Haighwood
Financial Services
Family Financial Planning • Corporate Financial Solutions

VIEWPOINT

HAIGHWOOD FINANCIAL SERVICES

Thank you for 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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How has COVID-19 affected your retirement?

2.6%

the average pension fund is 2.6% lower than at the start of year

1.5 million

people over the age of 50 are planning to delay their retirement

15%

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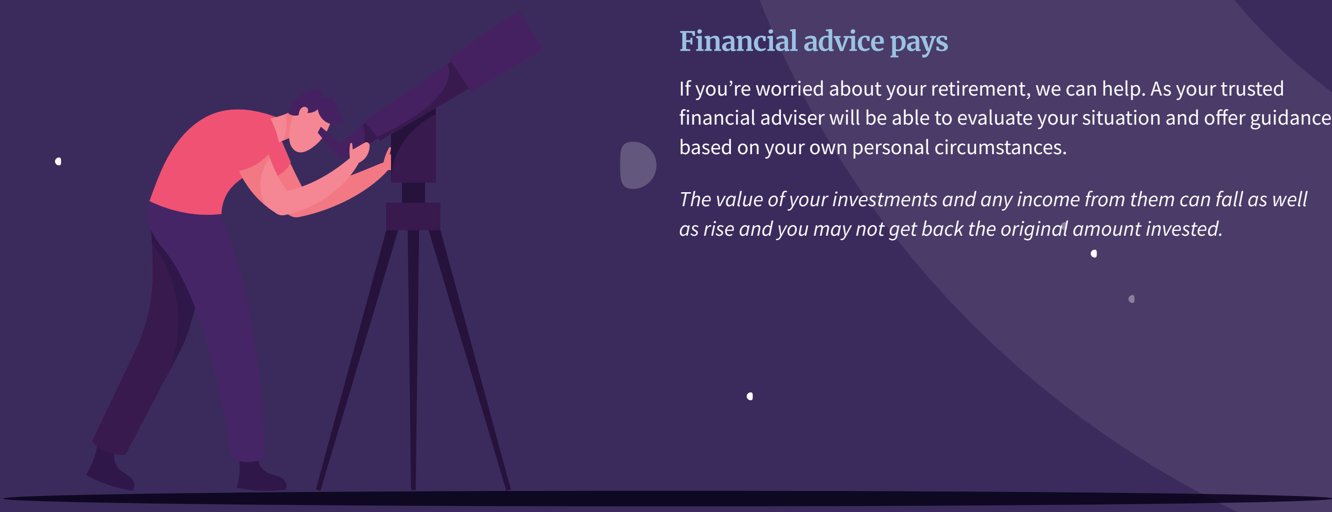
26%

say they plan on working indefinitely



The coronavirus pandemic has not been kind to older generations. As well as having a greatly increased risk of serious health complications from the virus itself, older people have suffered a serious blow to their retirement plans.

Data from Legal & General shows that 1.5m people over the age of 50 are planning to delay their retirement in some way as a direct result of COVID-19. Fifteen percent say they plan to delay retirement by an average of three years, while 26% say they plan on working indefinitely.

Pension funds fall...

Pensions savers initially saw the value of their pension pots fall in response to the stock market slump, which impacted the retirement income available for those on the verge of retirement. This is the main reason why so many are planning to delay their retirement. The average pension fund fell by 15.2% in Q1 2020 – an even worse performance than that observed at the height of the global financial crisis. Despite recovering losses in Q2 2020 the average pension fund is still 2.6% lower than at the start of the year.

... but flexible withdrawals decrease

Many savers have not panicked but taken a sensible approach to the crisis, with data showing that less money was flexibly withdrawn from pensions in the second quarter of this year. Savers withdrew £2.3bn during this period, down 17% on the £2.8bn withdrawn in Q2 2019. This suggests that in the face of challenging circumstances, savers have been able to use their common sense, resist temptation and keep their retirement plans on track.

Onwards and upwards

In a press release, a group of regulatory bodies including The Pensions Regulator (TPR) and the Financial Conduct Authority (FCA) have urged consumers to keep a level head. They advise pension savers to be wary of scams and to seek professional advice before acting. TPR's chief executive, Charles Counsell, said: "Pensions remain a safe long-term investment for your retirement and it's important to avoid hasty decisions about cash that's taken a lifetime to build."

Financial advice pays

If you're worried about your retirement, we can help. As your trusted financial adviser will be able to evaluate your situation and offer guidance based on your own personal circumstances.

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

Tax-efficient investing across the ages

As investors progress through the various stages of life, their investment priorities as well as their financial goals will inevitably change. However, whatever life stage you are at, it's always important to take advantage of any tax-efficient investment opportunities available to you.

Generation Alpha

The principal tax-wrapper available to the youngest generation (new-borns to 18-year-olds) is a Junior ISA (Individual Savings Account). Changes announced in the Spring Budget mean parents, grandparents and family friends can invest up to £9,000 a year in a Junior ISA from 6 April 2020, with the proceeds free from dividend, income and capital gains tax. Another tax-efficient investment option for Generation Alpha is a junior pension which allows a maximum contribution of £2,880 per year – equivalent to investing £3,600 when topped up by government tax relief.

Generation Z

This cohort includes 11 to 23-year-olds, with younger members still being eligible for both a Junior ISA and junior pension. Older Generation Z could also open an adult ISA and those in paid employment will be eligible for a workplace pension. Another opportunity open to older members of this group is a Lifetime ISA, which allows adults under the age of 40 to invest up to £4,000 a year to fund the purchase of a first home or for retirement, with government adding a 25% bonus up to a maximum of £1,000 per year.

Millennials

Buying a home will inevitably be a key financial goal for members of this group (24 to 39-year-olds), which means a Lifetime ISA is usually an investment priority. While extra commitments mean cash is not always plentiful at this stage of life, if possible, Millennials should also direct regular amounts, large or small, into an adult ISA in order to take advantage of the overall £20,000 annual allowance. Making additional pension contributions can also be an effective tax-efficient savings strategy for this group.

Generation X

Members of this cohort, aged between 40 and 55, will often be at the peak of their earning prowess. Financial demands also tend to reduce at this life stage which means Generation X often have the resources to maximise ISA investments. With retirement looming, members of this group are also generally keen to boost pension savings, particularly higher rate taxpayers who qualify for extra tax relief on contributions.

Baby Boomers

This group includes 56 to 74-year-olds and maximising pension contributions is likely to be a key tax-efficient investment strategy for its pre-retired members. Baby Boomers will also be able to take advantage of the 25% tax-free lump sum they can withdraw under the pension freedoms rules. Cash ISAs are also likely to feature more prominently for members of this group, particularly those who are retired.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN.
YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

OW2688 Exp. 05/04/2021

Don't fall for a financial scam

Official bodies are warning consumers of an increase in scams designed to prey on people's coronavirus fears.

Statistics from Action Fraud reveal that over £16m was lost to online shopping fraud during lockdown. In some scams consumers purchased goods online that never arrived. Others targeted animal lovers who lost nearly £300k in just two months after putting down deposits on non-existent pets advertised online.

Get scam savvy

Being familiar with the most common scams is essential to recognizing the danger signs. Recently, UK Finance released a list of the most common scams relating to COVID-19.

Financial support scams

Victims report receiving official-looking emails purporting to be from government departments or local authorities, offering financial assistance in the form of grants or 'COVID-19 relief funds'. These emails contain links to websites encouraging victims to enter their personal and financial details. Other examples include emails offering a 'council tax reduction' as well as scams targeted at Universal Credit recipients.

Health scams

These scams prey on victims' fear of contracting COVID-19. They include fake Test and Trace emails informing the victim they've been in contact with somebody with COVID-19, containing links leading to websites that steal the victims' personal and financial details, as well as fake adverts for PPE.

Lockdown scams

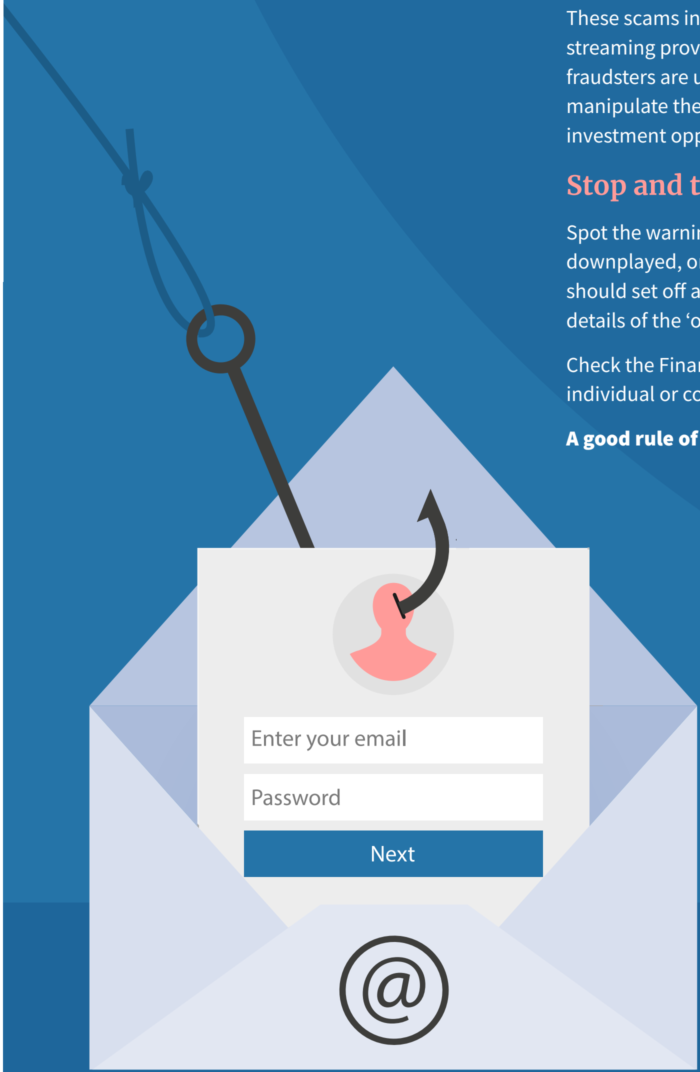
These scams include fake emails that look like they are from TV Licensing or an online streaming provider, informing victims that they need to update their payment details. Other fraudsters are using online dating websites to take advantage of isolated people and manipulate them into handing over cash, while some are tricking victims with fake investment opportunities.

Stop and think

Spot the warning signs - If you're contacted out of the blue, if the investment risks are downplayed, or they are using pressurised selling tactics which offer a bonus or discount, it should set off alarm bells. And if the offer is 'one time only' or you're asked not to share the details of the 'opportunity', there is a high risk of a scam

Check the Financial Services Register – **register.fca.org.uk** or **0800 111 6768** – If an individual or company is not on the register it's probably a scam

A good rule of thumb, with all scams if it's too good to be true, it probably is.



If you think you are being targeted by a scam hang up the call, delete the email, rip up the letter. If you think you have been the victim of a scam already contact action fraud, the UK's national fraud and cybercrime reporting centre, immediately on **03001232040**.

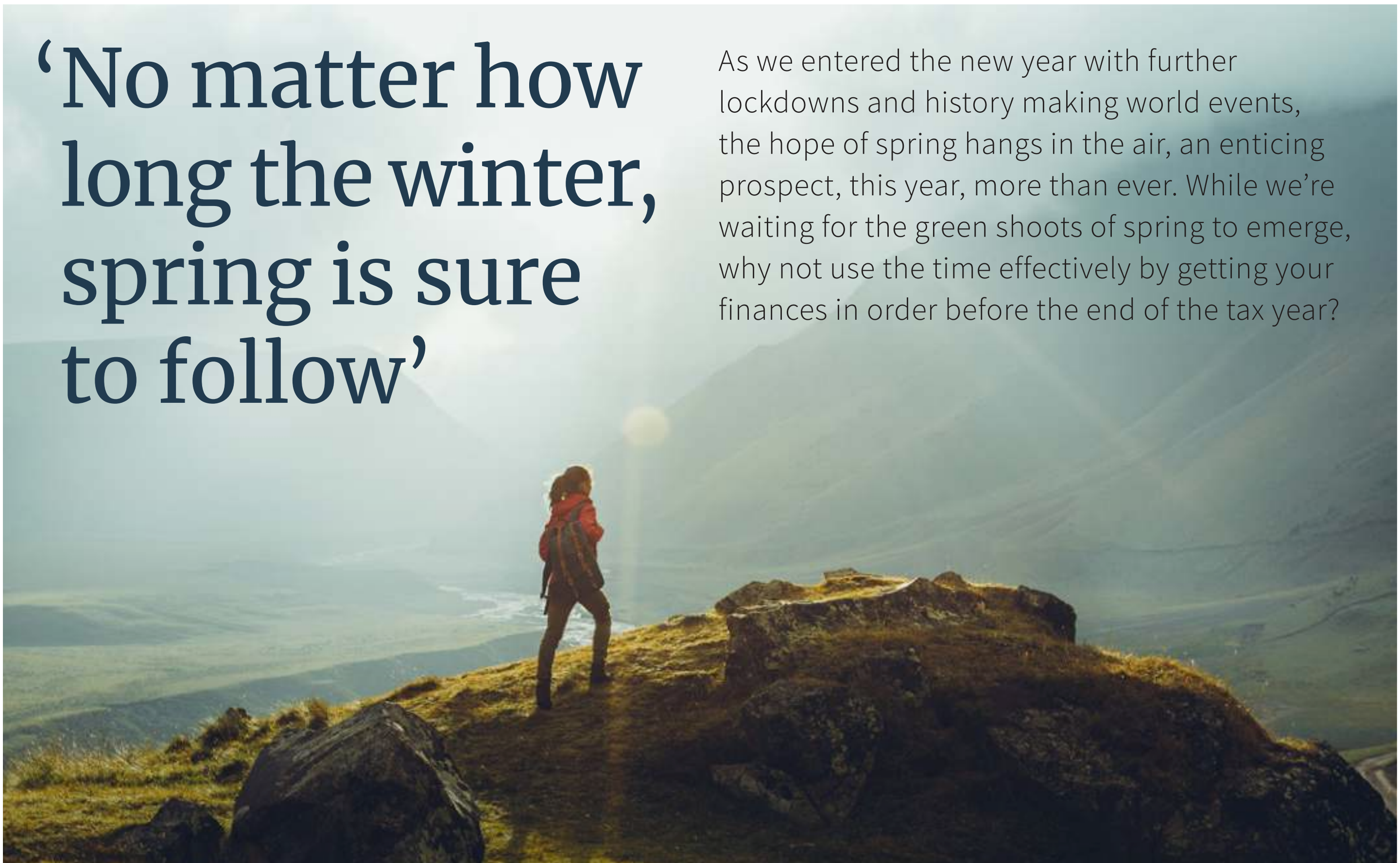
To find out more about how to protect yourself from financial scams visit

- FCA ScamSmart **fca.org.uk/scamsmart**
- Take Five **takefive-stopfraud.org.uk/**
- Pension Wise **pensionwise.gov.uk/en**
- The Pension Advisory Service **pensionsadvisoryservice.org.uk/**

OW2991 Exp. 15/04/2021

‘No matter how long the winter, spring is sure to follow’

As we entered the new year with further lockdowns and history making world events, the hope of spring hangs in the air, an enticing prospect, this year, more than ever. While we’re waiting for the green shoots of spring to emerge, why not use the time effectively by getting your finances in order before the end of the tax year?



The tax year ends on 5 April 2021, which is Easter Monday this year, so don’t wait until the last minute to double-check you’ve taken advantage of all the tax-efficient allowances available to you. To avoid a last-minute Easter rush, we’re on hand to get you organised with all aspects of your end of tax year planning. Here’s a reminder of some of your main tax planning opportunities:

Pensions

— The current Annual Allowance is £40,000 (for every £2 of adjusted income over £240,000, an individual’s Annual Allowance is reduced by £1. The minimum Annual Allowance is £4,000

— The Lifetime Allowance places a limit on the amount you can hold across all your pension funds without having to pay extra tax when you withdraw money. The limit is currently £1,073,100

Tax efficient investments

— Individual Savings Accounts (ISAs) – maximum annual contribution of £20,000 per adult (stocks and shares, and cash options available, maximum allowance not to be exceeded)

— Junior Individual Savings Allowances (JISAs) – maximum annual contribution of £9,000 per child (stocks and shares, and cash options available, maximum allowance not to be exceeded)

— Enterprise Investment Schemes (EISs) – maximum investment of £2,000,000, relief on investments in certain unquoted trading companies, up to £1m per annum (or £2m as long as at least £1m of this is invested in knowledge intensive companies)

— Venture Capital Trusts (VCTs) – maximum annual investment of £200,000, relief on investment in certain qualifying companies

Making Inheritance Tax-free gifts

— Each financial year you can make gifts of up to £3,000 (in total, not per recipient) and if you don’t use this in one tax year, you can carry over any leftover allowance to the next year (some other exempted/ small gifts allowable)

— To reduce the amount of IHT payable, many families consider giving their assets away during their lifetime. These are called ‘potentially exempt transfers.’ For these gifts not to be counted as part of your estate on death, you must outlive the gift by seven years

— If you have enough income to maintain your usual standard of living, you can make gifts from your surplus income. Advice is essential as strict criteria apply

Using Capital Gains Tax allowances

— Annual exemption of £12,300 per person, £6,150 for trusts – currently under review, correct at time of publication.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

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

Past performance is not a reliable indicator of future performance and should not be relied upon.

Due to the high-risk nature of these products (EISs and VCTs) they will not be suitable for everyone.

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

Investing for the long term – lessons from the past

The emergence of COVID-19 brought a rapid end to the drawn-out recovery of major stock markets from the share price lows associated with the financial crisis a decade ago. When the scale of the threat to lives and livelihoods became apparent, market analysts and investors reassessed the global economic outlook and corporate prospects; they didn't like what they saw and a wave of selling followed, with inevitable consequences. Most share prices, and thus stock indices, were impacted.

Market analysts and investors aren't infallible, but when something like COVID-19 strikes they get nervous because closed borders, flight bans and lockdowns can pose a threat even to large companies, especially in exposed sectors. Axed dividends and distressed rights issues are anathema to the jittery; and the largest blue-chip companies aren't immune. Little wonder then that the 100 shares comprising the UK's blue-chip share index, the FTSE 100, rapidly lost about one-third of their combined value before regaining some composure.

Lessons from history

Created in 1984 with a starting level of 1,000 points to provide a wider index of leading shares quoted in London, the FTSE 100 largely superseded the narrower Financial Times 30-share index launched in 1935. As a barometer of economic outlook and corporate prospects, the FTSE 100 has gauged a few storms over the past 36 years. A chart of its progress reveals a plethora of spikes and dips, the starkest of which can be associated with key events in recent financial history.

Chart: **FTSE 100 from inception to March 2020**
https://tradingeconomics.com/united-kingdom/stock-market
Not the first FTSE 100 dip

After its launch on 3 January 1984, the FT's new share index only slipped very briefly below 1,000 points that year. It then made progress, sometimes faltering, to hit 2,000 points by March 1987, by then buoyed by the effect of the previous October's 'Big Bang' modernisation of the London Stock Exchange's trading structure. Six months of further upticks followed and the index broke through 2,350 in early October 1987. It would be two years before that level was attained again.

On 19 October 1987, the Monday after The Great Storm ravaged Southern England, global stock markets suffered a crash so severe that the day became known as Black Monday. A tsunami of selling, much of it blamed on new-fangled computer-program trading, rapidly took the FTSE 100 down to around 1,600, starting with an 11% drop on the Monday and 12% the next day.

The ascent of the 1990s

Share-price recovery was slow, hampered by a short UK recession in 1991-92 caused in part by high interest rates and an over-valued pound associated with efforts to keep sterling within Europe's exchange rate mechanism. After Chancellor Norman Lamont took sterling out of the ERM in September 1992, having spent billions and upped base rate to 15% trying to stay in, the index gained about 14% in six months.

As 1994 dawned, a decade on from its launch, the FTSE 100 stood at around 3,400; although then, as now, changes had been made to its constituent shares as companies' respective market capitalisations waxed and waned. Concerns about the economy and tax plans dampened sentiment and the index fell below 3,000 during the first half of 1994 before starting a five-year ascent to break the 6,000 barrier in the summer of 1998. After a 500% rise in 14 years, what came next for the FTSE 100?

A 1,000-point drop

High interest rates and other threats to UK economic growth and even talk of an impending recession brought a 1,000-point drop in the FTSE 100 in the autumn of 1998, almost all of it recovered by the year-end. General bullishness continued through 1999, which ended with the index nudging 7,000. As the year 2000 unfolded, a combination of overvaluation, epitomised by the rapidly inflating 'dotcom bubble', and a global economic slowdown brought further investor jitters.

The bull market had marched the FTSE 100 up the hill; the ensuing three-year bear market marched it back down again to around 3,600 in the spring of 2003. The index would take another five years to climb back above 6,500, where it was delicately poised for the next big shock: the 2008 collapse of US investment bank Lehman Brothers and the cascade of failures prompting what became known simply as 'the global financial crisis'. By March 2009, the index was down around 3,500 again.

Long term trend

It was a long haul back from there for the FTSE 100 but, after gyrations associated with various stages of the Brexit process, the start of 2020 saw it comfortably above 7,000. News of a new virus outbreak in an unfamiliar Chinese city seemed at first like a distant threat. As the outbreak turned into a pandemic, global markets faltered again and the FTSE 100 headed below 5,000 before recovering some of the loss. COVID-19 has brought a reset of the blue-chip barometer, the FTSE 100 index.

Despite a variety of market shocks and rebounds, the index still has a long term growth trend. It is important to remember that some market volatility is inevitable; markets will always move up and down. As an investor, putting any short-term market volatility into historical context is useful.

Financial advice and regular reviews are essential to help position your portfolio in line with your objectives and attitude to risk, and to develop a well-defined investment plan, tailored to your objectives and risk profile.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.