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Money & Wealth

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Financial wellbeing is multifaceted

According to research[1], 81% of the UK's wealthiest individuals are 'stressed' about their finances, suggesting financial wellbeing is about more than just the totality of your wealth. So, virtually everyone has concerns about what their financial future will look like.

Planning for the future

The prime concerns for individuals centred around future planning and retirement, specifically maintaining a comparable lifestyle in later life (51%), the value of their investments (39%), providing for future generations (25%), the tax burden (24%) and falling victim to fraud (22%).

Interestingly, almost three in five wealthy individuals (59%) in the UK are considering relocating overseas, to enjoy what they regard to be an improved standard of living (36%), lower property costs (28%) and a more favourable tax regime (21%).

The importance of financial wellbeing

Financial wellbeing is more than just having large sums of money. It's a state of feeling secure and in control of your finances, both now and in the future. According to the Global Financial Wellbeing Report 2024[2], across all the countries surveyed, people's top goal is to 'feel secure' (94%), noting that people who feel financially confident are *'two times more likely to have goals, ambitions and dreams for their life.'*

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UK dividends – positive news

Dividend investors have been rewarded so far in 2024, with payouts from UK shares rising by 4.9% in the first three months of the year compared with the same period in 2023[3].

The data tracks dividend payouts from 900 UK companies and comes as good news for income seekers. Computershare upgraded their headline forecast from £93.9bn to £94.5bn in total payouts for 2024 – a 4.3% year-on-year increase versus the previous forecast of 3.7%.

Most of this is likely to be driven by special dividends, which are expected to be significantly larger than in 2023. Regular dividends are predicted to be worth £89.5bn, up 1.5% year-on-year, down from 2% last year.

What about share prices?
While dividends rose, so did share prices. As a result, prospective yields on UK equities are around the same as a year ago at 4% on average.

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

[3]Computershare Dividend Monitor, 2024

Finding your purpose
While money can't buy you happiness, as the saying goes, it can give you security and freedom. But to get there, you need to have a plan. A good starting point is to work out what's most important to you and what you want to achieve. Wealth has the capacity to create a powerful purpose within our lives, provided we are able to unlock its true value by understanding your 'why'. Once you've established this, you can create a plan unique to you that you can work towards with purpose.

Unlocking the real value of your wealth
We can help you to develop a clear understanding of what you want to achieve with your wealth, as well as provide you with the support and expert advice to help you develop a financial strategy that brings you closer to achieving those goals. There's no point in worrying about your financial future when you could be taking valuable steps now to take control and face the future with confidence.

[1]Arbuthnot Latham, 2024, [2]nudge, 2024

81% of the UK's wealthiest individuals are 'stressed' about their finances

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In the news...

Are you a magpie investor?
Almost one in ten (9%) adults are. These so-called magpie investors buy luxury items hoping for an increase in value and an attractive return, according to new research[4]. The assets invested in include jewellery, watches, collectibles, classic cars, art, wine, whisky, and accessories such as clothes and handbags. Magpie investors favour jewellery most, with almost half (46%) saying they've invested in jewellery in the hope it will increase in value. Wise investors insure their valuable items.

On average, magpie investors have invested over £40,000 each in luxury items.

Record inflows to equities
There was a record surge of interest in equity funds in the weeks leading up to the end of the tax year. According to a recent fund flow index, 2024's ISA season was the best in the 10 years the index has produced its data. The index[5] recorded inflows from the middle of February to the end of the tax year, revealing that equity funds absorbed £5.17bn, representing more than five times as much as during the same period in 2023 (£981m).

[4]Investec, 2024, [5]Calastone, 2024

ISAs: a quarter century strong

Since being launched on 6 April 1999 as successor to PEPs and TESSAs, the Individual Savings Account (ISA) has become an integral part of the UK savings and investment landscape.

Worth celebrating
By any measure, the humble ISA has been a huge success. The latest HMRC figures show that more than 22 million UK adults have one, with the combined market value of these accounts standing at over £740bn. Their principal benefit is that holders do not have to pay tax on dividends, interest or capital growth; indeed, in total, ISAs will collectively save investors around £7bn in tax this year.

Maxed out
Estimates[6] suggest 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. The evidence also suggests that people who invested early in a tax year were likely to have amassed a larger amount than those who waited until the end – in other words, it's time in the market that counts rather than timing the market.

Make the most of your allowance
For some people though, little and often is the preferred way to invest in ISAs and this approach can certainly amount to significant sums being saved as well. Indeed, whether investing a lump sum or saving on a regular basis, the real 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.

[6]Vanguard, 2024

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Optimistic days ahead

This year, summer brings hope of a better financial future as inflationary pressures recede and the economy continues to grow. It could therefore be an ideal opportunity to prioritise a range of pension-related issues in order to ensure brighter days do lie ahead.

Pension withdrawals up
Many people have faced significant financial challenges over the last few years. Recently released Financial Conduct Authority data covering 2022/23 highlights these difficulties, with the number of pension plans accessed for the first time up by 5%. However, as recent challenges begin to ease, it is hoped that, rather than dipping into pension savings, people's focus will increasingly return to boosting their retirement pots and sorting out other pension-related concerns.

Expression of wishes
One pertinent issue relates to inheritance, with research[7] showing that almost half of all UK pension savers have not considered who will inherit or otherwise benefit from their retirement savings. Since April's Lifetime Allowance changes, decisions around pension beneficiaries have become more vital due to the way such pensions are taxed on receipt. It is therefore extremely worrying that the research also found over half of respondents had not completed an expression of wishes form, with a further one in ten unaware if their forms were up to date.

Taxing issues
Most people appreciate the tax advantages associated with pension contributions, but what is often less well-known is their potential to pass on wealth tax-efficiently. This means pensions can play an important role in supporting loved ones after you pass away. Pensions can also be advantageously used to navigate the Child Benefit trap, as pension contributions reduce taxable income and can thereby enable some people to avoid paying the Child Benefit Charge.

Pension conversations
We all appreciate the importance of devoting time to our pension arrangements now to ensure we reap the benefits later. If you need help with any retirement-related issues, we can talk through your options and make sure you are maximising your pension benefits.

[7]Canada Life, 2024

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Limiting 'home bias'

Does your investment portfolio suffer from too much *'home bias'*? It's natural for investors to stay close to home when thinking about investing, contemplating well-known UK companies or UK-focused funds rather than looking further afield. But if your portfolio becomes too heavily concentrated in the UK, you risk missing out on valuable diversification benefits and better potential returns elsewhere.

The drawbacks of home bias

One of the biggest reasons to avoid home bias is that it limits your portfolio's growth potential. Investing with a global perspective opens up your portfolio to a world of different countries, industries and companies to invest in, potentially leading to higher returns over time. Importantly, investing globally means you're more likely to gain exposure to high-growth sectors or companies that are not always present in your domestic market, whereas sticking with the UK means narrowing your opportunities, even if you own some outstanding local companies.

The benefits of diversification

At the same time, home bias in a portfolio breaks one of the biggest investment rules: diversification. Spreading your portfolio across different asset classes, countries and companies is one of the simplest – yet most effective – ways to mitigate risk within your portfolio and help you achieve more consistent returns over time. Studies and historical data show that including international investments in a portfolio can lead to better risk-adjusted returns due to diversification benefits, though geopolitical risks must be considered. Global markets offer a wider range of asset classes and reduce your vulnerability to economic downturns specific to your home country.

However, over-diversification is a risk to be wary of too! It occurs when additional investments diminish returns without lowering risk significantly. Regular reviews and rebalancing help maintain a well-diversified portfolio and manage any potential concentration risk that may occur over time.

Ready to invest?

Recent research suggests that some Britons are starting to save more despite the cost-of-living crisis[8]. Now might be the right time to start thinking about investing if you have some money on the sidelines.

[8]Aldermore, 2024

Did you know

the UK's blue-chip index, the FTSE 100, is more exposed to foreign revenues than those in the mid cap orientated FTSE 250; with around 82% of the FTSE 100 revenues derived from overseas markets? This falls to nearly 57% for the FTSE 250.

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"Take time to check your money – and your future – is protected"

The Financial Services Compensation Scheme (FSCS) has launched a public awareness campaign to emphasise the importance of ensuring your pension is FSCS-protected.

Why do I need it?

FSCS can protect you if your pension provider goes out of business. You may not think this will be an issue for you, but customers have lost nearly £2bn of their savings since 2019[9]. In that time, FSCS received over 43,000 claims relating to pensions losses.

Jeff Stelling captains campaign

FSCS has teamed up with Jeff Stelling MBE, sports broadcaster and football presenter, who spoke more about FSCS protection in a campaign video. He explained, *"The impact of losing retirement savings can be devastating. While they vary for each individual, negative outcomes can include a much lower than expected quality of life, with some forced to sell their homes, stay in work for longer than planned, or scale back their retirement plans."* Stelling called upon viewers to take action, saying, *"It has never been more important that you take time to check your money – and your future – is protected."*

How can I check?

FSCS has a free online tool (www.fscs.org.uk/check/pension-protection-checker/) which allows you to quickly check if your pension is protected, and how much compensation you would be eligible for, conditions apply. Doing this now could not only protect you in future, but it will also give you peace of mind that you have done all you can to keep your savings safe.

Please contact us with any questions on your pension.

[9]FSCS, 2024

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Don't overlook a mid-life protection review

Research[10] has found that people in their 30s and 40s could be slipping through the net when it comes to protection cover.

The data highlights that those in this age bracket are more likely to have inadequate protection cover for their mortgage, should the worst happen.

Has your protection caught up?

Many people experience significant life changes in their 30s and 40s, so it can be easy to forget to update your life insurance accordingly. With each 'trigger' event like getting married, becoming a parent or buying a house, comes a potential extra layer of cover that is needed to safeguard the future for you and your loved ones.

Protection provides a lifeline

So, it is vital to review your protection cover at regular intervals to make sure you have enough cover that is suitable for your unique circumstances.

[10]HL, 2024

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Thinking about making a pension contribution with your bonus?

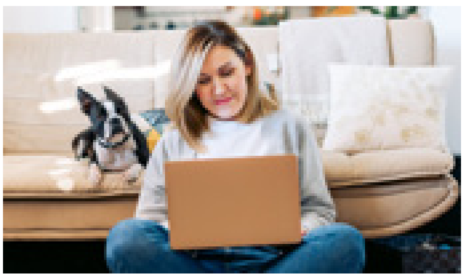
Receiving a bonus at work as a reward for a job well done is highly satisfying, but with bonuses subject to Income Tax and National Insurance Contributions, you face losing a significant portion of your hard-earned money. A bonus may even push you into a higher tax band, meaning that you receive an even smaller sum than expected.

With 44%[11] of workers who received a bonus last year choosing to pay some or all of it into their pension, depending on your financial priorities, circumstances and time scale, this may be worth considering. Pension contributions benefit from 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.

Consumer Finance Specialist at Royal London, Sarah Pennells, commented, *"There definitely isn't a right or wrong way to treat your bonus if you receive one, but, while investment returns are never guaranteed, your bonus could be worth more in the longer run if you choose to invest it in your pension rather than spend it, and sacrificing your bonus into your pension is a savvy way to save on tax."*

We, your financial advisers, can help you understand the tax implications of your bonus, advise you on how best to invest it to stand you in good stead to meet your financial goals, and review and adjust your existing financial plan to reflect your new circumstances.

[11]Aegon,



Using your pension to pass on wealth

If you thought your pension was just your retirement savings then think again.

As well as ensuring your financial certainty when you want to stop working, a pension is a great way to support future generations. This is because defined contribution pensions are one of the most tax-efficient ways of passing on your wealth.

No tax troubles

Unlike Individual Savings Accounts (ISAs), pensions usually sit outside your estate for Inheritance Tax (IHT) purposes. This means that the money inside your defined contribution pension can be passed onto your loved ones without any IHT going to the taxman.

Pass it on

It's no secret that many of today's young people are facing financial pressures. Alongside your wisdom, a tax-efficient gift of a pension might be one of the best things you can pass along to the next generation.

Even better, your loved ones will usually inherit the pension itself rather than the money inside it. This means they can continue to benefit from all the tax advantages, including tax-free investment growth. There is the separate option of starting a pension plan, within limits, for a child, rather than (or in addition to) leaving them yours.

Of course, passing a pension on might not be the best choice for everyone. We're here to help you.

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Advice to your younger self

A survey[12] has found that 51% of people would tell themselves to start saving as soon as they can. Meanwhile, 41% would say to take more care of their health, and a third would advise worrying less about what other people think.

How old do you feel?
The same report also asked UK adults when they are likely to start feeling old, with most respondents saying their 50s and 60s. However, with people living longer, you could only be halfway through your life at the age of fifty. That's why it's important to have a financial plan in place that will allow you to enjoy a long and happy retirement.

No regrets
Regardless of how old you are, it's never too late to heed the advice and start saving, while having an emergency fund should be an objective, putting money into your pension should be a key priority too. Even a small increase in contributions can have a significant impact on the opportunities you create for yourself in later life.

Talk it through
Everyone's goals for retirement are different. We can help you understand how much you need to save depending on your specific needs.

[12]Aegon, 2024

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In other news...

Financial goals fall by the wayside

A poll has found that 57% of adults had money-related goals for 2024, such as reducing debt and wanting more disposable income[13]. However, two-thirds (67%) had given up on achieving their financial aims by the end of Q1; 16% said this was due to having unrealistic expectations, and 10% put it down to laziness.

Retirement clients fear exhausting their savings

A survey of financial advisers has revealed what clients are most worried about when it comes to retirement. Some 71% of respondents reported that the most common client fear is running out of money[14]. Meanwhile, 64% of advisers cited the cost-of-living crisis as a cause for concern, and 49% mentioned the costs of long-term care.

Wedding guests have a price to pay

About 9.5 million Brits have plans to attend a wedding this year,[15] but the celebrations come at a cost, as research suggests that an average guest spends £398 on a UK wedding. Getting married abroad is becoming increasingly popular, with guests typically expecting to pay about £1,000 each if they attend a destination wedding[16].

Gen Z most financially confident

Younger generations are more confident about their finances, a study has found[17]. In a survey of employees from across the globe, 38% of Gen Z (born between 1997 and 2012) said they were very confident about reaching their financial goals. However, only 23% of Gen Xers (born between 1966 and 1980) felt the same.

[13]NatWest, 2024, [14]Aegon, 2024, [15]Censuswide, 2024, [16]Aviva, 2024, [17]nudge, 2024

Insights into behavioural investing

Have you ever made an irrational or impulsive purchase you've later regretted? We all make decisions based on our emotions or personal biases, but when it comes to investing, such mistakes can be very costly.

What is behavioural investment?

Behavioural investment is an approach that acknowledges how our emotions and our biases can sometimes make decisions for us. During periods of geopolitical uncertainty and heightened risk, behavioural investment biases can become even more pronounced, tempting you into making poor decisions. Here are some impulses that often lead to bad investment decisions:

- **Loss aversion:** Investors worry about their investments falling further in value, so they sell them prematurely, locking in losses and missing out on potential rebounds
- **Herd mentality:** When markets fall, people tend to panic, follow the crowd and sell their investments. This 'herd mentality' means markets keep falling, as more people panic and sell, creating a spiral
- **Confirmation bias:** Investors let their own opinions dictate their actions and often seek out information that confirms their existing fears, ignoring evidence that contradicts their own impulses
- **Overconfidence:** Some investors believe they can predict the market's reaction to geopolitical events, leading them to make risky bets that could ultimately backfire.

Avoiding behavioural biases

Investors often need to worry less about geopolitical events and more about avoiding making poor decisions. Worry not, you're in safe hands. We can create a plan and stick to it, so we focus on longer-term goals, rather than risk getting distracted by short-term noise. We will build a resilient portfolio, spreading your investments across different asset classes to manage risk. Rest assured, we will make well-considered, researched investment decisions to increase your chances of achieving your long-term financial goals.

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Financial considerations delaying divorce

New research[18] has found that one in ten married people in the UK have considered splitting up but decided against it, with the financial burden of divorce most commonly given as the main reason.

A challenging time

While respondents to the survey did cite other reasons for not divorcing a partner, for instance the effect it would have on their children, money was mentioned most often as the decisive factor. In essence, the research suggests that a significant proportion of people who are considering divorce decide they simply cannot afford to do so, instead preferring to stick with their partner and work on their relationship rather than having to face the financial consequences of splitting up.

Costs of living alone

The decision to go it alone and commit to financial independence does certainly come with significant cost implications, with people living on their own having to shoulder the full burden of all household bills. This will inevitably have a big impact on retirement plans, with analysis[19] suggesting that, in order to fund a moderate standard of living in retirement, a single person would need around £275k more in their pension pot than a pensioner couple.

Financial advice is key

It is therefore vital that any couples considering divorce take expert advice. While for many people this involves consulting a solicitor, potential divorcees also need to seek financial advice.

If you need any advice in this area, then please do not hesitate to get in touch – we're always here to offer our help and support.

[18]Investec, 2024, [19]Standard Life, 2024

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Brighter outlook for global economy as inflation eases

At times in the past two years, it seemed to some that inflation would never come down. Double-digit inflation became routine. Now, with price rises back near normal levels, optimism is returning to financial markets.

Disinflation diaries

Inflation has fallen well below the multi-decade highs witnessed in many countries since 2022. In response, central banks around the world now look set to ease monetary policy in the coming months.

Indeed, some central banks, including those in emerging markets, have already started cutting rates. In recent months, policymakers in Mexico, Brazil, the Czechia, Hungary and Colombia have started, or increased, easing efforts.

The 'last mile'

As developed countries bring monetary policy back towards more normal levels, some analysts are talking about the 'last mile' for disinflation.

Certainly, after a long period of high inflation, falling inflation rates are a welcome relief for many. In the UK, inflation has eased significantly from the 41-year-high of 11.1% recorded in October 2022.

For all this optimism, however, there are some warnings that the final stretch will not be a stroll in the park.

Bumps in the road

In Australia, consumer price inflation rose to a five-month high in April, a figure that surprised analysts. The uptick was blamed on increases in petrol, health and holiday costs.

Meanwhile, the International Monetary Fund (IMF) has released a Global Financial Stability Report warning that geopolitical tensions, strains in commercial real estate and debt vulnerabilities all remain acute risks for the global economy in the months and years ahead. The IMF pointed to recent evidence that disinflation may have stalled in some countries, suggesting that inflation may be persistent in some sectors.

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