SMART MONEY

CITY CAPITAL
FINANCIAL PLANNING

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NEW YEAR'S TAX SAVING RESOLUTIONS

Make full use of your relevant tax planning opportunities

GET READY TO BEAT THE ISA DEADLINE
Time to give your financial future a boost?

ADULT SOCIAL CARE CHARGING REFORM
What will the government's proposals mean for the social care system?

IT MAY BE TIME TO INVEST YOUR CASH
Is your wealth protected from the damaging effects of inflation?

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Inside **this issue**

Welcome to our latest edition. Inside, we look at New Year's tax saving resolutions to make sure you are fully utilising your relevant tax planning opportunities. With the tax year end (5 April) on the horizon, taking action now may give you the opportunity to take advantage of any remaining reliefs, allowances and exemptions. On page 08 we have provided some key tax and financial planning tips to consider prior to the end of the tax year. Now is also the perfect time to take a wider review of your circumstances and plan for the year ahead.

Is it time to give your financial future a boost? Then get ready to beat the ISA deadline. Savers and investors have less than three months to use the £20,000 they can put into their tax-efficient Individual Savings Account (ISA) before the end of the financial year on 5 April. With interest rates still at very low levels, you might be looking at investing for the potential to achieve a bigger return from your savings. Read the full article on page 07.

The government has set out its vision for the future of adult social care. On page 12 we explain the new plans announced for adult social care reform in England. This includes a lifetime cap on the amount anyone in England will need to spend on their personal care, alongside a more generous means test for local authority financial support. We all want the best possible long-term care for ourselves or our loved ones. Planning for the long term can help ensure you have sufficient income to pay for any care you, or an elderly relative, might need in later life.

Is your wealth protected from the damaging effects of inflation? Many people underestimate the damaging effect of low interest and high inflation on their cash savings. A continued period of low interest rates on cash savings and rising inflation could pose a real risk to savers in 2022, even if the Bank of England (BoE) moves to increase interest rates further in the coming months. Read the full article on page 10.

A full list of the articles featured in this issue appears opposite. ◂

TIME TO TAKE STOCK OF YOUR CURRENT FINANCIAL POSITION?

You've probably made some New Year's resolutions. Now you need to figure out how to keep them. Heading into 2022, it's time to take stock of your current financial position and to ensure it's aligned with your financial goals. Your goals and ambitions are unique to you and we want to help you get there – to discuss how we can help, please contact us.

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THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

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TIME TO BRING **YOUR PENSIONS TOGETHER?**

3.6 million Britons have lost track of their pension savings

The more old pensions you have, the easier it is to end up losing one. Tracing pensions from years ago can be a hassle. Over 3.6 million Britons admit they have no idea how many pensions they have and risk paying more in fees than necessary, according to new research[1].

The number of workers with small pension pots of under £1,000 has surged dramatically in recent years, as auto enrolment has allowed millions of people to benefit from workplace pensions for the first time.

PAYING FEES TO MULTIPLE PROVIDERS

However, with the average employee now changing jobs 11 times[2] in their working life, people are increasingly building up many small pots and are often losing track, misplacing paperwork or forgetting about previous schemes they are invested in.

The Pensions Policy Institute (PPI) predicts the number of small pots will triple by 2035 to 27 million[3]. Although the government's Pension Dashboard will allow people to see all of their pensions in one place when it comes into effect in a few years' time, it will not solve the problem of savers paying fees to multiple providers across all their pensions.

CONSOLIDATE SMALL PENSION POTS

While savers already have the option of combining their pensions, one in ten (10%) have no idea how to do this, while 12% say it's just too much hassle. As a result, more than two-fifths (44%) say they've never bothered to track down savings from a previous employer.

Almost three-quarters (72%) of Britons now support the introduction of a new system that would automatically consolidate small pension pots as they move jobs, reinforcing strong support from the industry for the change. This would make it easier for people to manage and keep track of their retirement savings, while making the system more efficient and effective for the UK's 33 million[4] pension holders.

COMPARE THE FEATURES AND BENEFITS

Even if you have not had that many jobs, you may still have a number of different pensions to keep track of. Pensions can be confusing, but there is an alternative way to help keep on top of them. Pension consolidation may allow you to combine some or all of your defined contribution pensions in one place.

Consolidating your pensions means fewer statements to keep an eye on, along with fewer and potentially lower management charges. However, not all pension types can or should be transferred. It's important that you know and compare the features and benefits of the plan(s) you are thinking of transferring. It can be a complex decision to work out whether you would be better or worse off combining your pensions, so it's essential to obtain professional financial advice.

HELPING YOU STAY ON TRACK FOR THE FUTURE YOU WANT

Deciding whether to combine your pensions can be a complex decision and is not for everyone. Whether you want to consolidate into an existing pension you have with us, or you want to combine your existing pensions in a new pension, we are here to help. Speak to us today and make sure your plans are on track for the future you want.

Source data:

[1] The research was carried out online by Opinium across a total of 5,010 adults aged 18+. Data is weighted to be representative of the GB population. Fieldwork was carried out between 12–18 March 2021.

[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945319/s mall-pots-working-group-report.pdf

[3] https://www.pensionspolicyinstitute.org.uk/media/3545/20200723-deferred-members-final-report-for-the- website.pdf

[4] Finder,Pension Statistics 2021

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

IMPROVE YOUR **FINANCIAL LIFE**

Setting a financial New Year's resolution you'll actually keep

Heading into the New Year, it's the perfect time to take stock of your budget, liabilities and investments – and check them against your financial goals. The New Year brings an opportunity to reflect on the past year and to set new goals for the year ahead.

But before setting financial goals, it helps to understand your financial priorities and your overall plan to achieve the financial life you want. Think about your financial plan, and what you are hoping to accomplish, not only this year, but in years to come. Think about what you can do this year to help reach your longer-term goals.

SECURE YOUR FINANCIAL FUTURE

Whatever situation you find yourself in, it's important to be realistic about your goals. We all have different financial goals and aspirations in life. Yet often, these goals can seem out of reach. In today's complex financial environment and with the challenges of the COVID-19 pandemic, achieving our financial goals may not be that straightforward. This is where financial planning is essential to help secure your financial future.

The benefits of setting financial goals all work together to boost your financial health. You'll gain more confidence in your money management decisions and significantly decrease money-related stress. If you want to take control of your money and create more security, you need to set some financial goals.

KEEP YOUR GOALS REALISTIC

A financial plan seeks to identify your financial goals, prioritise them, and then outline the exact steps that you need to take to achieve your goals. Figuring out your objectives and matching them with timelines are the keys to setting financial goals. Your financial goals are specific and unique to a number of factors related to you, like your age, your interests, your current financial situation and your aspirations.

Based on these, you need to develop your goals and establish a plan to achieve them. Any goal (let alone financial) without a clear objective is nothing more than a pipe dream, and this couldn't be more true when setting financial goals. However, it's important to keep your goals realistic as it will help you stay the course and keep you motivated throughout your journey until you get to your destination.

MONETARY VALUE TO THAT GOAL

You need to be crystal clear about why you are doing what you're doing. This could be planning for your children's education, your retirement, that dream holiday or a property purchase.

Once the objective is clear, you need to put a monetary value to that goal and the time frame within which you want to achieve it. The important point is to list all of your goal objectives, however small they may be, that you foresee in the future and put a value to them.

SHORT, MEDIUM AND LONG-TERM

Now you need to plan for where you want to get to, which will likely involve looking at how much you need to save and invest to achieve your goals. The approach towards achieving every financial goal will not be the same, which is why you need to divide your goals into short, medium and long-term time horizons.

As a rule of thumb, any financial goal which is due within a five-year period should be considered short-term. Medium-term goals are typically based on a five-year to ten-year time horizon, and over ten years, these goals are classed as long-term.

DEVELOPING A CLEAR PICTURE

This division of goals into short, medium and long-term will help in choosing the right savings and investments approach to help you achieve them,

/// Once the objective is clear, you need to put a monetary value to that goal and the time frame you want to achieve it by. The important point is to list all of your goal objectives, however small they may be, that you foresee in the future and put a value to them.

and it will also make them crystal clear. This will involve looking at what large purchases you expect to make, such as purchasing property or renovating your home, as well as considering the later stages of your life and when you'll eventually retire.

Creating and implementing a comprehensive financial plan will enable you to develop a clear picture of your current financial situation by reviewing your income, assets and liabilities. Other elements to consider will typically include putting in place a Will to protect your family, thinking about how your family will manage without your income should you fall ill or die prematurely, or creating a more efficient tax strategy.

ITERATIONS AS LIFE CHANGES

There is little point in setting goals and never returning to them. You should expect to make iterations as life changes. Set a formal yearly review at the very least, to check you are on track to meeting your goals.

We will help you to monitor your plan, making adjustments as your goals, time frames or circumstances change. Discussing your goals with us is highly beneficial as we can provide an objective third-party view, as well as the expertise to help advise you with financial planning issues.

FINALLY, MAKE SURE YOUR FINANCIAL GOALS ARE SMART

Thinking about 'SMART' goals can help give direction to your financial aspirations and make those goals more achievable.

Specific – Rather than pledging to 'save money' or 'reduce debt', thoroughly analysing finances and targeting specific areas for improvement could boost your chances of reaching your end goal.
Measurable – Having benchmarks can help you track your progress, letting you make changes if you need to.
Attainable – Setting a realistic goal can help keep your confidence up as you feel the achievement of getting close to your desired result.
Relevant – Ensuring your goals are appropriate to what you are trying to achieve can help you avoid wasting time.
Time Sensitive – If you know when you want to achieve your goal, this can allow you to pace savings and ensure you put the right amount of money aside.

BEEN PUTTING OFF PLANNING FOR YOUR FUTURE?

For many people, the New Year often brings around an opportunity for change. We're here to help you achieve your money resolutions and plan for the financial future you want. The start of 2022 is the ideal time to review your financial situation. To discuss your plans or for further information, please contact us.

BEYOND PROFIT

How green is your pension?

The consequences of inaction on climate change are now impossible to ignore. Every company has an impact on the world around us. And by investing in them, so do we.

Devastating wildfires ripping through several countries, the aftermath of Storm Ida that caused unimaginable flooding across the northeast of the US, storm Arwen that brought disruption to the UK in November and last August's 7.2 magnitude hurricane in Haiti – all are examples of natural disasters due to climate change.

Increasingly more and more pension savers are asking where their funds are invested. Many people are no longer just concerned about getting the best returns, they also want their money to be used in a way that helps society and the planet.

CLIMATE RISKS

A survey finds that a third of pension schemes have already set targets to reduce their exposure to climate related risk[1]. 61% of schemes have considered setting a target to reduce their exposure to climate risks, but four in ten schemes have yet to consider climate risk targets and 28% say they will not be setting a target.

Of the 33% of schemes that have set or are in the process of setting a target, half have included an emissions-based target with the majority (70%) of these being a 'net zero' target.

PENSIONS INDUSTRY

UK pension schemes are a massive influence on the financial services industry, including how the climate-related risks and opportunities are identified, assessed and managed. This survey shows that the pensions industry is rising to the defining challenge of our age.

In another survey, two-thirds (67%) of consumers surveyed believe that it is important to consider Environmental, Social and Corporate Governance (ESG) factors before investing, and this figure rises to almost three in four (72%) for those respondents with a pension[2].

RESPONSIBLE INVESTING

ESG is an evaluation of a firm's collective conscientiousness for social and environmental factors. Interestingly, females are more likely to consider ESG investing at 70.4% than males at 63.9%, and its importance is broadly similar across all age cohorts.

While 51% of those with pensions would like to increase their investment in companies that are tackling climate change, some 70% of those respondents acknowledged the need to better understand the benefits of responsible investing, highlighting the fact that there is an onus on the industry participants to educate consumers in this space.

INVESTMENT DECISION

More than half (53%) of those surveyed believe that it is important that a company has a positive record of social responsibility and good corporate governance, rising to 60% of those with a pension.

The survey also explored the factors that are important to consumers when considering investing sustainably. Most respondents (75%) indicated that they would need good financial advice before making their investment decision, rising to 78% for those with a pension.

PENSION SUSTAINABLY

Two-thirds (67%) said they would only invest their pension sustainably if the returns were the same or better (71% of pension holders), and 64% said they would only consider doing so if they are not paying higher fees and charges (68% for pension holders).

Some 51% of those pension holders surveyed said they would like to increase their pension savings into companies helping to combat climate change, and only 20% of all respondents (17% of those with a pension) said that investing sustainably is more important than investment returns. ◂

MAKE SURE YOU'RE INVESTING IN THE FUTURE AS WELL AS YOUR FUTURE

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Do you want to align your financial goals with your values? Your retirement savings could be funding climate change. Investing in socially responsible investments can help you to achieve your goals while focussing on the environment, social values and good governance. To discuss your options or any retirement concerns you may have, please contact us.

Source data:

[1] The Association of Consulting Actuaries 2021 Pension trends survey was conducted in the summer of 2021 and attracted 212 responses from employers of all sizes, running over 400 different schemes

[2] Aviva Life & Pensions Ireland DAC (Aviva), research of the 1,200 people surveyed 20.08.21

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GET READY TO **BEAT THE ISA DEADLINE**

Time to give your financial future a boost?

Savers and investors have less than three months to use the £20,000 they can put into their tax-efficient Individual Savings Account (ISA) before the end of the financial year on 5 April. The current tax year started on 6 April 2021 and ends on 5 April 2022.

ISAs enable you to minimise the amount of tax you pay on your hard-earned cash. Some ISAs give you instant access to your money and can be used to plan your finances for the short term. On the other hand, if you have longer-term savings goals, you can invest in an ISA for your future.

DON'T LOSE YOUR ISA ALLOWANCE

There is a limit you can pay into ISAs each tax year and this is called your ISA 'annual allowance'. For the 2021/22 tax year, your ISA annual allowance is £20,000 and you have until midnight on 5 April 2022 to use this allowance. If you don't use your ISA allowance, you will lose it as it cannot be carried forward.

However, you will have a new annual ISA allowance available from 6 April 2022 in the 2022/23 tax year, so if you have already put £20,000 into an ISA in the 2021/22 tax year, you could put another £20,000 away on or after 6 April 2022. You can only pay into one of each type of ISA in a tax year, within the ISA annual allowance.

ISA OPTIONS

CASH ISA

If you are a UK resident over the age of 18 (age 16 for a Cash ISA only), you can open one of each type in a tax year, providing you don't exceed the annual allowance. Cash ISAs are suitable for your short-term savings goals as they don't invest in the stock market but, with current low interest rates, your savings won't grow much and you might not be keeping up with inflation. You might consider a Cash ISA as your 'emergency' pot of money for any unexpected expenses or a last-minute holiday.

STOCKS & SHARES ISA

This is a tax-efficient investment that allows you to invest your money in shares, government bonds (gilts) and property with peace of mind that you won't pay any capital gains tax or income tax on the proceeds. This type of ISA is more suitable for your longer-term goals as it has the potential to out-perform Cash ISAs over the medium to long term, but with varying levels of risk.

The three main factors to consider when choosing between a Cash ISA and a Stocks & Shares ISA is the length of time you'll be saving or investing, your appetite for investment risk and the impact of inflation over time.

INNOVATIVE FINANCE ISA

This is a type of investment account that allows you to lend your money through peer-to-peer lending platforms to receive tax-efficient interest and capital gains. You could be lending money to serve personal loans, small business loans or property loans, or a combination of these.

Interest rates can often be much more attractive than Cash ISA rates, but peer-to-peer lending is a higher-risk form of investing and your capital is entirely at risk as there is no protection from the Financial Services Compensation Scheme (FSCS).

LIFETIME ISA

If you are aged 18 to 39, and are looking to save for your first home or for later life, you could consider a Lifetime ISA. You can hold cash in a Lifetime ISA or choose to invest it just as you would with a Stocks & Shares ISA. You can put in up to £4,000 each year up to and including the day before your 50th birthday but remember that this £4,000 allowance contributes to your full annual ISA allowance.

The government will pay a 25% bonus on your contributions (£1 for every £4 you put in), up to a maximum of £1,000 a year but you must be aware that a charge of 25% will be applied to any withdrawal if it is for any reason other than buying your first home, at age 60 or if you are terminally ill.

JUNIOR ISA

A Cash or Stocks & Shares ISA account, or both, can be opened for a child subject to the annual Junior ISA (JISA) allowance which is £9,000 for the 2021/22 tax year.

The account must be opened by the child's parent or guardian, but anyone can contribute once the account has been opened. Savings in a JISA account cannot be withdrawn until the child reaches 18.

Any child owning a Child Trust Fund (CTF) can't hold a JISA unless the CTF funds are first transferred to a JISA and the CTF closed.

READY TO MAKE THE MOST OF YOUR ISA ALLOWANCE BEFORE ITS TOO LATE?

With interest rates still at very low levels, you might be looking at investing for the potential to achieve a bigger return from your savings. For more information about how we can help you invest to enjoy a brighter future – please contact us.

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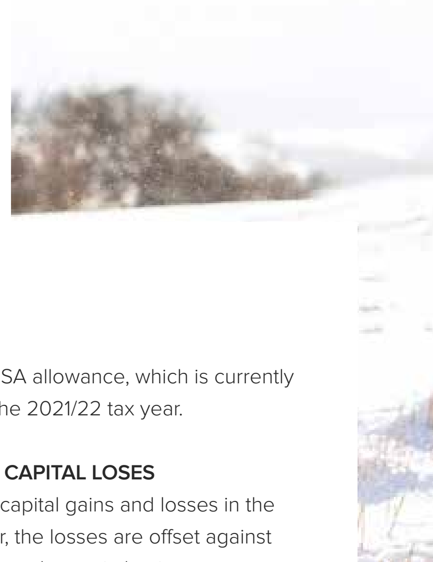
NEW YEAR'S TAX SAVING **RESOLUTIONS**



Make full use of your relevant tax planning opportunities

With the tax year end (5 April) on the horizon, taking action now may give you the opportunity to take advantage of any remaining reliefs, allowances and exemptions.

We have provided some key tax and financial planning tips to consider prior to the end of the tax year. Now is also an ideal opportunity to take a wider review of your circumstances and plan for the year ahead.

CHECK YOUR PAYE TAX CODE

It's important to check your tax code. Your tax code is based on the amount of tax you should be paying and the amount you can earn before tax applies. The tax code is the identifier that tells your employer how much tax should be deducted from your salary each time you get paid. If you have multiple employers or pension providers, you may get more than one tax code. If you're on the wrong one, you could be paying HM Revenue & Customs (HMRC) more than you ought to be. On the other hand, you risk getting penalised if you're paying too little.

TRANSFER PART OF YOUR PERSONAL ALLOWANCE

Married couples and registered civil partners are permitted to share 10% of their personal allowance between them. The unused allowance of one partner can be used by the other, meaning an overall combined tax saving. The amount you can transfer is £1,260 for 2021/22 and a transfer is not permitted if the recipient partner pays tax at a rate higher than the basic rate of 20% (higher than the intermediate rate of 21% for Scottish taxpayers).

CONTRIBUTE UP TO £9,000 INTO YOUR CHILD'S JUNIOR ISA

The fund builds up free of tax on investment income and capital gains until your child reaches age 18, when the funds can either be withdrawn or rolled over into an adult ISA. Relatives and friends can also contribute to your child's Junior ISA, as long as the £9,000 limit for 2021/22 is not breached.

TAX-FREE SAVINGS AND DIVIDEND ALLOWANCES

For 2021/22, savings income of up to £1,000 is exempt for basic rate taxpayers, with a £500 exemption for higher rate taxpayers. The tax-free dividend allowance is £2,000 for all taxpayers. Married couples and registered civil partners could save tax by ensuring that each person has enough of the right type of income to make use of these tax-free allowances.

INDIVIDUAL SAVINGS ACCOUNTS (ISAS)

You can put the entire amount into a Cash ISA, a Stocks & Shares ISA, an Innovative Finance ISA, or any combination of the three (or up to £4,000 out of the overall £20,000 allowance into a lifetime ISA if aged between 18 to 39). Usually when you invest, you have to pay tax on any income or capital gains you earn from your investments. But with an ISA, provided you stick to the rules on how much you can pay in, all capital gains and income made from your investments won't be taxed. Every tax year you have an ISA allowance, which is currently £20,000 for the 2021/22 tax year.

UTILISE ANY CAPITAL LOSES

If you realise capital gains and losses in the same tax year, the losses are offset against the gains before the capital gains tax exempt amount (£12,300 in 2021/22) is deducted. Capital losses will be wasted if gains would otherwise be covered by your exempt amount. Consider postponing a sale that will generate a loss until the following tax year, or alternatively realising more gains in the current year.

MAXIMISE PENSION CONTRIBUTIONS

The annual allowance for 2021/22 is £40,000. To avoid an annual allowance tax charge, the pension contributions made by yourself, and by your employer on your behalf, must be covered by your available annual allowance. If you haven't used all your allowances in the last three tax years, it might be possible to pay more into your pension plan by 'carrying forward' whatever allowance is left to make the most of the tax relief on offer, though bear in mind that your own personal tax-relievable contribution amount is still capped at 100% of your earnings. However, different rules apply if you've already started to take money flexibly out of your pension plan and you're affected by the Money Purchase Annual Allowance, or if your income when added to your employer's payments are more than £240,000 and your income less your own contributions is over £200,000.

PAY PENSION CONTRIBUTIONS TO SAVE NICS

If you pay pension contributions out of your salary, both you and your employer have to pay

/// Have you maximised your pension contributions? The annual allowance for 2021/22 is £40,000. To avoid an annual allowance tax charge, the pension contributions made by yourself, and by your employer on your behalf, must be covered by your available annual allowance.

National Insurance Contributions (NICs) on that salary. When your employer pays a contribution directly into your pension scheme, the employer receives tax relief for the contribution and there are no NICs to pay – a saving for both you and your employer. You could arrange with your employer to cover the cost of the contributions by foregoing part of your salary or bonus. You must agree in writing to adjust your salary before you become entitled to that salary or bonus and before the revised pension contributions are paid for this arrangement to be tax-effective, although pension contributions are not caught by the clampdown on salary sacrifice arrangements.

MAKE A WILL AND REVIEW IT

If you die without making a Will, your assets will be divided between your relatives according to the intestacy rules. Your surviving spouse or registered civil partner may only receive a portion of your estate, and Inheritance Tax will be due at 40% on anything else above £325,000 (up to £500,000 if the Residence Nil Rate Band is available).

LEAVE SOME OF YOUR ESTATE TO CHARITY

Where you leave at least 10% of your net estate to charities, as well as the gift to charity being free from Inheritance Tax, the Inheritance Tax on your remainder estate is charged at 36% instead of 40%. The exact calculation of your net estate is quite complicated, so it's important to receive professional advice when drawing up or amending your Will.

MAKE REGULAR IHT-FREE GIFTS

As long as you establish a pattern of gifts that can be shown to be covered by your net income, without reducing either your capital assets or your normal standard of living, these gifts will be free of Inheritance Tax. The recipients of the gifts need not be the same people each year.

USE THE IHT MARRIAGE EXEMPTION

If your son or daughter is about to marry, you and your spouse can each give them £5,000 in consideration of the marriage, and the gift will be free of Inheritance Tax. The marriage exemption can also be combined with your £3,000 a year Inheritance Tax exemption to allow you to make larger exempt gifts. You can make an Inheritance Tax-free gift of £2,500 for a grandchild's wedding. Registered civil partnerships attract the same exemptions.
Make IHT-free gifts each tax year
These gifts are free of Inheritance Tax and, if you forget to make your £3,000 gift one year, you can catch up in the next tax year by giving a total of £6,000 but you can only carry forward the £3,000 allowance for one tax year and must fully use the current year's allowance as well. Remember, you and your spouse or registered civil partner can each give £3,000 out of your capital every tax year, in addition to gifts you make out of your regular income. ◀

DO I NEED PERSONAL TAX ADVICE?

It is crucial that year-end tax planning reviews are undertaken as soon as possible, as you will need time to consider all the options available. Many of the allowances and reliefs cannot be applied retrospectively after 5 April 2022. We can provide a comprehensive review, tailored to your individual needs and circumstances. Don't delay, please contact us if you require further information.

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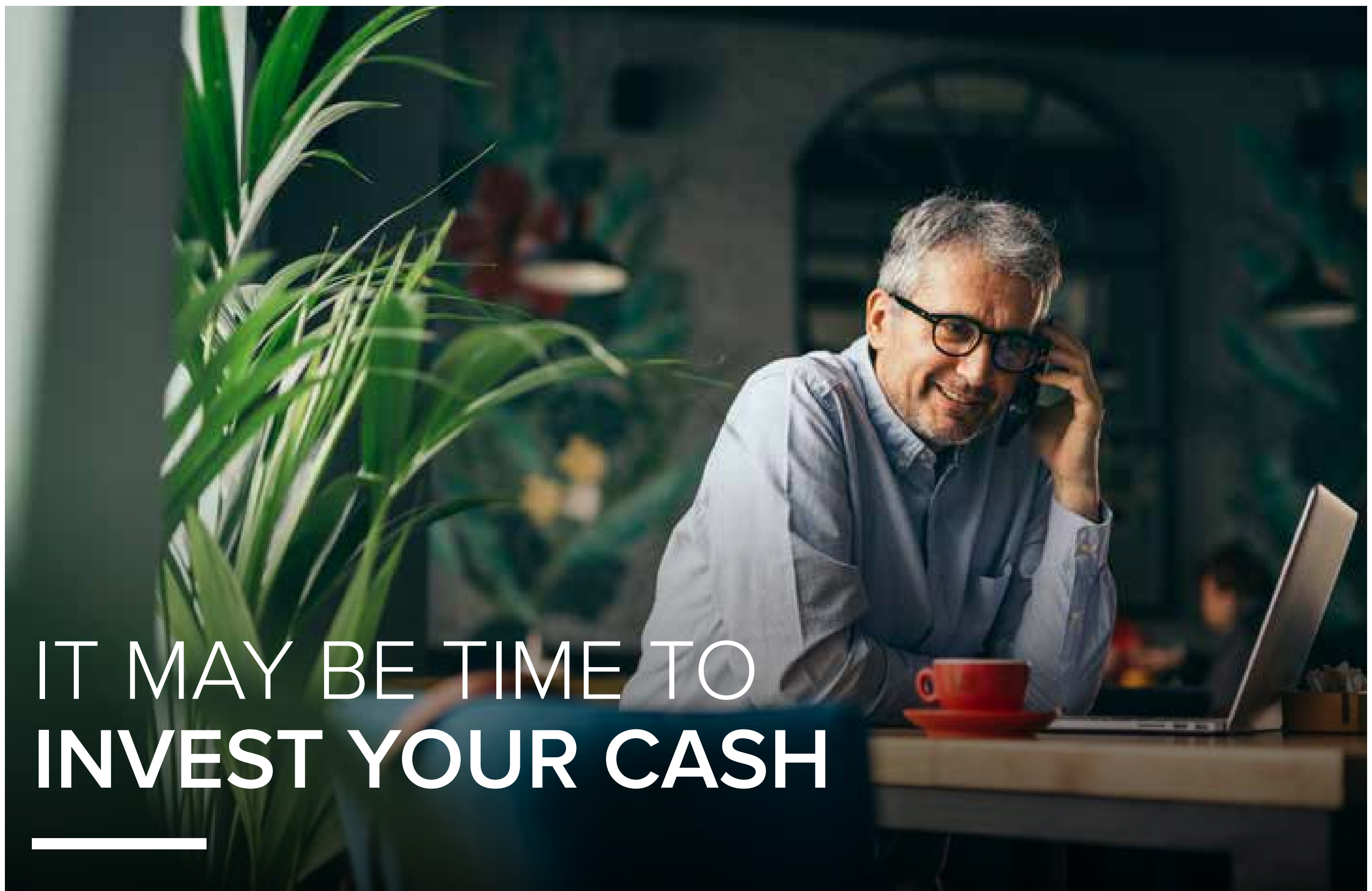

IT MAY BE TIME TO **INVEST YOUR CASH**

Is your wealth protected from the damaging effects of inflation?

Many people underestimate the damaging effect of low interest and high inflation on their cash savings. A continued period of low interest rates on cash savings and rising inflation could pose a real risk to savers in 2022, even if the Bank of England (BoE) moves to increase interest rates further in the coming months.

Savers with large amounts of money sitting in cash should not be lulled into a false sense of security if interest rates creep up, because of the threat of higher inflation throughout 2022. The damaging effects of high and rising inflation will likely more than wipe out any uplift a higher interest rate will give to the value of cash savings. Currently, 8.6 million consumers hold over £10k of investable assets in cash[1].

INTEREST 'BASE RATE' INCREASE

Inflation is expected to average over 4% this year, peaking at over 5%[2]. The BoE may look to dampen the effects of soaring prices by further increasing the interest 'base rate'. While this may offer some relief if passed on to savers, the average easy access savings account is currently sitting at just 0.19%[3] and any upward change is expected to be small.

As the economy continues to recover from the COVID-19 pandemic last year, we are experiencing a sharp rise in the cost of living. During a period of high inflation people will notice a dramatic decrease in their purchasing power over time, particularly if their wages don't keep pace or if they have savings in cash.

DAMAGING HIGH INFLATION

The threat of inflation this year and beyond could far outweigh any small changes in interest rates for those with large amounts of money in cash savings. Following many years of low inflation, people may have forgotten how damaging high inflation can be. But in the coming months and years, savers should think carefully about where they put any additional cash that is not needed in the short term.

For money beyond your emergency fund, you may want to consider investing, which offers the potential for inflation-beating returns. If appropriate to your particular situation, you should be prepared to take some risk to preserve the value of your money if inflation continues to eat away at the value of your cash in savings accounts. We are best placed to recommend the best investment option based on your attitude to risk.

CONCERNED ABOUT HOW INFLATION IMPACTS ON YOUR SAVINGS?

After years of staying relatively low, it looks like inflation is on the up. So what does that mean for your money? To discuss how to mitigate the impact of inflation on your financial plans, please contact us – we look forward to hearing from you.

Source data:

[1] https://www.fca.org.uk/publications/corporate-documents/consumer-investments-strategy

[2] https://obr.uk/overview-of-the-october-2021-economic-and-fiscal-outlook/

[3] https://moneyfacts.co.uk/news/savings/savings-rates-continue-to-rise/

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HOW MUCH INCOME WILL YOU RECEIVE FROM **YOUR STATE PENSION?**

Knowing what to expect can be an important part of planning for life after work

How much do you think you'll need to fund your retirement? Of course, the answer to that question will depend on what you want to do when you stop work. Worryingly, almost half of non-retirees (46%) are unable to identify how much they believe retirees receive annually from their State Pension, according to a survey[1].

Only 53% knew that retirees receive around £9,000 per year from their State Pension, with those aged 55 and over being more likely to identify correctly how much retirees receive (70%), compared to only 40% of those aged between 18 and 34.

SAVING IN A PENSION

The survey also showed that over half of non-retirees with a pension are worried that they are not saving enough for their retirement (56%), with only one in five (21%) confident that the amount they are saving in a pension is enough to let them live the lifestyle they want when they stop working.

In fact, three-quarters (75%) of non-retirees say they believe they could save extra into their pension to boost their pension savings, with the average additional contribution being £68 per month.

ADDITIONAL CONTRIBUTIONS

One in six (17%) say they could only pay in less than £25, just over a quarter (26%) say they could pay in £25 to £50 in additional contributions, while a further quarter (25%) say they could pay in between £51 and £200 in additional contributions. Seven per cent say they could pay in more than £201 per month in additional contributions.

Most people in the UK who work or undertake caring responsibilities will be eligible for a full State Pension if they have worked and paid National Insurance contributions or been a carer for 35 years. In 2021/22, the full level of the new State Pension is currently £179.60 a week (£9,339.20 a year).

RELY ON THE STATE PENSION

But the research finds that the majority of the public (78%) do not know how much new retirees with a full State Pension will receive. As could be expected, older people and those who are retired tend to have the highest awareness, with almost half (46%) of those aged 65 and over and two in five retirees (43%) saying they are aware how much retirees will receive from a full State Pension.

However, even among these groups, many are unaware of the amount that retirees receive (54% of those 65+ and 57% of those who say they are retired). When asked if savers plan to rely on the State Pension come retirement, just over a third (36%) said that they expect to rely on it as their main source of income, especially those aged between 55 and 64 (49%). However, one in five said that they remain unsure what they will rely on in retirement (18%).

ADEQUATE INCOME IN RETIREMENT

Furthermore, younger people (those aged between 18 and 34) and those with other types of pension are less likely to say they will rely on the State Pension as their main source of income (26% and 31% respectively).

For many people, the best way to provide an adequate income in retirement is to save gradually throughout their entire working life and save what they can afford. However, depending on their financial circumstances, some may prefer to save less when they are younger and more when they are older, especially if they expect to receive an inheritance before they retire.

OPTIONS TO ADD TO YOUR NEST EGG

Unfortunately, many of us struggle to put enough into our pension pot during our working lives because the costs of buying a house, raising a family and covering day-to-day living expenses eat into disposable income.

The earlier you start retirement planning, the better. However, with the demands of managing a busy working and personal life, this is something that can understandably be neglected. But it's never too late to think about saving for retirement – even if you are planning to give up work in just a few years' time, you will have options to add to your nest egg.

LEFT YOUR PENSION UNTIL THE LAST MOMENT?

Retirement need not be at a fixed time. A growing number of people are opting to phase their retirement, whether by reducing working hours at their existing job, by moving to a new part-time job or by starting their own business. To find out more about how we can help you plan for the retirement you want, please speak to us – we look forward to hearing from you.

Source data:

[1] Pensions and Lifetime Savings Association (PLSA) – a total of 2,075 people took part in the nationally representative survey, carried out by Yonder Consulting. The survey took place between 25 August and 26 August 2021.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

ADULT SOCIAL CARE **CHARGING REFORM**

/// From October 2023, the government will introduce a new £86,000 cap on the amount anyone in England will need to spend on their personal care over their lifetime.

What will the government's proposals mean for the social care system?

The government has set out its vision for the future of adult social care. New plans were announced on 7 September 2021 for adult social care reform in England. This included a lifetime cap on the amount anyone in England will need to spend on their personal care, alongside a more generous means test for local authority financial support.

From October 2023, the government will introduce a new £86,000 cap on the amount anyone in England will need to spend on their personal care over their lifetime. In addition, the upper capital limit (UCL), the point at which people become eligible to receive some financial support from their local authority, will rise to £100,000 from the current £23,250.

MEANS-TESTED SUPPORT

As a result, people with less than £100,000 of chargeable assets will not be required to contribute more than 20% of these assets per year. The UCL of £100,000 will apply universally, irrespective of the circumstances or setting in which an individual receives care. The lower capital limit (LCL), the threshold below which people will not have to pay anything for their care from their assets, will increase to £20,000 from £14,250.

To allow people receiving means-tested support to keep more of their own income, the government will unfreeze the Minimum Income Guarantee (MIG) for those receiving care in their own homes and Personal Expenses Allowance (PEA) for care home residents, so that from April this year they will both rise in line with inflation.

PEOPLE IN CARE HOMES

The cap will not cover the daily living costs (DLCs) for people in care homes, and people will remain responsible for their daily living costs throughout their care journey, including after they reach the cap. For simplicity, these costs will be set at a national, notional amount of £200 per week.

DLCs are a notional amount to reflect that a proportion of residential care fees are not directly linked to personal care, for example, rent, food and utility bills, and would have had to be paid wherever someone lives.

KEEPING INCOME AND ASSETS

This is in line with the Commission on Funding of Care and Support's 2011 recommendation. The £200 level is £30 less than a proposal set out in 2015, ensuring people get to keep more of their income and assets.

At this stage, it is too early to say what the end result may be for the proposed adult social care reform in England. As the bill now moves forward to public consultation this year, we'll be watching closely and will be providing further updates to ensure you are kept fully up to date.

GET FINANCIAL ADVICE ON HOW TO FUND YOUR LONG-TERM CARE

We all want the best possible long-term care for ourselves or our loved ones. Planning for the long term can help ensure you have sufficient income to pay for any care you, or an elderly relative, might need in later life. Speak to us to find out how we can help you.

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