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YOUR FINANCE MATTERS

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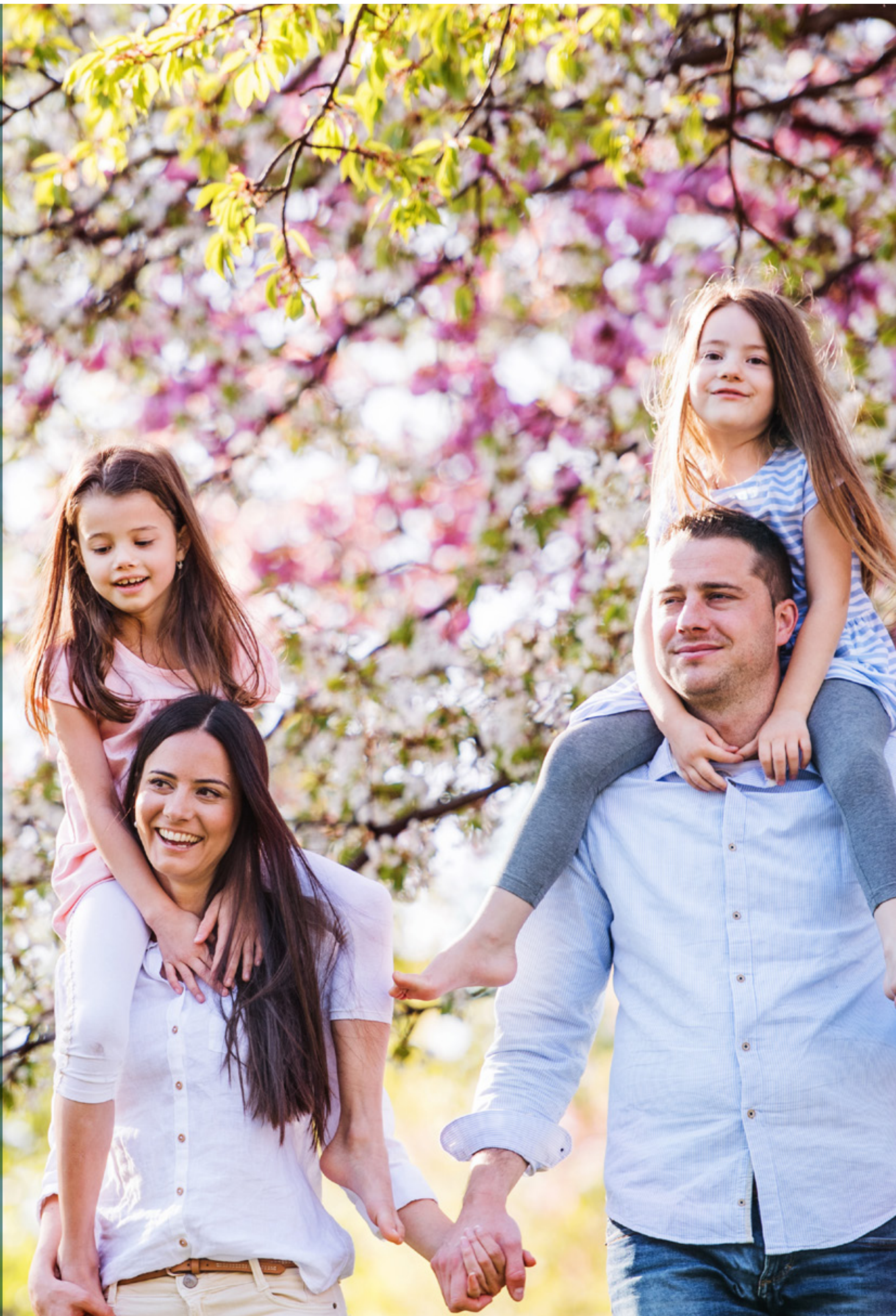

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What could this election year have in store for investors?

If elections have consequences, as Barack Obama said, then 2024 looks like being a highly consequential year. Some 64 countries are due to hold elections this year (including the US, India, Brazil, Russia and very probably the UK), representing over half of the global population and, in economic terms, half of the world's gross domestic product (GDP).

Depending on the outcomes, some of these elections carry significant global implications, influencing not only the geopolitical landscape but also impacting global and regional investment markets. So, how could this year's elections affect the investment landscape and, by extension, your portfolio?

What are the investment implications?

Election years are typically marked by increased uncertainty and speculation because there's nothing that markets hate more than uncertainty. A change in a country's leadership or policy direction can affect everything from its stock market to commodity prices, influencing investor sentiment worldwide.

From a UK perspective, elections in countries such as India, Brazil, and even the European Union, could have wide-reaching implications, and the results will be important in terms of supply chains, access to commodities and trade policies. With 70% of revenues earned by FTSE 100 listed companies derived overseas, domestic shareholders will be keeping a close eye on global election results. It's impossible to talk about elections in 2024 without discussing the elephant in the room – the US.

A rematch?

As the world's largest economy, the US sets the tone for global economic policies regarding trade, regulation, and fiscal stimulus. Democratic presidents are usually better for the US economy, and for investment returns in general, but given his low approval rating, the re-election of President Joe Biden is far from certain. The race is unlikely to be a straight line, and an election victory for Trump, despite numerous legal issues, could cause ripples worldwide as investors work out the likely implications for the US and indeed the rest of the world.

What should investors be thinking about?

Uncertainty about election outcomes and the potential for policy changes often lead to short-term fluctuations in asset prices. And while keeping an eye on political developments is important, there's no reason to be overly concerned about how an election year could affect your investment over the longer term. It's important not to be distracted by short-term 'noise.' The best way to prepare for potential market volatility is to have a well-diversified investment portfolio that is aligned with your long-term financial objectives and managed to meet your personal financial goals.

In the news

Find lost money!

Up to £800m of pension and insurance assets and an even higher amount of savings could be lying dormant, according to new data[1]. Bank and savings accounts may be declared dormant if you don't touch the account for several years and any letters from the bank or building society may fail to reach you if you've changed address.

You can check for free if you have any forgotten savings or current accounts at the government-backed website www.mylostaccount.org.uk, making sure to check that the service is suitable for you.

Future generations prioritised

According to research[2], parents and guardians have been prioritising their children's savings rather than investing for themselves. Between October and December 2023, the number of JISAs opened soared by 101% compared to 2019 when data was first tracked. There was a corresponding drop in ISA investments in the same period. Mothers led the way – since the start of 2019, the number of new JISAs opened was up by 115%, compared to fathers, which was up by 87%. It's important to find the balance between your own financial stability and that of your children.

[1]Commission on Dormant Assets, 2024
[2]Scottish Friendly, 2024

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A plan to grow the economy

With the Office for Budget Responsibility (OBR) predicting the UK economy will expand by 0.8% this year, and by 1.9% in 2025, Jeremy Hunt delivered his last Spring Budget ahead of the General Election, highlighting reforms aimed to ensure the tax system is simple, fair, keeps pace with economic developments, and supports public finances.

Expectations are that the rate of inflation will fall below the Bank of England's 2% target level in *"a few months' time,"* with the OBR forecast showing the government is on track to meet its fiscal rules to grow the economy, reduce debt and halve inflation.

Changes to National Insurance Contributions (NICs)

In line with speculation, following reductions to NICs announced during the Autumn Statement, the Chancellor announced further changes, specifically a reduction in the main rate of employee NICs by 2p in the pound from 10% to 8%, and a further 2p cut from the main rate of self-employed NICs, meaning the main rate of Class 4 NICs for the self-employed will reduce from 9% to 6%.

UK savings in focus

In order to promote more investment in UK assets, the government announced the introduction of a UK Individual Savings Account (ISA) with a £5,000 annual allowance in addition to the existing ISA allowance of £20,000. It will be a new tax-free savings product for people to invest in UK-focused assets (a consultation regarding implementation will be running to 6 June 2024). And a British Savings Bond will be delivered through National Savings & Investments (NS&I) in April 2024, offering a guaranteed interest rate, fixed for three years.

Spring Budget

Expectations are that the rate of inflation will fall below the Bank of England's 2% target level in "a few months' time"

The 2024/25 tax year JISA (Junior Individual Savings Account) allowance remains at £9,000.

IHT consultation

It was announced that there will be a consultation on moving to a residence-based regime for Inheritance Tax (IHT). No changes to IHT will take effect before 6 April 2025, nil-rate band remains at £325,000 and the main residence nil-rate band at £175,000, with taper starting at £2m (estate value). From 1 April 2024, personal representatives of estates will no longer need to take out commercial loans to pay IHT before applying to obtain a grant on credit from HMRC.

Reviewing non-dom status and Child Benefit

In addition, it was announced that the non-dom status will be replaced by a new residence-based system from 6 April 2025. The government also announced an intention to move to a residence-based regime for IHT, with plans to publish a policy consultation on these changes, followed by draft legislation for a technical legislation, later in the year.

Changes to the Child Benefit system included an increase to the threshold for the High Income Child Benefit Charge to £60,000 in April. The rate of the charge will be halved, so that Child Benefit is not lost in full until an individual earns £80,000 per annum, and by April 2026, the Child Benefit system will be based on household rather than individual incomes.

And pensions...

The government remain committed to the pensions Triple Lock. The value of the new State Pension increased to £221.20 per week in April, while the basic State Pension increased to £169.50 per week.

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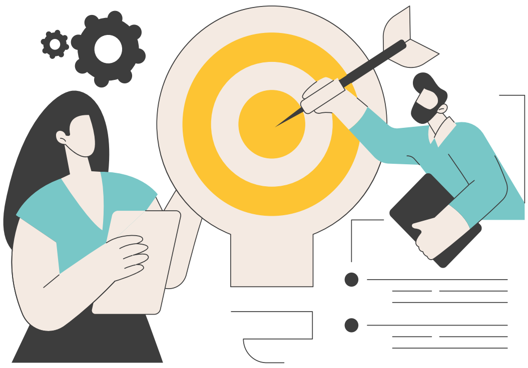
Crafting your retirement strategy



Have you developed a retirement strategy yet? Whether you're nearing retirement, or you still have many years of your working life ahead, careful planning is essential to secure financial stability and peace of mind when you stop working.

Active planning is important
According to a recent report[3], individuals on average begin actively planning for retirement around the age of 36. At this age, 63% of respondents expressed confidence in their financial decision-making abilities, a notable increase compared to younger demographics where only 56% share the same level of confidence.

With more than a decade of work experience under their belt by age 36, the *'age of responsibility'* arrives for many people, with increasing awareness of the importance of financial planning, including actively thinking about their retirement.

Whatever your age, a well-thought-out retirement strategy is a must!

Decades to go?
Younger individuals can afford to adopt a more aggressive investment approach with their pension pot, embracing riskier assets for potentially higher returns over time, if they are comfortable doing so. Although this strategy does involve exposure to short-term market fluctuations, the longer investment horizon allows ample time for recovery from any downturns (during which monthly pension contributions may be invested at the cheaper asset prices).

If you're closer to retirement
For those on the cusp of retirement in the next few years, a prudent approach involves creating a smooth, non-volatile investment profile which minimises risk for the first five to ten years of retirement, with the remainder invested in more volatile funds which have the potential to grow over the longer term. This approach should help to shield your pension pot from the unpredictable nature of market volatility, as witnessed during events like the pandemic or financial crashes. By maintaining a stable portfolio for the initial years of retirement, you minimise the risk, thus safeguarding your financial wellbeing.

How about the *'inbetweeners'*?
For those falling between these two extremes, a balanced and risk-managed approach is advisable. The strategy here is to aim for a balanced mix of stable and more volatile investments, aligned to your risk tolerance and personal financial goals. Diversifying your portfolio across various asset classes helps mitigate risk while providing the potential for growth.

The importance of rebalancing
Regular portfolio rebalancing is vital for a sound retirement strategy. Market fluctuations and varying asset performances can cause your portfolio to deviate from its original allocation over time. Without intervention, this drift could lead to unintended asset concentration and increased risk exposure.

[3]Standard Life, 2024

Planning children's financial futures

We all want a good start in life for the children in our family. After providing for the immediate needs of younger children, thoughts turn towards the future and consideration of longer-term goals. You may want to consider investing for your child's future to potentially build something significant which they can call on in later life.

It sounds simple, but such thoughts also bring with them a number of questions:

Q What are you saving for?

Q How much flexibility do you need?

Q Which investments are appropriate?

Q How much control do you want over when they can access the money?

How can any tax be minimised?
The first step is to decide the investment goal or goals and the timeframe. Do you want to help a child or grandchild onto the property ladder, support them through higher education, help with a major expense, such as a wedding, or even start a pension pot for them? Perhaps a JISA may be a suitable option. To make plans to secure the financial security of the children in your family, please get in touch, we can explore the specific options for your circumstances.

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Adopting an Olympic mindset when investing

The countdown is well and truly underway to this summer's Olympic and Paralympic Games in Paris when we are all sure to be watching in awe as the world's leading elite athletes showcase their talents. And investors could boost their chances of success by emulating an Olympian's mindset and thereby improving their financial wellbeing.

Attributes of an Olympian
Many of the attributes associated with successful Olympic or Paralympic athletes are the same as those required to be a successful investor. A growth mindset, for instance, is important, as is managing nerves, being confident and resilient, having a well-thought-out strategy, blocking out 'noise' or distractions, setting clear objectives and realistic attainable goals, displaying discipline, and making small alterations or rebalancing.

The coach's role
There are also similarities in terms of the relationship between an athlete and their coach, and a financial adviser's role with clients. Both relationships, for example, are based on trust and honesty, and rely on a coach or adviser imparting knowledge and experience. Indeed, the provision of quality financial advice, just like a good coaching relationship, should be empowering.

Taking advice
Just like elite athletes, clients who receive professional advice are typically better prepared, more focused, more likely to maintain a positive mindset and avoid behavioural mistakes that can derail any investor's plans. So, make Olympic year the time you fully utilise the ongoing guidance and mentoring we can provide in order to ensure your investment plans stay firmly on track and give you the best chance of attaining your life goals.

The cost of dying

Nearly half (48%) of adults aged 18 to 40 don't have life insurance[4]. This puts many in a precarious position, as the unfortunate reality is that the cost of dying is high.

Research has found that a premature death can cost surviving family members an average of £195,475 over the course of ten years[5]. These estimates are based on the hypothetical basis that someone leaves behind a partner and two children. The figure fluctuates depending on the location – London is the most expensive area (£261,754), while North East England is the cheapest (£130,160). The average cost in Wales was calculated to be £147,858 and it was £153,631 in Scotland.

Did you know?

Planning ahead now could significantly alleviate the stress on your loved ones, should anything happen

Higher funeral costs
Of the adults under forty who do have life insurance, 27% said they took cover out to pay for a funeral. This is an important cost to consider as a recent report has found that the average cost of dying, which includes a funeral, professional fees and send off costs, is at a record high of £9,658[6].

Mitigate the pressure on loved ones
Whatever your age, it is advisable to seriously consider taking out life insurance if you have dependents. Planning ahead now could significantly alleviate the stress on your loved ones, should anything happen.

We can find the appropriate level of cover based on your specific circumstances and can advise you about writing the policy in trust so that the money will go directly to your chosen beneficiaries. This is also something that could be a useful tool for IHT planning, so get in touch.

[4,5]Beagle Street, 2023, [6]SunLife, 2024

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AI & scams – don't get caught out

Although there is much excitement surrounding the advent and development of artificial intelligence (AI), there are some serious risks involved – namely, the prevalence of scams that are becoming increasingly sophisticated.

Types of scams
There are a few main scams to be aware of:

- Deepfakes are essentially fake media content that is very believable. For example, a video clip of financial expert and broadcaster Martin Lewis was recently fabricated, aiming to convince viewers to part with their money. This AI software can also clone voices and use them to make fraudulent phone calls. In a recent survey[7], 77% of those respondents who had been victims said they had lost money because of this kind of scam
- Images and videos can be created of people to pass through security and verification checks, thus gaining access to bank accounts
- ChatGPT enables phishing scams to seem more convincing by making the tone more human and filtering out any spelling or grammatical errors.

Who is at threat?
Everyone risks falling victim to these scams, regardless of age. In fact, research[8] has found that 48% of adults between the ages of 25 and 34 have experienced financial fraud, while only 28% of over 55s said the same.

What can we do?
Andrew Bailey, Governor of the Bank of England, commented, *"The time to act to safeguard our society from AI-enabled fraud is now, and all organisations need to think carefully about how AI may create fraud risks for their business and their customers. This will require ongoing vigilance, including monitoring and the sharing of insight and best practice between firms and across sectors."*

We understand that the threat of scams can feel overwhelming, especially when the capability of AI is constantly changing and developing. That's why it's important to question everything, equip yourself with knowledge so you're not vulnerable and, if in doubt, get in touch for guidance.

[7]McAfee, 2024, [8]GFT UK

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Retirement living costs surge

According to the Pensions and Lifetime Savings Association (PLSA)[9], a *'moderate'* standard of living that includes £55 per week on groceries, a two-week all-inclusive holiday, £10 a week on takeaways and £100 a month to take others out for a meal, could cost a single person £31,300 a year, which is £8,000 more than last year. For couples, £43,100 a year is required to live at this standard.

Minimum, moderate or comfortable
The PLSA's Retirement Living Standards report details what levels of income retirees will need to live either a *'minimum,' 'moderate,'* or *'comfortable'* life in retirement. However, the forecast does not factor in any rent or mortgage payments.

> A *'comfortable'* standard of living... could now cost £43,100 per year for one person

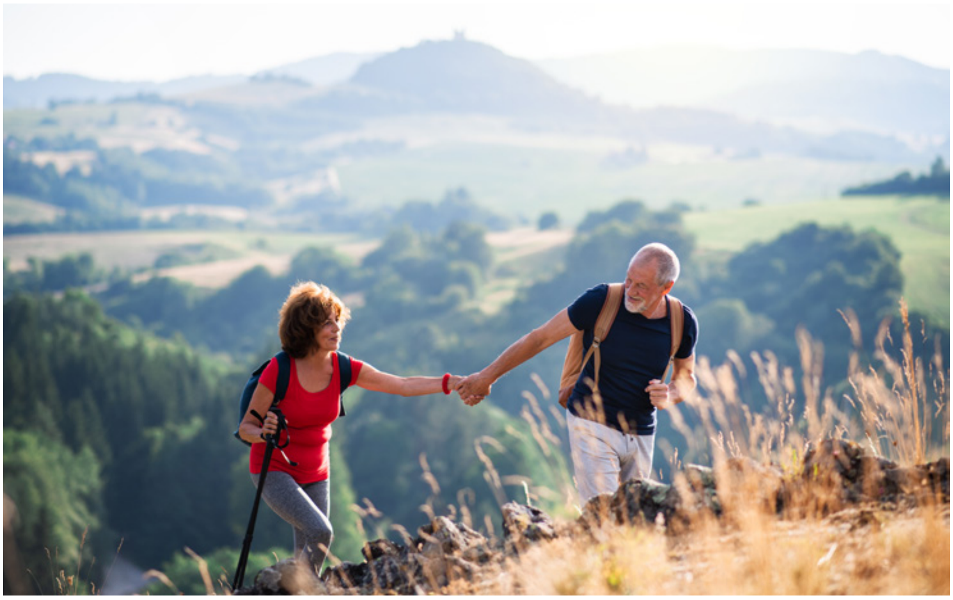
As well as the cost of a *'moderate'* life in retirement rising, so has the cost of having a *'minimum'* living standard, which shot up by 12% from £12,800 a year, to £14,400 for a single person and £22,400 for a couple.

A *'comfortable'* standard of living, where there is more financial freedom and some luxuries, could now cost £43,100 per year for one person – a jump from £37,300 a year earlier. This rises to £59,000 for couples to live comfortably.

Inflation and more
The increase in inflation, particularly in energy bills and food prices, over the last few years has contributed to the rising costs of retirement lifestyles. Helping family during the cost-of-living crisis, coupled with people's expectations of living standards, also played a part.

It's important not only to focus on your current needs, but to provide for the future and to understand how much you need to save for the standard of living you want in retirement.

[9]PLSA, 2024



In other news

UK M&A activity drops nearly a fifth in 2023

UK M&A activity in 2023 fell below 2022 levels as economic headwinds continued to affect the number of deals completed in the year, according to PwC's latest Global M&A Trends 2024 Outlook. In total, the UK saw 3,628 deals across 2023, compared to 4,362 the previous year, a 17% decline. The Technology, Media and Telecommunications (TMT) sector saw the most activity for 2023 (955 deals), accounting for just over a quarter of total output for the year.

Gen X impacted by emotional trading

A survey[10] delving into the trading psychology of new traders has revealed that the demographic most likely to have their trading decisions consistently influenced by emotions were 41 to 60-year-olds (Gen X). Over a third (35.4%) of the Gen X group considered emotions to be a significant factor in their trading approach, which compares to 10.1% of the 18 to 24-year-olds surveyed.

BRICS gets a boost

BRICS, the alliance of major developing countries, gained five new members this year – Saudi Arabia, Egypt, Ethiopia, Iran, and the United Arab Emirates (UAE). The population of the expanded group is around 3.5bn or 45% of the world's inhabitants. The combined members' economies are worth over $28.5tn, about 28% of the global economy. Originally coined as an asset class in 2001, the original members Brazil, Russia, India and China (BRIC), were later joined by South Africa in 2010 to become the BRICS acronym we know today. Following the Russian invasion of Ukraine, many BRICS indexes dropped Russia from their portfolios.

[10]City Index, 2024

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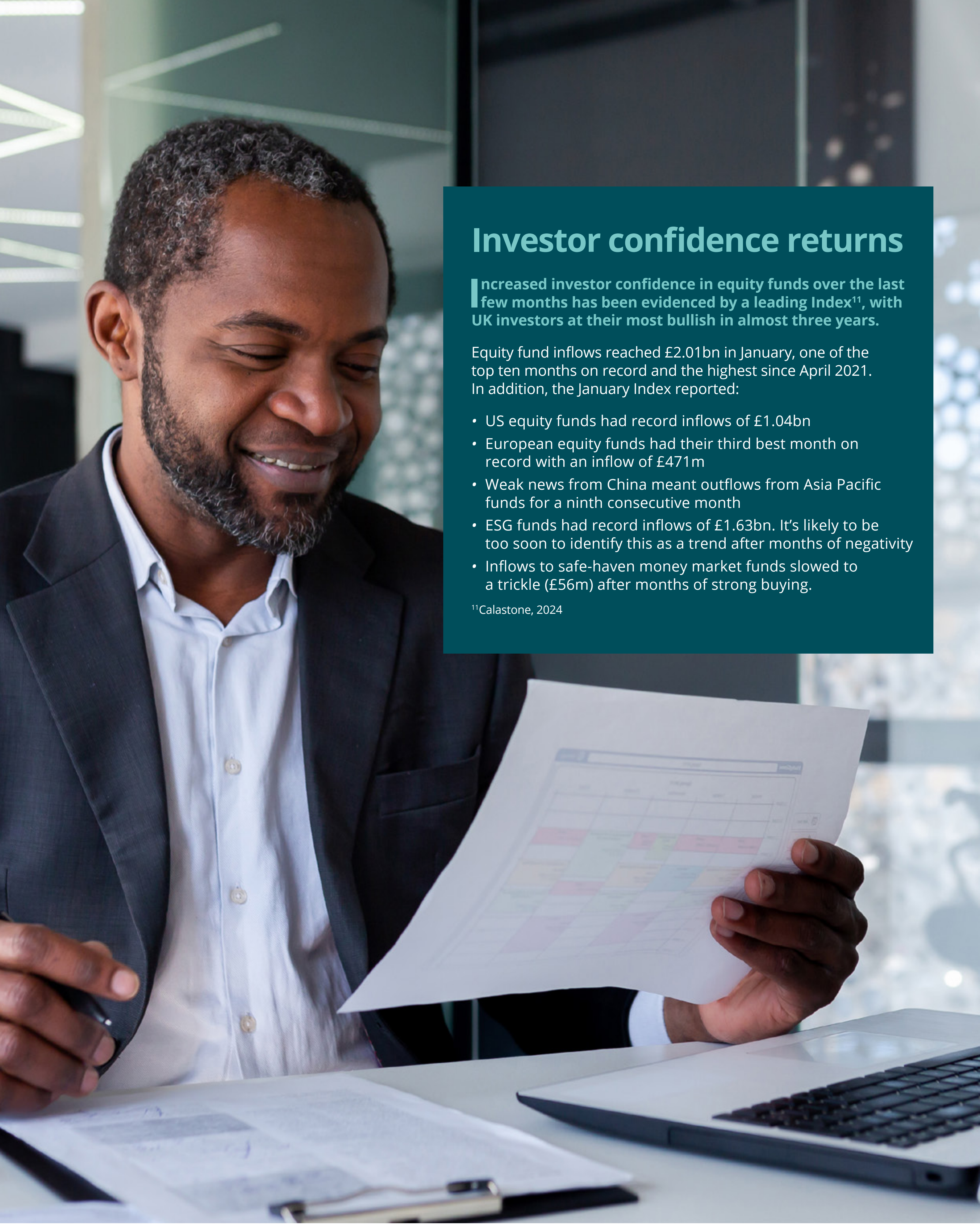

Investor confidence returns

Increased investor confidence in equity funds over the last few months has been evidenced by a leading Index[11], with UK investors at their most bullish in almost three years.

Equity fund inflows reached £2.01bn in January, one of the top ten months on record and the highest since April 2021. In addition, the January Index reported:

- US equity funds had record inflows of £1.04bn
- European equity funds had their third best month on record with an inflow of £471m
- Weak news from China meant outflows from Asia Pacific funds for a ninth consecutive month
- ESG funds had record inflows of £1.63bn. It's likely to be too soon to identify this as a trend after months of negativity
- Inflows to safe-haven money market funds slowed to a trickle (£56m) after months of strong buying.

[11]Calastone, 2024

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Reaching self-actualisation in retirement

To enjoy a financially secure retirement, it's important to spend time doing some in-depth thinking well in advance to determine your goals and requirements in order to achieve the lifestyle you dream of. You need a robust financial plan.

When thinking about the income you'll need in retirement, many people find it helpful to think in terms of Maslow's renowned Hierarchy of Needs. His pyramid has various levels of need that human motivations move through, starting with the physical requirements for human survival, and ending with mankind's highest aspirations, reaching 'self-actualisation' at the apex of the pyramid. Adapting this approach to personal finance was pioneered in the US. Using this hierarchical approach in a personal finance context can be a useful tool in deciding how to plan your income in retirement.

Survival income
This is the base of the pyramid and consists of the income you need to pay all your basic household expenses, your regular bills and running costs.

Safety income
The next layer up, this is the amount you might need to meet life's unexpected events, such as health and later-life care costs, loss of income and any emergency financial help you might want to give your family.

Freedom income
This layer is all about assessing the likely cost of doing all those things that you never had time to do before you retired, including travel expenses, major purchases or indulging yourself in other ways.

Self-actualisation
Many people add a gift layer representing money they want to pass on to children and grandchildren during their lifetime, and some add a dream layer, their ultimate *'bucket list,'* to the very top. The apex of 'self-actualisation' represents the ultimate in reaching your full potential, being self-fulfilled and enjoying peak experiences. Maslow described this level as the desire to accomplish everything that one can, and *"to become everything one is capable of becoming."*

By viewing your retirement finances in this way, you can gain a clear picture of how much money you'll need to help you enjoy the retirement you've always wanted. We can build a clear and comprehensive strategy.

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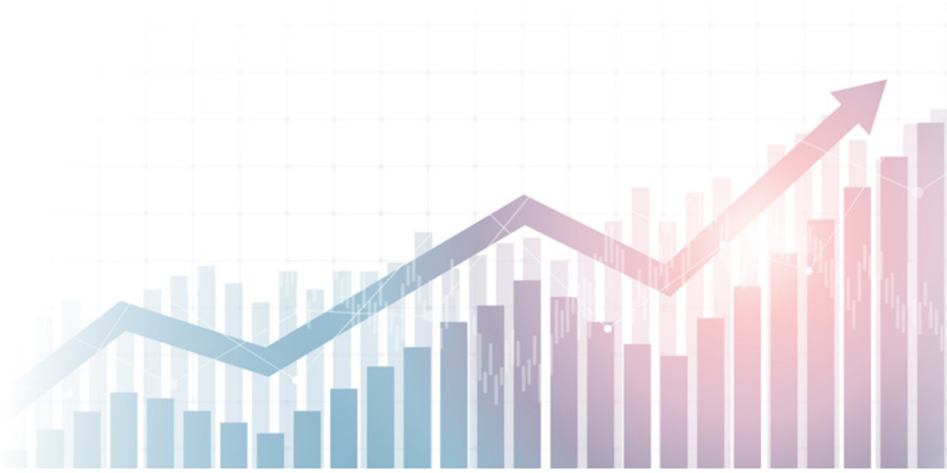
IHT receipts at record levels



Figures released by HM Revenue & Customs (HMRC) show that IHT receipts have hit record levels while new data shows the taxman is hunting down thousands of families that have not paid the correct liability on inherited estates.

Record sums
In the first ten months of the 2023/24 financial year, HMRC collected £6.3bn in death duty receipts, £0.4bn more than during the same period of the previous fiscal year. This represents a 7% rise and suggests this year's annual figure will comfortably surpass last year's record-breaking total of £7.1bn.

Frozen thresholds
The increase continues an upward trajectory that has been evident in recent years, largely as a result of the nil-rate threshold being frozen at £325,000 for over a decade. This, combined with growth in property prices, has effectively dragged more households into the IHT net.

Investigations rising
Recent years have also seen record amounts of underpaid tax clawed back by HMRC through a specialist team targeting the estates of wealthy deceased individuals. Data obtained via a Freedom of Information request shows a total of 2,029 IHT investigations were opened between April and November 2023, with £172m recovered over that period as a result of targeted investigations.

IHT concerns
New research[12] also suggests IHT is the number one financial concern among wealthy individuals. In total, the survey found that more than a third of wealthy Brits are worried about IHT, with notable increases in levels of concern reported across both the 25 to 34 and 55 to 65-year-old categories over the past year.

Complex rules
The rules surrounding IHT are notoriously complex and people therefore often require professional advice in order to find the most efficient solution for their personal circumstances. If you have any concerns or need advice in this area do get in touch; we're always here to help.

[12]RBC, 2024

Where next for the global economy?

While the latest forecast released by the International Monetary Fund (IMF) does suggest global growth is likely to remain below its long-term historic average, the update did strike a relatively optimistic note with the organisation's Chief Economist saying a global *'soft landing'* was in sight.

Global growth upgraded
In its first assessment of world economic prospects published this year, the IMF edged up its forecast for global economic growth with the improvement largely driven by inflation easing more quickly than previously anticipated. The international soothsayer said it now expects the world economy to grow by 3.1% over the course of 2024, up two-tenths of a percentage point from its previous forecast last autumn.

Evenly balanced risks
The IMF also noted that risks to growth prospects are now broadly balanced, with faster disinflation and looser-than-necessary fiscal policy during *'the biggest global election year in history'* both cited as potential upside factors that could boost growth. On the downside, new commodity price spikes due to geopolitical tensions in the Middle East and continued attacks in the Red Sea could result in more persistent underlying inflation and thereby prolong tight monetary conditions, while deepening property sector woes in China could also lead to growth disappointments.

Remarkable resilience
Overall, however, the IMF suggested the likelihood of a *'hard landing'* had receded. Indeed, the organisation's Chief Economist, Pierre-Olivier Gourinchas, noted that the global economy *"continues to display remarkable resilience, with inflation declining steadily and growth holding up."* He concluded, *"We are very far from a global recession scenario."*

Investment fundamentals
An improving economic outlook should certainly provide opportunities for investors this year, although the key to successful investing will undoubtedly remain the adoption of a carefully considered strategy based on sound financial planning principles.

Transfer window

Recently published research suggests the long-heralded *'great wealth transfer'* is now firmly underway, which inevitably heightens the need for carefully considered intergenerational financial planning as assets continue to flow down the generations.

The great transfer
Dubbed by analysts the *'great wealth transfer,'* the next two decades are set to witness the largest ever intergenerational transfer of wealth as baby boomers and Gen X pass on assets to their heirs.

Gaining momentum
A recent survey[13] shows this transfer starting to gather momentum, with 2023 the first ever year in which billionaires amassed more wealth through inheritance than entrepreneurship. This trend is expected to continue in the coming years, with predictions millennials' wealth will increase five-fold across the current decade, with significant levels of wealth passing to Gen Z too, according to research[14].

Continuing family legacies
As the great wealth transfer progresses, each generation will clearly have their own views on legacy. The research did, however, find strong support for continuing current family legacies, with 60% of heirs planning for future generations to benefit from their wealth.

Careful planning
In addition, heirs were found to be conscious of the need to reshape and reposition their wealth in order to continue the family legacy, while they also appear to be taking a more holistic approach to the role accumulation of wealth plays in their lives. All of this suggests careful planning will be required if families are to successfully transfer wealth in a way that makes fair provision for all generations.

[13]UBS Billionaire Ambitions Report, 2023
[14]Coldwell Banker, 2019

Great Wealth Transfer
The next two decades are set to witness the largest ever intergenerational transfer of wealth as baby boomers and Gen X pass on assets to their heirs