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INSIDE THIS ISSUE

SOUND TOO GOOD TO BE TRUE?

Now, more than ever, you need to stay on your toes and be extra vigilant as an increasing number of fraudsters descend to take advantage of the situation. UK fraud prevention groups are warning individuals to take heed, following a massive increase in the number of scams seeking to exploit the pandemic.

To equip yourself to stay ScamSmart; check the FCA website www.fca.org.uk/scamsmart. In March, Action Fraud[1] revealed there was a colossal 400% increase in reporting of scams. You may think it will never happen to you, but as these scams increase in sophistication, we are all vulnerable and it becomes harder than ever to distinguish them from the real thing, so remember:

- Do not click on links from senders you do not know
- Reject offers that come out of the blue
- Never give out personal details
- Be wary of deals that sound too good to be true
- Take the time to make checks and seek financial guidance.

HELP IS AT HAND

Please contact us if you are unsure about any financial opportunities.

[1]Action Fraud, 2020

DON'T LET THE PANDEMIC DERAIL YOUR RETIREMENT PLANS

The pandemic is having a far-reaching impact on all aspects of our lives, not least our finances. Although stock market volatility has posed challenges, you must not allow the outbreak to send your retirement plans off track.

RESILIENCE SAVES THE DAY

The need to develop a resilient retirement plan has been vividly highlighted in recent weeks. Although market turbulence will impact all pension holders, those with a carefully-considered, clearly-defined plan will inevitably be in considerably better shape to navigate any market volatility ahead. On the approach to retirement, a larger proportion of a pension fund will be 'lifestyled'. This means it transfers to less risky assets, like cash, gilts or bonds, thereby tempering the overall level of investment risk.

IN IT FOR THE LONG HAUL

Making decisions based on short-term economic disruption is exceptionally risky. Usually the optimum strategy is to be patient, resist the urge to sell and maintain a long-term investing philosophy.

Pension savings are intended for the long term. For younger investors, there's plenty of time for markets to recover and pensions to achieve growth aspirations before retirement income is required. Those closer to retirement need to take stock of their full complement of retirement resources before making any decisions. This will involve reviewing your pensions, savings and investments; in addition, we can quantify your level of income and determine whether this has been impacted by recently-cut dividends or reduced savings rates.

OPTIMUM WORK-LIFE BALANCE

Due to increasing longevity, a greater proportion of the population now withdraw more gradually from work as retirees strive to achieve a work-life balance that accommodates their needs. This staggered approach to retirement provides greater flexibility, as part-time work enables many pensioners to preserve retirement funds into later life. Even prior to the pandemic, this was an increasingly popular choice.

ADVICE INCREASINGLY ESSENTIAL

It's not surprising, given the recent level of uncertainty, that the demand for professional financial advice has increased sharply. It has never been more important to obtain sound advice to ensure your retirement plans remain firmly on track. If you are concerned about the impact of the pandemic on your plans, we will help you weigh up all your options and make a balanced assessment of risks tailored specifically to your individual needs.

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IN THE NEWS...

DIVIDEND DROUGHT TAKES HOLD

With 45% of UK companies cutting dividends this year and more expected to follow, the economic shock from the pandemic has provided a setback to income investors. The Treasury has also announced that any companies borrowing over £50m through the Coronavirus Large Business Interruption Loan Scheme would be subject to restrictions, including a ban on dividend payments to shareholders (except where they were previously agreed). Research suggests over £52bn in company dividends are at risk in the UK this year[2], the biggest impacted sector being banks. Defensive dividends are more likely to be safe, such as healthcare, food retail, basic consumer goods, and drink and tobacco.

ALMOST £20BN IN UNCLAIMED PENSION POTS

Estimates from the government suggest that there will be as many as 50 million dormant and lost pensions by 2050. Research[3] highlights that only one in 25 people consider telling their pension provider their new address when they move home; as a result, 1.6 million pension pots totalling £19.4bn – the equivalent of nearly £13,000 per pension pot – have gone unclaimed. A massive £1bn in pension assets were reunited with their owners in 2017.

[2]Link Assets, 2020

[3]ABI, 2020

LESSONS FROM THE PAST ON SPREADING RISK

Five decades ago, a little-known company was dominating the headlines as the price of its shares propelled northwards, before plummeting back to earth a couple of months later. Mining company Poseidon announced the discovery of new nickel ore reserves in Western Australia just as world nickel prices hit a new high.

POSEIDON AND POLLY PECK – THE RISE AND FALL

In the second half of 1969, Poseidon shares had been trading at A$0.80, when all of a sudden, the price climbed week on week as investors pounced. In February 1970, the shares reached A$280.00, before profit-taking ensued and the share price plunged. After nickel prices tailed off, Poseidon nickel ore was regarded low quality and receivership followed in 1974. Twenty years later and a little-known fashion house, Polly Peck, suffered a similar fate. Acquired by new owners in 1980, a number of deals brought such growth that the company's shares entered the FTSE 100, but ten years later, in 1990, Polly Peck shares were suspended amid fraud allegations.

TOUGH LESSONS LEARNT – DIVERSIFY YOUR PORTFOLIO

With many investors in Polly Peck and Poseidon suffering losses, a painful lesson was learnt about the concentration of risk. As a general principle, investment in individual equities or shares should be spread around, so that if one share price falls heavily it only affects a proportion of your overall portfolio.

For many investors, a good way to achieve a spread of risk is through collective investment schemes with risk profiles aligned to their specific requirements. Taking your objectives and needs into consideration, we can advise on the investment strategies and products most appropriate for you.

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PROTECT YOUR FAMILY'S FINANCIAL FUTURE

Taking the time to properly plan your estate involves balancing the goals of ensuring you have sufficient funds to live on, as well as organising your finances so your assets are protected for your loved ones when you are not around anymore.

Obtaining a comprehensive view of your assets is a good place to start; this will enable you to properly value your estate, whilst checking you have the right documentation in place.

DOT THE I's AND CROSS THE T's

Detailing your wishes about how you want your estate managed upon your death, once you've valued your estate, will ensure that when the person looking after your estate applies for probate, they will know exactly what your wishes were. Having a valid Will in place and setting up trusts to manage money or other assets on behalf of beneficiaries are vital components of successful estate planning. Different trusts provide an alternative to direct inheritance or transfer of certain parts of an estate, giving you control over who receives what and when. Lasting Powers of Attorney (LPA), covering 'property and financial affairs' and 'health and welfare' are worth establishing sooner rather than later.

REDUCING YOUR IHT LIABILITY

With careful planning, the amount of Inheritance Tax (IHT) payable on your death can be reduced, enabling assets to pass to your family or other beneficiaries as intended. The current IHT nil-rate threshold is **£325,000** for individuals and **£650,000** for a married couple or civil partners. Any unused portion of the nil-rate band can be passed to a surviving spouse or civil partner on death. Beyond these thresholds, IHT is usually payable at a rate of **40%**.

A main residence nil-rate band applies if you want to pass your main residence to a direct descendant; certain forms of trust may mean disqualification, so take expert advice. This allowance is currently **£175,000**; when added to the existing threshold of £325,000 this could give rise to an overall IHT allowance of **£500,000** for individuals, or **£1m** for those who are married or in civil partnerships. Larger estates will find that residence relief is tapered, reducing by £1 for every £2 by which the net estate's value exceeds £2m.

A relatively straightforward way of passing money on during your lifetime, is gifting from surplus income. Conditions apply, and advice would be needed to ensure that the gifts are made in the right way.

ADVICE YOU CAN TRUST

To ensure your money ends up with the people you want, for the reasons you choose — we can help, so you pass on assets in the most effective, tax-efficient way.

PORTFOLIO PONDERINGS – KEEP ONE EYE ON THE HORIZON

As economic challenges endure, it's good to maintain the mindset with your investments, it's 'time in the market, not timing the market' that really matters. Research[4] has explored the concept and the numbers make some compelling reading.

In the midst of the dot-com boom (March 2000), if someone invested £1,000 in the average investment company* and reinvested the dividends, the original investment would have been worth £3,665 as at 6 April 2020, a 267% return. The 20-year period includes the dot-com crash, the global financial crisis and COVID-19 related market falls.

The Association of Investment Companies' Annabel Brodie-Smith reflected on these findings: *"The bursting of the tech bubble and the global financial crisis saw huge falls in markets... However, investors who were able to stay invested or even invest during the downturn would have been richly rewarded over the long term. No one has a crystal ball, but these returns show the power of long-term investment and why it can often pay to have one eye on your portfolio and the other on the horizon."*

[4]AIC, April 2020

*'Investment company' includes investment trusts and other closed-ended investment companies but excludes venture capital trusts and 3i Group plc

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Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from taxation, are subject to change.

REST ASSURED – YOU CAN RELY ON US

Many people's lives and circumstances have shifted exceptionally over the past few months. The virus has presented concerns on so many levels – health, security and financial.

QUALITY ADVICE

We want to reassure you that we understand the challenges you may face and we're here to support you. If you are worried about any aspect of your finances, you can rely on our experience and knowledge; rest assured, through open and honest communication, we can guide you through any challenges.

THINK BEFORE YOU ACT – PENSIONS WITHDRAWALS

In the first quarter of the year, nearly £2.5bn was withdrawn from pensions. This represents a 19% increase on Q1 2019 withdrawals and the highest recorded Q1 of any year since pensions freedoms began[5].

The total value of flexible withdrawals from pensions, since flexibility changes in 2015, has now exceeded £35bn.

TAKE YOUR TIME TO MAKE THE RIGHT DECISION

With pensions designed to provide you with an income throughout your retirement, it is sensible to consider all your options before making any decisions. You will have less to live on in the future if you take out more money than you need or start to withdraw funds sooner.

[5]HMRC, Apr 2020

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GLOBAL ECONOMY – ON THE ROPES

The response to the pandemic, involving governments imposing a range of lockdown measures, will inevitably have an enormous impact on economic activity around the globe.

On home shores, early data for the first quarter provides an indication of the economic damage, showing GDP fell by 2% in the UK, with the economy shrinking by 5.8% in March alone. An even larger decline was registered in the 19-country Eurozone, with output across the bloc dropping 3.8% in Q1. Italy and France plummeted into recession, with quarterly contractions of 5.8% and 4.7% respectively. In addition, the German economy also tipped into recession with GDP down 2.2% in Q1.

US AND CHINA ECONOMIES CONTRACT AND HOSTILITIES INTENSIFY

Preliminary estimates on the US economy suggest the record streak of expansion experienced since 2014 had ended, with a contraction of 4.8% in the first quarter.

Meanwhile, the world's second-largest economy, China, shrank at an annualised rate of 6.8% during Q1. The Chinese authorities have abandoned setting a growth target, acknowledging the challenges facing its economy amid heightened international disquiet due to the fallout from the pandemic.

WHAT DOES THE FUTURE HOLD?

Ongoing uncertainty surrounding the virus and the likelihood of developing a successful vaccine, make it challenging to predict the future path of the global economy. A recent assessment from the International Monetary Fund (IMF), suggests we are facing the steepest economic downturn since the Great Depression. While the IMF has emphasised its predictions are marked by *'a higher-than-usual degree of uncertainty'*, it is forecasting a rebound in 2021, with the global economy expected to grow at a rate of 5.4% as activity normalises. They have stressed though, that if a second global wave did occur, that could effectively keep the world in recession for a second consecutive year.

SAFETY NET FOR SAVERS

The number of people enquiring about and opening savings accounts surged in the spring, as they sought to secure a safe home for their money and to lock into favourable rates before interest rate cuts fed through to savings rates.

The good news is that the Financial Services Compensation Scheme (FSCS) can provide a safeguard adding a valuable level of reassurance for UK savers. For any money you hold in an account with a UK-authorised bank, building society or credit union that fails, the FSCS will compensate you:

- up to **£85,000** per eligible person, per bank, building society or credit union
- up to **£170,000** for joint accounts.

FINER DETAIL

The FSCS will automatically cover you; you do not need to take any action. You need to be on top of your cash balances because the cover applies to the total sum of money held, and because some banks share a banking licence, this will affect how much of your money is protected. So, if you hold over £85,000 / £170,000, it needs to be spread across different banks that don't share a licence to benefit from the protection. If you hold multiple accounts with banks that share the same banking licence, anything you hold over £85,000 / £170,000 in aggregate will not be protected. Keep on top of your cash balances with our help.

IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.