Essentially Wealth

Q1 2024

- A tax year end action plan
- Check you have financial security in 2024
- The true value of financial advice – more than the bottom line

Quilter Financial Planning

In this issue

Looking forward to stronger economic growth

As we step into a new year, the global economy faces uncertainties due to the lingering effects of the pandemic, ongoing conflicts, and geopolitical tensions. Whilst challenges such as these can appear daunting for investors, the key to successful investing remains the same – to focus on long-term goals and to minimise potential risks by maintaining a well-diversified portfolio.

A slow global recovery

The International Monetary Fund (IMF)[1], in its most recent assessment just prior to the onset of the Middle East conflict, revised down its baseline global growth forecast. The IMF now anticipates a deceleration from 3.5% in 2022 to 3.0% in 2023 and further to 2.9% in 2024, all falling below the long-term average global growth rate of 3.8%.

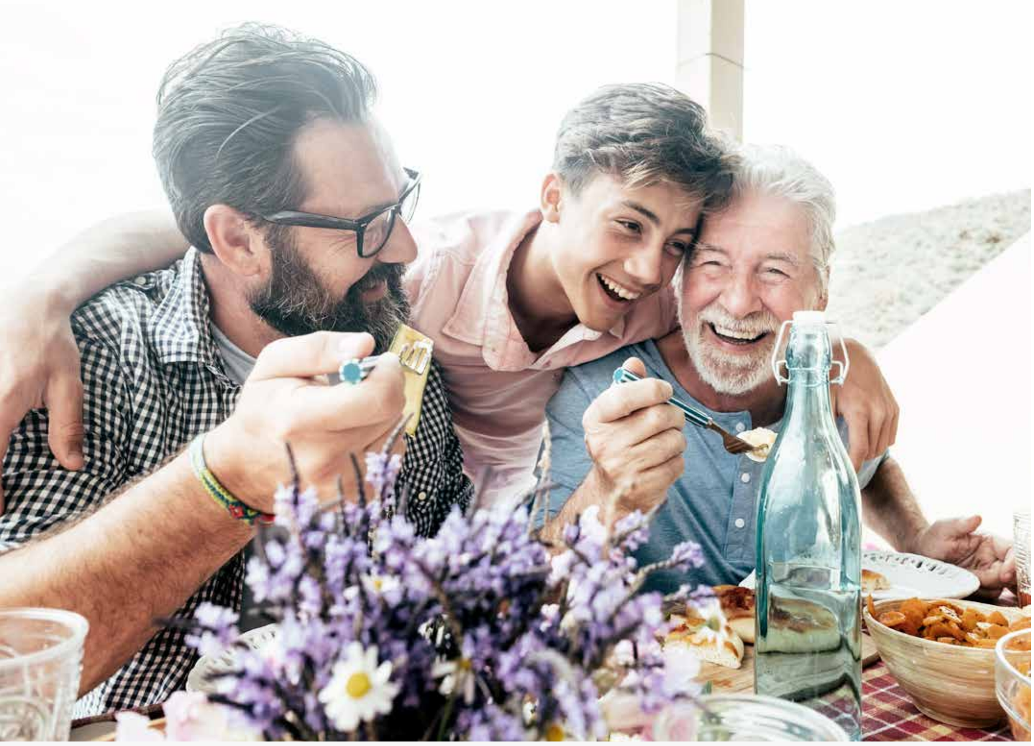
Challenges remain but outlook positive

Despite the challenges outlined by the IMF, including weak growth, heightened uncertainty, persistent global inflation, and constrained fiscal options, there are positive elements in the outlook. The report 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, robust research capabilities are crucial. 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 aligned with your long-term financial objectives.

[1]IMF, 2023



Living the (retirement) dream

The ultimate retirement dream is actually very simple according to research[2]. Most respondents to a survey (94%), which questioned 2,000 respondents aged 50 and over on their aspirations for later life, answered that financial security for the rest of their life featured prominently.

Other retirement aspirations included being able to maintain one's desired lifestyle (94%), spending time with family (90%) and being able to afford care if required (81%). The ability to afford big family events, such as weddings (73%) also featured, as did travelling (72%) and being able to support family financially (69%).

Interestingly, just over 40% of retired respondents admitted that they've ended up needing more money than anticipated.

Mind the gap

Many people can expect to spend several decades in retirement due to rising life expectancy. You therefore need to give careful consideration to the following:

When do you want to retire?
– this will provide you with an idea of how long you have to save before entering retirement.

How much will you need?
– what level of income will enable you to achieve your preferred lifestyle?

What do you have?
– let's take stock of your pension(s), savings and investments, and any other assets you currently have.

Talk about tax
– there are benefits to properly utilising the tax allowances available to you, let's chat it through.

Take advice
– research[3] has highlighted that people who take financial advice can expect to retire three years earlier on average. Advised consumers are also of the belief they can fund their desired lifestyle for six years longer than their non-advised counterparts.

Work towards the dream in 2024

We can help you work towards enjoying the retirement you've always dreamed of.

[2]Legal & General, 2023, [3]Standard Life, 2023

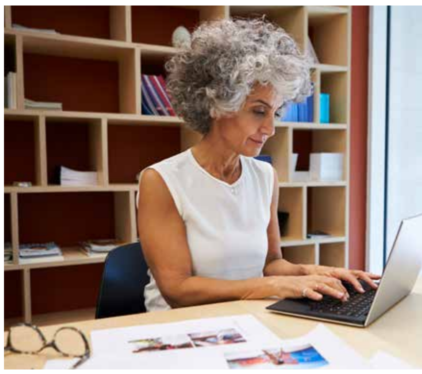
Who wants to be an (ISA) millionaire?

HMRC data shows that the number of Individual Savings Account (ISA) millionaires – people who have built up a tax-free pot of £1m or more by investing in stocks and shares ISAs – has almost quintupled since 2017, and now stands at 2,760[4].

> *With ISAs first introduced in 1999, aimed at encouraging more people to save, the data certainly suggests the objective is being satisfied*

The most recent statistics suggest around 11.8 million adults were subscribed to an ISA in the 2021/22 tax year, making £66.9bn deposits during the period. With ISAs first introduced in 1999, aimed at encouraging more people to save, the data certainly suggests the objective is being satisfied for an increasing number of people.

[4]HMRC, 2023



A tax year end action plan

What action do you need to take before 5 April 2024? This year again, it's crucial to think about how external factors, such as inflation and reduced or frozen allowances, could impact your finances.

Have you considered whether you will be affected by the reductions to the Capital Gains Tax (CGT) exemption and Dividend Allowance? If so, have you thought about investing up to £20,000 this tax year in a stocks and shares ISA?

The Dividend Allowance will be reduced from £1,000 to £500 from April 2024. In addition, the annual CGT exemption will fall from £6,000 to £3,000 from April 2024. Dividends received on any shares held within an ISA are tax free and won't impact your Dividend Allowance. In addition, any profit you make when selling investments in your stocks and shares ISA is free of CGT.

Pension Considerations

The Lifetime Allowance for pensions will be abolished from next April. This is good news, but the Annual Allowance remains in place, at £60,000 for most people. Remember you can only get tax relief up to the amount you earn, but if your earnings are less than £3,600 you can pay in up to £2,880 and still get tax relief.

Preparation is key

More and more people are being impacted by stealth tax or fiscal drag and we can't stress enough the importance of tax year end planning. It remains vital to ensure you are in the best place possible to take advantage of any allowances, exemptions, and reliefs available this fiscal year and to plan ahead. Valuable financial advice remains central to achieving your goals and aspirations.

Power up your pension in 2024

Did you know that you can make one-off pension payments at any time?

In fact, people are encouraged to do so with tax incentives offered by the government. If you have accumulated extra money from a windfall, bonus or through saving, why not consider powering up your pension with a single contribution?

Crunch the numbers

Tax relief is available on contributions up to a maximum of £3,600 a year or 100% of earnings, whichever is greater, with the level of relief dependent on a person's marginal rate of Income Tax. For instance, a £1,000 lump sum contribution could effectively cost a higher rate taxpayer just £600, after receiving £200 basic rate tax relief from the government and claiming £200 in additional relief from HMRC.

Allowances

During the 2023/24 tax year, the annual contribution limit for tax relief purposes is 100% of a person's salary or £60,000, whichever is lower, although unused allowance from the previous three tax years can be carried forward.

Future focus

Paying a lump sum into a pension can be an effective way to save for your future. Making a single contribution basically enables people to go above and beyond their regular commitments and move closer to achieving their pension saving goals. If you want to make the most of your available allowance(s), we can help you power up your pension.

‘110 measures’ – the Chancellor’s prime focus

Contrary to speculation, the Chancellor announced no reforms to Inheritance Tax (IHT) or ISA allowances, during the Autumn Statement last November. However, some changes to ISAs were 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 ISA allowance remains at £9,000.

In its latest analysis, presented during the Statement, the Office for Budget Responsibility (OBR) predicted economic growth of 0.7% in 2024 and 1.4% next year. Jeremy Hunt outlined 110 growth measures intended to reduce business taxes, get more people into work and raise business investment, in order to get the economy *“back on track.”*

Some good news was bestowed upon pensioners

Personal and business taxation measures

The headline personal taxation measure was the reduction in the main rate of Class 1 employee National Insurance contributions (NICs) from 12% to 10%, which will provide a tax cut for 27 million working people. This took effect from 6 January 2024. Self-employed people will also benefit 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.

A key business related measure was making the full expensing tax break for businesses permanent, at a cost of £11bn a year. The Chancellor said this represents, *“the largest business tax cut in modern British history.”*

Pension update

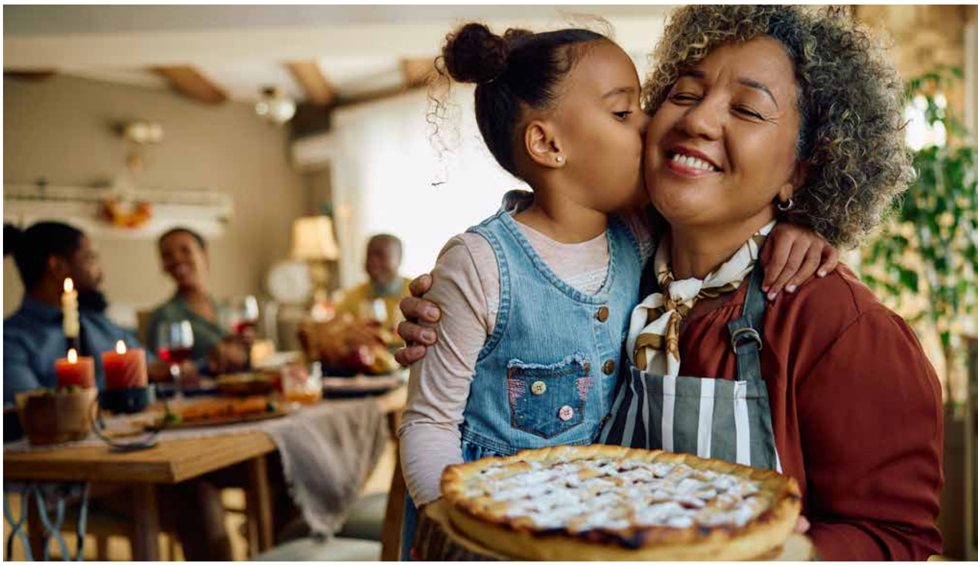
Some good news was bestowed upon pensioners, as the government confirmed its commitment to the pensions Triple Lock. This means that the basic State Pension, new State Pension and Pension Credit standard minimum guarantee will be uprated in April 2024 in line with average earnings growth of 8.5% (September 2023). In addition, 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.

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

The Lifetime Allowance (LTA) is still scheduled to be abolished from April 2024.

And more positivity...

One of the growth measures focused on the future of Enterprise Investment Schemes (EISs) and Venture Capital Trusts (VCTs). A ten year extension has been granted to the operation of VCT and EIS schemes from April 2025 to April 2035, continuing the availability of Income Tax and Capital Gains Tax reliefs for investors in qualifying companies and VCTs.



Financial challenges impacting women

Have you ever thought about the additional financial challenges faced by women? If not, a new report[5] has taken a closer look at the reasons that can and are preventing women from accumulating the same wealth as their male counterparts.

It really does make interesting reading and highlights that (perhaps to be expected) having children continues to have a disproportionately large impact on women's finances. This sits alongside other life events, including the menopause and non-childcare-related caring responsibilities.

Key data

The headline statistics revealed include:

- A quarter of women continue paying into their pension at the same rate during parental leave, this compares with 70% of men
- Nearly half of women have been financially impacted by caring responsibilities (outside of childcare)
- 1 in 20 menopausal women have left work due to their symptoms
- Just 55% of women return to full time work after their first child, this compares with 90% of men.

Although no two women are the same and face different financial challenges, this data does recognise that there are common threads. With women continuing to fulfil the prime role in caring responsibilities, this not only impacts their financial security now but still impacts it as they approach retirement. And the menopause is clearly taking its toll too. Support is required.

Focus for the year ahead

Despite the financial challenges faced by women, they remain less likely than men to seek professional financial advice[6]. Why not make a New Year's resolution moving into 2024 – let this be the year that you empower yourself to succeed and get your finances on track for a prosperous future.

[5] AJ Bell, 2023,

[6] Canada Life, 2022

The true value of financial advice – more than the bottom line

As we progress through life, many of the major events that confront us come with financial costs, whilst also generating a range of feelings and emotions. It's important to appreciate that the true value of financial advice extends beyond purely maximising the monetary value of your portfolio.

Analysis[7] has identified that the value of advice can be deconstructed into four pillars: portfolio, financial, time and emotional.

Starting with your portfolio – working with an adviser involves construction and rebalancing of your asset portfolio when necessary. A well-diversified, tailored portfolio of investments that mirror your risk tolerance and enables you to work towards achieving your life goals and objectives.

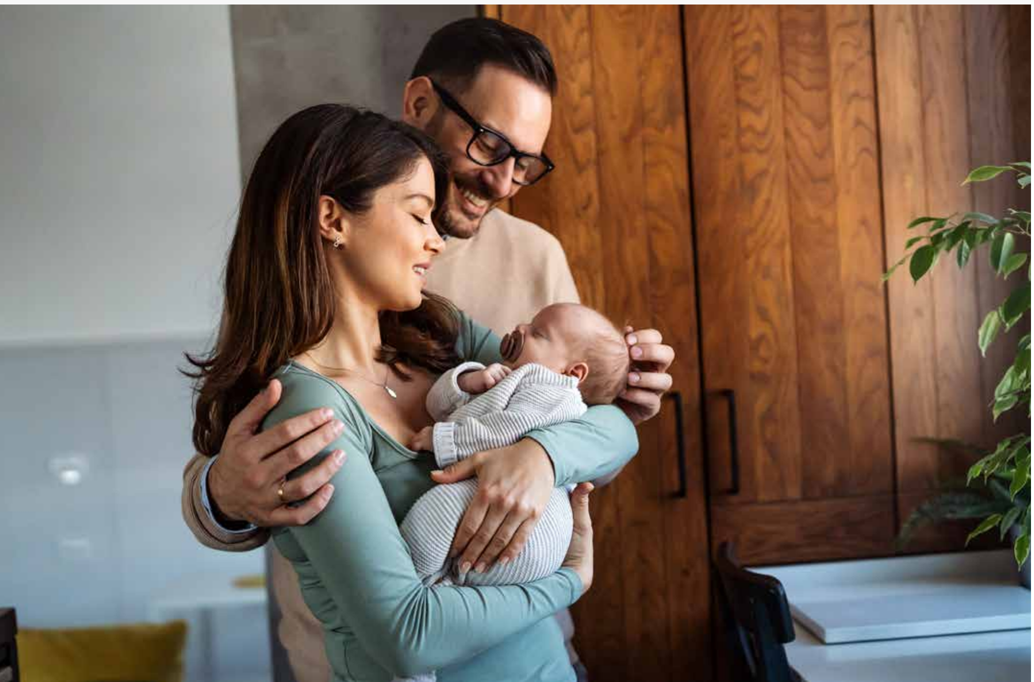
Financial and time value

Financial value revolves around planning for both expected and unexpected events, with help provided in a range of areas, including saving and spending strategies, legacy and estate planning, and tax efficiency. Time is clearly one of our most valuable resources and, by securing the services of an adviser, you are able to devote more time to the things you enjoy doing.

Rest assured

Emotional value, the fourth pillar, focuses on financial peace of mind. Often highlighted in research studies, one survey[7] suggested that three times as many investors report having peace of mind because of their adviser. The advice process allows clients to feel at ease and promotes confidence in their financial future.

[7]Vanguard, 2022 and 2023



Check you have financial security in 2024

The start of a new year presents an opportune moment to assess your finances, particularly if recent life changes have come your way. Make sure to prioritise a review of your protection insurance at this time.

Safeguard your future

Tailoring your protection to meet your unique needs serves as a crucial safety net, offering invaluable support in the face of unforeseen challenges. Heading into 2024, it's essential to question whether the level and type of cover you currently hold is still well-suited to yours and your family's needs. If your circumstances have shifted, an update to your policy may be necessary.

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.

Tailoring your protection to meet your unique needs serves as a crucial safety net

Consider your options

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 in an uncertain world. Contact us to see how we can help.

Milestone moments denied

Many savers are now choosing to deny themselves milestone moments, such as major holidays, big wedding celebrations and home renovations, to make ends meet and to put money aside for future essentials.

A survey[8] has found that over a third of UK adults, which equates to over 14 million people, view their monthly savings an *'essential outgoing.'* The research asked respondents to classify themselves as either spenders or savers. Interestingly, eight in ten (82%) respondents who consider themselves to be spenders still put money aside each month, being motivated to build a nest egg for the future.

Generational differences

The amount savers feel they need to squirrel away varies markedly depending on age. Almost half (45%) of savers aged 55 to 60 were willing to forgo expenditure on major milestones to be sure of having enough to cover future essentials such as household bills and nice-to-have items, even if they have savings in place. This was in stark contrast to just 16% of savers aged 18-24 who said the same.

The amount savers feel they need to squirrel away varies markedly depending on age

Overall, almost a fifth (18%) of 18 to 24-year-olds said they would feel financially secure if their income covered their essential outgoings, but this does not leave room for any unforeseen one-off costs, such as a car breakdown. A further 18% of the youngest respondents said they did not know what financial security meant to them.

[8]Gatehouse Bank, 2023

Don't lose sleep in 2024

If financial concerns are causing you sleepless nights, you're not alone. According to research[9], nearly half (45%) of UK adults find themselves lying awake, plagued by money-related worries.

The strain on people's finances caused by the cost-of-living crisis is a significant contributor to this widespread insomnia, with those surveyed reporting difficulties in covering essential expenses.

Enter professional financial advice

Financial advice has been shown by study after study to lead to better financial outcomes for consumers. Particularly during challenging times such as these, it can also have a beneficial impact on our mental health and wellbeing. Those who receive advice tend to exhibit lower levels of anxiety over their household finances and retirement income, as well as expressing a greater sense of control over financial situations and increased readiness to face life's uncertainties.

This is backed up by a study[10], which found that 42% of people would value extra financial advice or guidance during the cost-of-living crisis, while nearly a third are anxious about money matters right now.

Sleep easy

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 reclaim control and usher in restful nights in 2024. After all, life is too short to lose sleep over your finances.

[9]Aviva, 2023, [10]Standard Life, 2023

Past performance may not be repeated in future. Future returns cannot be guaranteed. For ISA's, 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.

Important information: We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.

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. Some rules may vary in different parts of the UK.

Approver Quilter Wealth Limited, Quilter Financial Limited, Quilter Financial Services Limited & Quilter Mortgage Planning Limited. 12/01/2024