and debit. Teach your children about the basics of savings, Premium Bonds, ISAs, JISAs, and pensions. Another valuable lesson is to show them the value of paying small, regular amounts into products like a savings account or JISA, where savings can quickly add up.

## Saying 'no'

Don't be afraid to say 'no' to your children if purchases seem unnecessary, as they need to learn about the balance between your financial needs and theirs. Involving them in purchasing decisions is all good experience too, so they get an understanding of how your thought processes and considerations have led you to make wise financial decisions.

## Good habits

The pandemic has shown us that having our finances in the best shape, with a sound safety net to fall back on, is vital. Habits formed now can help to set your children up for a positive financial future.

<sup>4</sup>Children's Commissioner, 2020



**Here to support you in 2021 and for your financial future**

**Whatever this year holds, rest assured that we're here for you and all your financial planning needs.**

While the coming months are expected to see the global economy rebound, the pace of recovery is difficult to predict. Along with uncertainties created by the pandemic, Brexit, trade deals and political issues will also doubtlessly persist. You can rely on us; we take the time to understand your objectives and advise you on the investment and financial strategies most appropriate for you.

We look forward to supporting you in 2021, so you can look ahead with hope and confidence.



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

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.

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