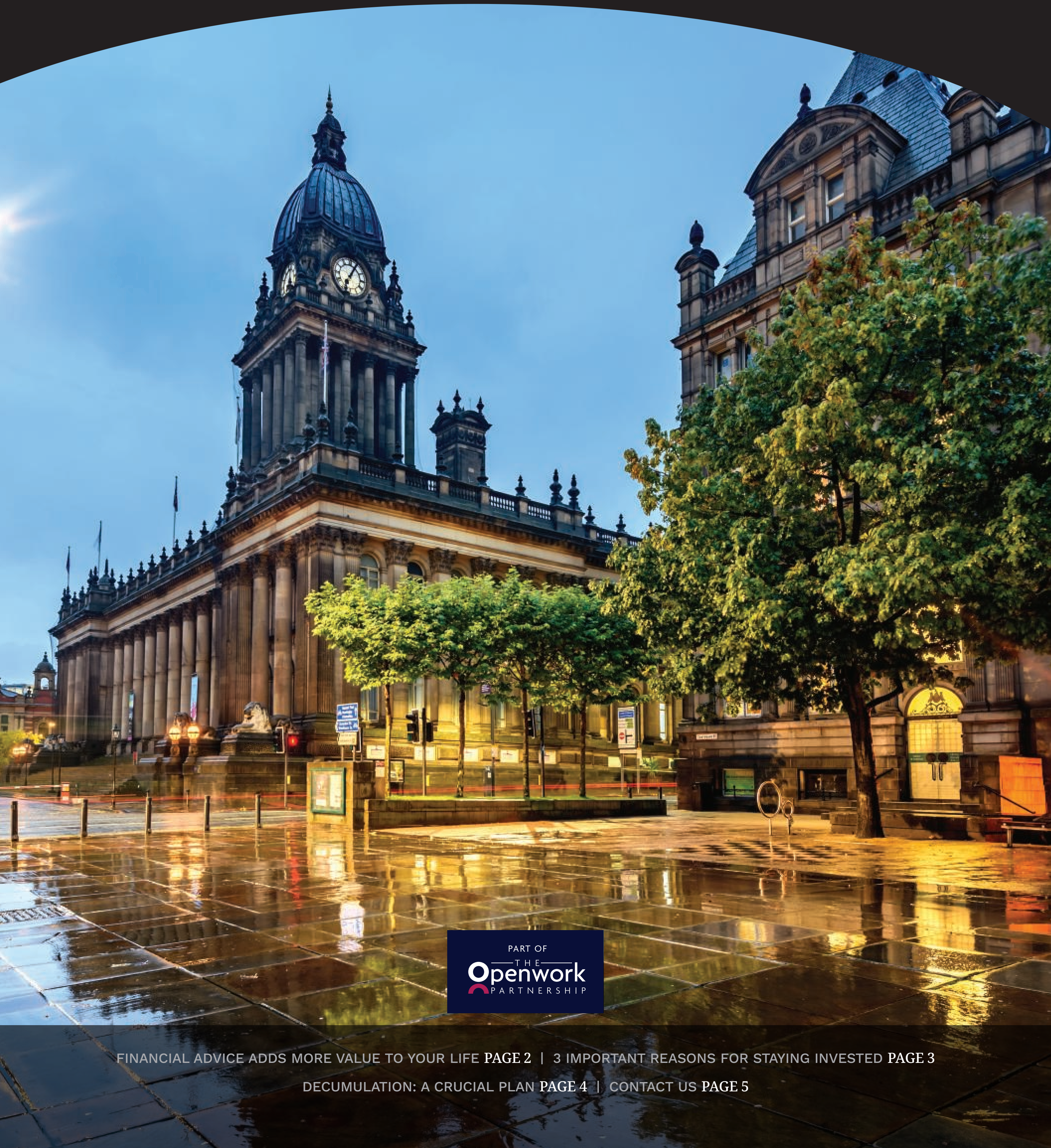
Haighwood
Financial Services

NEWSLETTER



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How financial advice adds more value to your life than you may realise

Traditionally, the value of financial advice has been measured by monetary results of investment performance and returns. Today, the cost of living crisis is causing many to re-evaluate the benefits of financial advice.

These days, financial planning is about more than simply looking after your money and protecting your wealth. As well as helping you see results in pounds and pence growth, we can also help ensure you are prepared to meet the challenges you may face in life.

Used as a trusted and impartial sounding board, we can help by:

— Encouraging you to recognise your goals and establish a clear financial road map to help you attain them

— Providing you with someone to listen to you and to help you to arrive at the right financial outcomes – taking an objective view and a way forward

— Managing your investments to maximise returns, while controlling risk, and reducing potential tax charges

— Preparing you to deal with unpredictable outcomes you may not have considered, such as premature death, being diagnosed with critical illness or other unexpected life events that change income, savings, or retirement dates that could have a detrimental impact on your desired lifestyle

— Offering emotional support and guidance to provide peace of mind

And the value of financial planning doesn't stop there.

Get in touch

If you're worried about the rising cost of living and want to reap the financial and emotional benefits that speaking to a financial planner can bring, we can help.

Financial advice isn't just about your money, it's about your life

A great financial adviser can serve as an objective ear and help you to prioritise your future spending, helping you to deploy the money that you have in a more meaningful way.

Longevity and the ability to live your best life are inherent to great financial advice. So, helping you to understand how a healthier lifestyle can help you to achieve your goals is another important aspect of our role.

With a wealth of knowledge about healthy choices now available, small changes can improve your quality of life and help you live longer and in better health. The ripple effect of living a good life means adjusting your plan to ensure you have enough money to last for a comfortable future.

The unseen value of free support services you can access

If something unexpected were to happen, insurance products and policies can provide valuable peace of mind to you and your family. This could include being too sick to work, suffering a life-threatening illness, or death.

In addition, insurance products often also include a wide range of practical and emotional support services. Many of these additional benefits are available at no extra cost and can be used by your family members too. These extra benefits are usually available as soon as your policy starts and remain open to you and your family until the policy ends. This kind of added value is automatically built into your insurance policies but can often be forgotten about or overlooked.

Although the type of complementary services will depend on both the policy and the insurance provider, they tend to be fairly similar and could include:

Medical related services

— 24/7 access to a doctor through a virtual consultation— An expert second medical opinion on your diagnosis— Private prescription services

— Medical care while abroad

Counselling services

— Mental health and other support services – usually remote and without a long wait

— Physical rehabilitation

— Support to help you get back to work

Preventative services

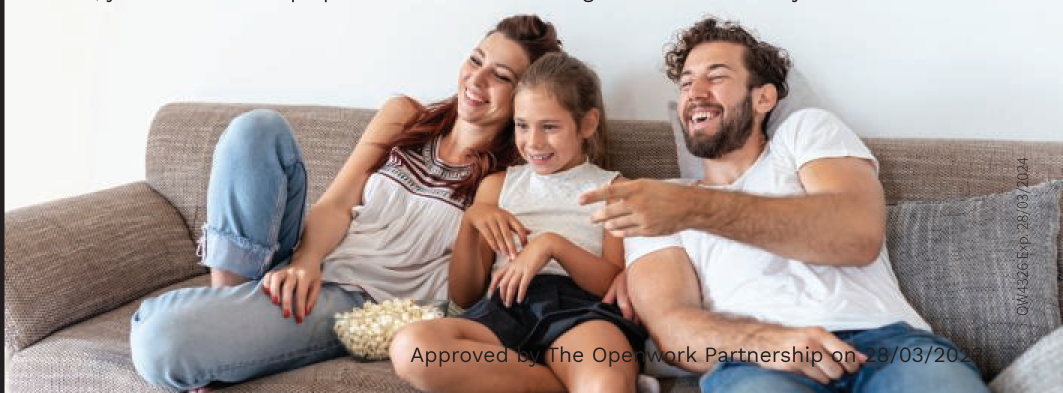
— Nutritional support

— Health checks

Structuring a sustainable income

Trust is one of the primary drivers of a successful client/adviser relationship. We proactively monitor your needs and investment portfolios. This means we're well-positioned and able to recognise when changes are needed. Knowing that life can get in the way of even the best-laid plans, we have annual review meetings to help you stay on track. These regular reviews will help make sure your actions and investments remain aligned with your goals.

At your review, we'll often use cashflow planning tools to explore the financial impact of various scenarios. This helps ensure that you've thought about all aspects of your financial future, including inflation, so that whatever the future holds, you can be better prepared for whatever life might have in store for you.



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3 important reasons for staying invested through market downturns

It's been a difficult year for investors so far. Inflation and political uncertainty have led to market volatility.

Market volatility can be scary, especially if the value of your investments drops, but it's important not to let fear guide your decision about whether to stay invested in your portfolio. Here are three reassuring reasons for staying invested in the stock market during uncertain times.

1. The best financial decisions are not based on emotion

Emotions can play a big role in your financial decision-making if you aren't vigilant. The thrill of seeing your investments increase in value can quickly be replaced with panic and fear when the value decreases during market slumps.

When you understand the cycle of emotions related to investing, you can reframe downturns as opportunities to maximise your returns in the long term. This is because when the value of investments falls, it becomes cheaper to buy more shares or fund units – providing greater opportunities to grow your wealth when conditions improve.

As Warren Buffett, one of the world's most successful investors, famously said: you should aim to be "fearful when others are greedy, and greedy only when others are fearful".

By looking at the situation objectively, without the influence of emotions, you will be able to make sensible financial decisions based on your understanding of how the markets tend to ebb and flow.

2. Bull markets tend to outlast bear markets

When markets are trending upwards and investments are generally growing in value, this is called a "bull market". This is when you will often see your investments increasing in value.

By contrast, a "bear market" describes periods when the market has dropped 20% or more from its peak. Despite rallying in October, the S&P 500 is currently down 22% since the start of the year, with many of the top-performing US stocks noting significant drops since the start of the year.

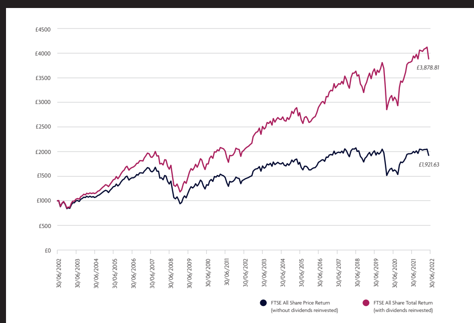
As seen in the chart below, bull markets have not only been more frequent over the past 60 years, but they have also tended to last far longer than the average bear market.

So, despite the rocky start to 2022 for investors, it makes financial sense to be optimistic about the prospect of markets recovering sooner rather than later. As the markets recover, you could see significant increases in the value of your investments.

3. Staying invested could produce better long-term gains than moving to cash

Attempting to time the market by moving your investments into cash during market downturns could lead to significantly lower long-term returns than if you had stayed invested throughout.

The chart below shows how returns on £1,000 invested can be affected by attempting to use this strategy.



The end results show that the initial investment would have created a final value of £1,993.32 if it had remained invested throughout downturns; if the same amount had been invested initially, but removed from investments during downturns, the final value would have only been £1,042.43.

The difference in returns is partly because the best days in the markets tend to occur immediately after a downturn. By attempting to time the market, you will often miss out on the significant returns generated on these important days. Compounding is the process of generating returns on the total value of your portfolio, including both your initial investment and any returns generated since then, so the impact of missing the best days in the market will be reflected in your portfolio's value for many years.

Get in touch

If you're concerned about whether the current market volatility will affect your long-term financial plans, seeking expert advice can help to reassure you and keep you on the right track.

We can help you to decide on the most appropriate next steps based on your circumstances and future goals. Please get in touch to arrange a time to chat.

***Please note:** The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested. Past Performance is not a guide to future performance and should not be relied upon.*

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Decumulation

Why a plan is crucial when you start to spend your wealth

Making your retirement savings last a lifetime

To help ensure a sustainable income, you first need to understand how much you'll need to live on.

— **On the go** – during the early stages of retirement, there's a strong likelihood that you'll spend more on travel, hobbies, or home improvements

— **Slowing down** – while you may be slightly less active, you're still busy with hobbies, but you may be less inclined to long-haul travel

— **Coming to a stop** – in later life, your mobility may be more limited, and you may require care.

Structuring a sustainable income

The most efficient retirement income strategy should be planned well in advance and ensure that:

— Allowances and exemptions are used to their full capacity

— Married couples plan together so income and assets are allocated effectively.

Regarding capital withdrawals, you may want to consider decumulating using cash first, followed by taxable investments, ISAs, and finally pensions.

Tax efficiency is key

While tax-efficient accumulation helps enhance your wealth for the retirement you desire, tax-efficient decumulation helps preserve your capital and increases the chance of having money to leave to your loved ones.

So, maximise all your tax allowances including:

— Income Tax allowances

— The Dividend allowance

— 5% return of capital allowance from investment bonds

— Personal savings allowance

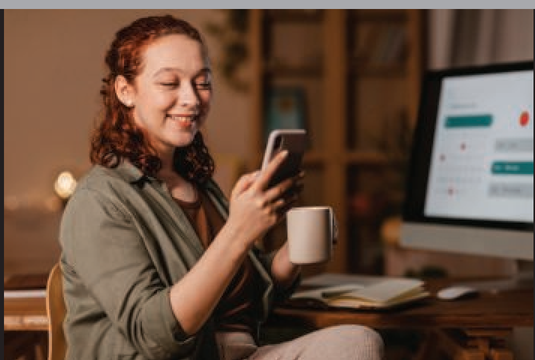
— ISA allowance

— Capital Gains Tax allowance

By planning together, couples can use these allowances to maximise the amount of tax-free income available.

Consider spending excess cash first

Ideally, you should hold an emergency fund to cover around six months of regular expenditure. If you have more cash available, consider using this before withdrawing from pensions investments. Using excess cash allows you to leave funds invested, which may provide enough time for funds to recover any lost value.



Get in touch

If you'd like help to create a financial plan to structure a tax-efficient income in retirement, we can help. Please get in touch to arrange a time to chat.

Think twice before drawing on your pension

While you may consider your pension as the foundation of your retirement plan, if you have other income that uses your tax allowances, it may be prudent to defer drawing on your pension.

Since pension funds benefit from tax-free growth, interest, and dividends, leaving your pension invested is especially useful for maintaining capital value. Plus, pension funds are usually not subject to IHT. So, leaving your pension fund intact while drawing on other investments may help to reduce your IHT liability.

Enjoy flexibility from ISA savings

ISAs are considerably more flexible than pensions. Growth, interest, and dividends are all free of tax and you can withdraw money tax-free without restriction. As for IHT, ISAs can be passed between spouses on death, which preserves the tax-efficient treatment.

Useful in reducing tax in retirement, you can use your ISA to:

— Fund large, one-off purchases

— Top up your income – especially useful if your pension exceeds your tax-free allowance

— Make your portfolio more efficient over time, by gradually moving taxable funds across.

Take a savvy approach to investment accounts

A basic and flexible wrapper, investment accounts can hold funds, shares and investment trusts. Interest and dividends are taxable at your marginal rate and selling assets can incur Capital Gains Tax (CGT) if your profit exceeds your annual exemption *(£12,300 for 2021/2022 or, for a couple, £24,600. In the 2023/24 tax year, the CGT exempt amount will fall to just £6,000, or £12,000 for a couple).*

The following strategies can help reduce tax:

— Phase your taxable investment accounts into ISAs

— Use your annual CGT exemption to avoid large gains rolling up

— Structure your investments depending on the type of income they generate

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Past performance is not a guide to future performance and should not be relied upon. An ISA is a medium- to long-term investment, which aims to increase the value of the money you invest for growth or income or both.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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Contact us

We hope you enjoyed reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us:

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