WEALDEN WEALTH
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YOUR WINDOW ON ***WEALTH***

SUMMER 2024

Financial wellbeing has many facets

According to research[1], 81% of the UK's wealthiest individuals are *'stressed'* about their finances, suggesting financial wellbeing is about more than just the totality of your wealth. So, virtually everyone has concerns about what their financial future will look like.

Planning for the future

The prime concerns for individuals centred around future planning and retirement, specifically maintaining a comparable lifestyle in later life (51%), the value of their investments (39%), providing for future generations (25%), the tax burden (24%) and falling victim to fraud (22%).

Interestingly, almost three in five wealthy individuals (59%) in the UK are considering relocating overseas, to enjoy what they regard to be an improved standard of living (36%), lower property costs (28%) and a more favourable tax regime (21%).

The importance of financial wellbeing

Financial wellbeing is more than just having large sums of money. It's a state of feeling secure and in control of your finances, both now and in the future. According to the Global Financial Wellbeing Report 2024,[2] across all the countries surveyed, people's top goal is to *'feel secure'* (94%), noting that people who feel financially confident are *'two times more likely to have goals, ambitions and dreams for their life.'*

Finding your purpose

While money can't buy you happiness, as the saying goes, it can give you security and freedom. But to get there, you need to have a plan. A good starting point is to work out what's most important to you and what you want to achieve. Wealth has the capacity to create a powerful purpose within our lives, provided we are able to unlock its true value by understanding your 'why.' Once you've established this, you can create a plan unique to you that you can work towards with purpose.

Unlocking the real value of your wealth

We can help you to develop a clear understanding of what you want to achieve with your wealth, as well as provide you with the support and expert advice to help you develop a financial strategy that brings you closer to achieving those goals. There's no point in worrying about your financial future when you could be taking valuable steps now to take control and face the future with confidence.

[1]Arbuthnot Latham, 2024, [2]nudge, 2024

Your bonus, your pension?

Receiving a bonus at work as a reward for a job well done is highly satisfying, but with bonuses subject to Income Tax and National Insurance Contributions, you face losing a significant portion of your hard-earned money. A bonus may even push you into a higher tax band, meaning that you receive an even smaller sum than expected.

With 44%[3] of workers who received a bonus last year choosing to pay some or all of it into their pension, depending on your financial priorities, circumstances and timescale, this may be worth considering. Pension contributions benefit from tax relief at the highest rate of Income Tax you pay – currently 20% for basic rate taxpayers and 40% or 45% for higher or additional rate taxpayers.

Consumer Finance Specialist at Royal London, Sarah Pennells, commented, *"There definitely isn't a right or wrong way to treat your bonus if you receive one, but, while investment returns are never guaranteed, your bonus could be worth more in the longer run if you choose to invest it in your pension rather than spend it, and sacrificing your bonus into your pension is a savvy way to save on tax."*

We, your financial advisers, can help you understand the tax implications of your bonus, advise you on how best to invest it to stand you in good stead to meet your financial goals, and review and adjust your existing financial plan to reflect your new circumstances.

[3]Royal London, 2024

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IN THE NEWS

Are you a magpie investor?

Almost one in ten (9%) adults are. These so-called magpie investors buy luxury items hoping for an increase in value and an attractive return, according to new research[4]. The assets invested in include jewellery, watches, collectibles, classic cars, art, wine, whisky, and accessories such as clothes and handbags. Magpie investors favour jewellery most, with almost half (46%) saying they've invested in jewellery in the hope it will increase in value. Wise investors insure their valuable items.

On average, magpie investors have invested over £40,000 each in luxury items

Record inflows to equities

There was a record surge of interest in equity funds in the weeks leading up to the end of the tax year. According to a recent fund flow index, 2024's ISA season was the best in the 10 years the index has produced its data. The index[5] recorded inflows from the middle of February to the end of the tax year, revealing that equity funds absorbed £5.17bn, representing more than five times as much as during the same period in 2023 (£981m).

[4]Investec, 2024, [5]Calastone, 2024

Your pension and the next generation

If you thought your pension was just your retirement savings then think again.

As well as ensuring your financial certainty when you want to stop working, a pension is a great way to support future generations. This is because defined contribution pensions are one of the most tax-efficient ways of passing on your wealth.

No tax troubles

Unlike Individual Savings Accounts (ISAs), pensions usually sit outside your estate for Inheritance Tax (IHT) purposes. This means that the money inside your defined contribution pension can be passed onto your loved ones without any IHT going to the taxman.

Pass it on

It's no secret that many of today's young people are facing financial pressures. Alongside your wisdom, a tax-efficient gift of a pension might be one of the best things you can pass along to the next generation.

Even better, your loved ones will usually inherit the pension itself rather than the money inside it. This means they can continue to benefit from all the tax advantages, including tax-free investment growth. There is the separate option of starting a pension plan, within limits, for a child, rather than (or in addition to) leaving them yours.

Of course, passing a pension on might not be the best choice for everyone. We're here to help you.

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Brighter outlook for global economy as inflation eases

At times in the past two years, it seemed to some that inflation would never come down. Double-digit inflation became routine. Now, with price rises back near normal levels, optimism is returning to financial markets.

Disinflation diaries
Inflation has fallen well below the multi-decade highs witnessed in many countries since 2022. In response, central banks around the world now look set to ease monetary policy in the coming months.

Indeed, some central banks, including those in emerging markets, have already started cutting rates. In recent months, policymakers in Mexico, Brazil, the Czechia, Hungary and Colombia have started, or increased, easing efforts.

The 'last mile'
As developed countries bring monetary policy back towards more normal levels, some analysts are talking about the 'last mile' for disinflation.

Certainly, after a long period of high inflation, falling inflation rates are a welcome relief for many. In the UK, inflation has eased significantly from the 41-year-high of 11.1% recorded in October 2022.

For all this optimism, however, there are some warnings that the final stretch will not be a stroll in the park.

Bumps in the road
In Australia, consumer price inflation rose to a five-month high in April, a figure that surprised analysts. The uptick was blamed on increases in petrol, health and holiday costs.

Meanwhile, the International Monetary Fund (IMF) has released a Global Financial Stability Report warning that geopolitical tensions, strains in commercial real estate and debt vulnerabilities all remain acute risks for the global economy in the months and years ahead. The IMF pointed to recent evidence that disinflation may have stalled in some countries, suggesting that inflation may be persistent in some sectors.

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Don't score an own goal: check your pension is protected

Football presenter Jeff Stelling has warned people to be on the ball and check their pension protection in a new campaign by the Financial Services Compensation Scheme (FSCS).

Every year, the FSCS receives thousands of claims from people who have lost money from their pensions when their financial providers have gone out of business. The FSCS is the authorised body which provides compensation when a financial company fails. To raise awareness of the risks, Stelling starred in a new campaign urging people to check they have FSCS pension protection.

Your retirement goals
The decisions you make during your working life will impact the type of retirement you will have, the campaign spells out. One easy action you can take now is to ensure your pension pot is protected by FSCS.

In the last five years, more than 43,000 claims were made to FSCS relating to pension losses – totalling almost £2bn.

"One day – not just yet – I know I will retire," Jeff says in the campaign. When that time comes, you don't want to be left unprotected because you never got round to checking.

Two minutes of your time
So, how can you be sure your money is protected? *"All you need to do is to search FSCS and head to their Pensions Protection Checker Tool,"* Stelling says. You could do this at half-time, he suggests. Check here www.fscs.org.uk/check/pension-protection-checker/. Please contact us with any questions on your pension.

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What you need to know about behavioural investment

Have you ever made an irrational or impulsive purchase you've later regretted? We all make decisions based on our emotions or personal biases, but when it comes to investing, such mistakes can be very costly.

What is behavioural investment?
Behavioural investment is an approach that acknowledges how our emotions and our biases can sometimes make decisions for us. During periods of geopolitical uncertainty and heightened risk, behavioural investment biases can become even more pronounced, tempting you into making poor decisions. Here are some impulses that often lead to bad investment decisions:

- **Loss aversion:** Investors worry about their investments falling further in value, so they sell them prematurely, locking in losses and missing out on potential rebounds
- **Herd mentality:** When markets fall, people tend to panic, follow the crowd and sell their investments. This *'herd mentality'* means markets keep falling, as more people panic and sell, creating a spiral
- **Confirmation bias:** Investors let their own opinions dictate their actions and often seek out information that confirms their existing fears, ignoring evidence that contradicts their own impulses
- **Overconfidence:** Some investors believe they can predict the market's reaction to geopolitical events, leading them to make risky bets that could ultimately backfire.

Avoiding behavioural biases
Investors often need to worry less about geopolitical events and more about avoiding making poor decisions. Worry not, you're in safe hands. We can create a plan and stick to it, so we focus on longer-term goals, rather than risk getting distracted by short-term noise. We will build a resilient portfolio, spreading your investments across different asset classes to manage risk. Rest assured, we will make well-considered, researched investment decisions to increase your chances of achieving your long-term financial goals.

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Divorces held back by financial considerations

New research[6] has found that one in ten married people in the UK have considered splitting up but decided against it, with the financial burden of divorce most commonly given as the main reason.

A challenging time
While respondents to the survey did cite other reasons for not divorcing a partner, for instance the effect it would have on their children, money was mentioned most often as the decisive factor. In essence, the research suggests that a significant proportion of people who are considering divorce decide they simply cannot afford to do so, instead preferring to stick with their partner and work on their relationship rather than having to face the financial consequences of splitting up.

Costs of living alone
The decision to go it alone and commit to financial independence does certainly come with significant cost implications, with people living on their own having to shoulder the full burden of all household bills. This will inevitably have a big impact on retirement plans, with analysis[7] suggesting that, in order to fund a moderate standard of living in retirement, a single person would need around £275k more in their pension pot than a pensioner couple.

Financial advice is key
It is therefore vital that any couples considering divorce take expert advice. While for many people this involves consulting a solicitor, potential divorcees also need to seek financial advice.

If you need any advice in this area, then please do not hesitate to get in touch – we're always here to offer our help and support.

[6]Investec, 2024, [7]Standard Life, 2024

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