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Your **Money** Winter Q1 2024

Planning to secure your financial future

Over the past 12 months, the cost-of-living crisis has put significant pressure on household budgets and knocked many people's confidence in their future financial prospects. Research, however, shows that planning is a key driver of positivity about our financial futures; so, as a new year dawns, now seems the perfect time to take stock of your finances and formulate a plan to help you achieve your retirement goals.

Plan, plan, plan

Although decisions around retirement are arguably the most critical people have to make during their whole lives, research[1] suggests only half of over-50s with pension entitlements other than the State Pension have actually formulated a detailed plan. Perhaps unsurprisingly, it also found that those with a plan were much more confident about securing a comfortable retirement than those who do not have one.

Gender gap

The research also found clear evidence of a gender gap with men generally more confident about their prospects for a comfortable retirement than their female counterparts. It also found that the cost-of-living crisis has been a key driver of low confidence, with half of the sample stating that it has either slightly or significantly worsened their chances of a comfortable retirement.

Triple default trap

People without a plan are also more likely to get stuck with their default pension settings. Recent years are thought to have seen a sharp rise in the number of triple defaulters who *'set and forget'* their pension choices, with millions of auto-enrolled 32-40 year olds failing to update their contributions, investment choices or target retirement age. Even relatively small tweaks to one or more of these default choices could potentially boost a pension pot by thousands of pounds.

Here to support you

The evidence clearly shows that formulating a plan is the key to boosting confidence in your financial future. So, let's kick off 2024 on a positive footing – get in touch and we'll help you develop a plan capable of securing the rewarding retirement you deserve.

[1]Nucleus Financial Platforms, 2023

Get the right protection in 2024

A new year is an ideal time to reassess your finances, especially if you've recently experienced some life changes. Make sure that a review of your protection insurance is near the top of your to do list in 2024.

Get protected

The right protection for your unique needs can act as an indispensable safety net in the event of an unexpected downturn in your circumstances within the policy's scope.

As we head into 2024, ask yourself if the level and type of cover you have is still suitable for your needs. If your circumstances have changed, you might need to update your cover.

With continuing cost-of-living difficulties for many, it is especially important to make sure everything's in order. We know that inflation continues to make things difficult for many people right now. That's why it is more important than ever to consider the role that protection plays in your financial plan.

Think carefully

Take time to consider your options. If you're thinking of cancelling protection cover, remember that as well as leaving you and your loved ones without essential cover, a new policy is likely to cost more in future.

Having the right protection in place provides a level of certainty. Contact us to see how we can help

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IN THE News

Pension Tracing Service swamped

People who think they could be missing out on thousands of pounds in pension savings have flocked to the phonelines to try and track down their lost money. Through a freedom of information request, it has come to light that The Pension Tracing Service received a total of 251,733 phone calls between July 2018 and August 2023. Figures suggest the average lost pension pot is worth £9,500. To save yourself time on the phone, you can access the government's pension tracing tool at www.pensiontracingservice.com

If you trace a lost pot, get in touch; we can check whether the underlying investments are suitable for your requirements.

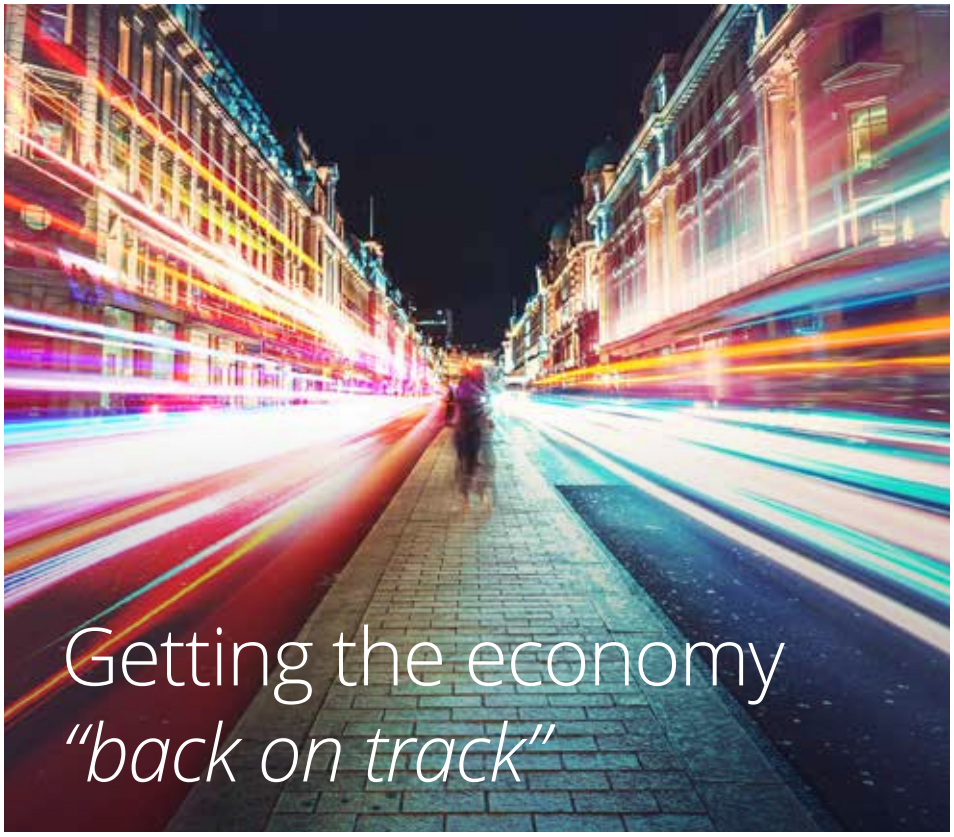
Milestone moments denied

Many savers are now choosing to deny themselves milestone moments, such as major holidays, big weddings and home renovations, to keep putting money aside for future essentials. A survey[2] asked respondents to classify themselves as spenders or savers. More than 80% of people who consider themselves to be *'spenders'* still put money aside each month, being motivated to build a nest egg for the future. However, the amount savers feel they need to squirrel away varies markedly depending on age, with younger ages more likely to have abandoned plans.

The importance of advice

Research[3] has found that the odds of selecting the top performing asset class every year for a decade is one in 282 million! In fact, investors are twice as likely to win the EuroMillions jackpot. That is why it's so important to diversify your investment portfolio.

[2]Gatehouse Bank, 2023,
[3]RBC Brewin Dolphin, 2023



Getting the economy *"back on track"*

With the Office for Budget Responsibility (OBR) predicting modest UK economic growth of 0.7% this year and 1.4% in 2025, during the Autumn Statement Chancellor Jeremy Hunt outlined 110 growth measures intended to get more people into work, cut business taxes and raise business investment, to get the economy *"back on track."*

Contrary to speculation, reforms to Inheritance Tax (IHT) or Individual Savings Accounts (ISAs) allowances were not announced, although some changes are proposed, including the ability for people to pay into multiple ISAs of the same type each tax year and permitting partial transfers of ISA funds between providers, from April 2024.

As a reminder:

- Inheritance Tax bands remain at £325,000 nil-rate band, £175,000 residence nil-rate band, with taper starting at £2m – fixed at these levels until April 2028
- The 2024/25 tax year ISA allowance remains at £20,000 and the JISA (Junior Individual Savings Account) allowance remains at £9,000.

Key business and personal taxation measures

A key business related measure was making the full expensing tax break for businesses permanent, while the headline personal taxation measure was the reduction in the main rate of Class 1 employee National Insurance contributions (NICs) from 12% to 10%. Providing a tax cut for 27 million working people, instead of taking effect on 6 April 2024, this took effect from 6 January 2024. The self-employed also benefited with Class 2 NICs paid by those earning more than £12,570 being abolished from April and Class 4 NICs paid on profits between £12,570 and £50,270, to be cut by one percentage point to 8% from April 2024.

And pensions...

The government's commitment to the pensions Triple Lock was honoured, meaning that the basic State Pension, new State Pension and Pension Credit standard minimum guarantee will be uprated in April 2024 in line with average earnings growth of 8.5% (September 2023). The value of the new State Pension will increase in April 2024 from £203.85 per week to £221.20 per week, while the basic State Pension will rise from £156.20 to £169.50 per week.

Also on the pension front, the latest steps to deliver the Mansion House Reforms include a call for evidence on allowing individuals to consolidate pensions by having one pension pot for life.

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The scammers targeting YOU

According to a study from NatWest[4], seven in 10 people have been targeted by scams over the last 12 months. Vulnerabilities brought on by cost-of-living challenges have likely contributed to the high numbers.

Sadly, 13% of people have fallen prey to such scams, which are growing in both number and sophistication targeting young and old – no one is immune.

Avoid, avoid, avoid

To avoid a scam, you've first got to know what you're looking for. So, here's a list of the most common scams used over the past year and the proportion of people who were targeted:

1. Phishing scams (37%)
Fake emails or calls from organisations purporting to be from legitimate companies, asking you to provide personal or private data.

2. Trusted organisation scams (21%)
Criminals contact their victims pretending to be trusted organisations such as HMRC, the police or their bank, saying there's something wrong with their account, they need to pay a fine, or similar.

3. Refund scams (13%)
Similar to the above, but the criminals instead use a potential refund or rebate to tempt victims into sharing personal or banking information.

Other scams include messages purporting to be from friends/family asking for money (12%), get rich quick scams (12%) and purchase scams (9%).

Keep yourself (and your money) safe

Staying vigilant and keeping your guard up around unsolicited calls and messages is key to protecting yourself from scams. Remember:

- If something seems too good to be true, it probably is
- Your bank will never ask you to disclose your full PIN or password
- Don't respond to unsolicited calls, emails or texts, or open links if you feel suspicious
- We're always here to help if you're ever unsure about something.

Always be alert to the risk of fraud – double check any details to ensure people or organisations are who you think they are. Stay vigilant, protect yourself – knowledge is power.

[4]NatWest, 2023

To avoid a scam, you've first got to know what you're looking for

Time for a midlife MOT?

Just to be clear, we're not talking about your physical health here (that's the doctor's remit). We're talking about a check-up to assess your financial wellbeing.

And we're asking because nearly one in six people aged between 45 and 54 are now making significant financial sacrifices to ensure their pension pots are up to scratch for retirement[5]. At the same time, they are still juggling a multitude of other financial responsibilities, including childcare and mortgages, at a time when cost of living pressures persist.

Just like you'd go to the doctor for a check-up if you were feeling a bit run down, a financial MOT could be just what you need at this crucial time in your life to ensure your finances are working for you.

Here are some key aspects to think about:

1. **Retirement planning** – as you approach retirement, now is the time to take stock of your pension savings to ensure you're on track for your goals
2. **Protection** – your health needs can change as you get older, so a review of your protection cover could be a good idea to ensure you and your family are properly protected
3. **Debt management** – a review can help you assess your current debts and work out how to best pay them off
4. **Investments** – are your investments working for you? Can your portfolio be rebalanced to better align with your risk profile and long-term financial objectives?
5. **Estate planning** – now is also an excellent time to review your long-term plans for passing your wealth onto the next generation and to make a Will and Lasting Power of Attorney (LPA).

Here to help

If a midlife MOT sounds like it might benefit you, then please do give us a call – we're on hand to help you review each aspect of your finances and develop a comprehensive financial plan.

[5]Phoenix Group, 2023

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Prospects of stronger economic growth

As we enter a new year, the global economy sits in a relatively precarious position, with the long-term consequences of the pandemic, as well as ongoing conflicts and geopolitical tensions all hindering growth prospects. While such times can appear daunting for investors, the key to successful investing actually remains the same: focus on long-term goals and mitigate potential risks by maintaining a well-diversified portfolio.

Global recovery remains slow

In its latest assessment of economic prospects, produced just before the Middle East conflict began, the International Monetary Fund (IMF) dampened its baseline global growth forecast for the coming year. The international soothsayer is now predicting growth will slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024; all three figures are below the long-term average global growth rate of 3.8%.

Challenges ahead but growth prospects

The IMF noted that the current weak growth outlook allied with heightened uncertainty, still-elevated global inflation and limited fiscal space, do pose a series of challenges for policymakers. However, the report also highlighted some more upbeat aspects including disinflation, rebuilt buffers to help manage future shocks and the prospect of stronger, more balanced growth.

Diversification is key

In the current economic climate, strong research capabilities are clearly vital and that is our strength. It enables us to formulate and develop an effective investment plan tailored specifically to your needs, and helps us ensure you continue to hold a well-diversified, balanced portfolio firmly aligned to your long-term financial objectives.

Let's get you sleeping better in 2024

If you're losing sleep over your finances, you're not the only one. According to research[6], nearly half (45%) of UK adults are lying awake at night because they're worrying about money.

The squeeze on people's finances caused by the cost-of-living crisis is understandably a large part of this wave of insomnia, with those surveyed saying they're struggling to pay for essentials.

Enter professional financial advice

Financial advice has been shown by study after study to lead to better financial outcomes for consumers. However, especially during difficult times such as these, it can also have a beneficial impact on our mental health and wellbeing. Advised consumers tend to exhibit lower levels of anxiety over their household finances and retirement income, and feel more in control of their finances and more prepared to cope with life's shocks.

This is backed up by a study[7], which found that 42% of people would value extra financial advice or guidance during the cost-of-living crisis, while just under a third are anxious about money matters right now.

Life is too short to lose sleep over your finances. Get in touch with us and we'll help you get your finances in order, to ensure your money is working for you. Let's take back control and enjoy sweet dreams in 2024.

[6]Aviva, 2023, [7]Standard Life, 2023

If you would like any advice or information on any of the areas highlighted in this newsletter, please **get in touch**

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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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