ESSENTIALLY WEALTH

Q1 2021 ISSUE 19

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THE NEW YEAR BRINGS CAUSE FOR OPTIMISM

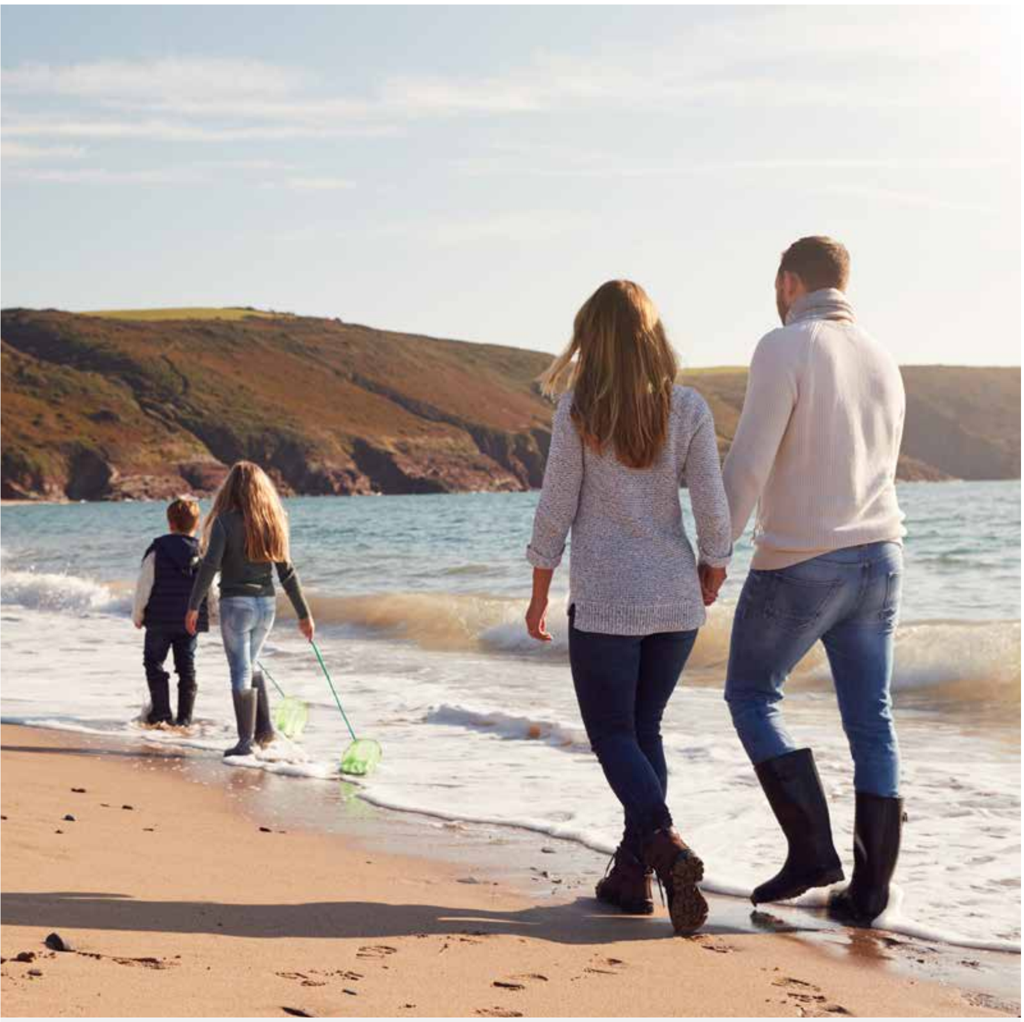
In the bleak midwinter, as the saying goes, things can seem grim – especially as we're kicking off the year with a new lockdown. But, despite a gloomy start to 2021 there is cause to believe the situation will improve as we move further into the year.

According to the World Economic Outlook report issued by the International Monetary Fund (IMF) last autumn, global growth is projected to rebound to 5.2% in 2021, following 2020's negative figure of 4.4%, with a continuing gradual recovery over the next few years. Aptly titled '*A Long and Difficult Ascent*', the report took no pains to hide the uncertainty that still remains as the global economy battles towards recovery. Despite the announcement of Lockdown 3.0 in early January, there are reasons for cautious optimism as we journey towards spring and beyond.

Vaccinating the nation
With the Oxford-AstraZeneca vaccine approved on 30 December, the UK now has enough combined doses of the Pfizer and Oxford vaccines to give the jab to the most vulnerable people in the UK. In his speech to the nation on 4 January, Prime Minister Boris Johnson announced that, "*If things go well and with a fair wind in our sails*", all people over the age of 70, frontline and social care workers, and the extremely clinically vulnerable, are expected to be vaccinated by mid-February.

Focus on the future
As many experienced investors know, the key to keeping your investments on track is to take a long-term perspective, based on sound financial planning principles. Resisting the urge to panic trade in difficult markets, maintaining a diversified investment portfolio and undertaking regular reviews are all essential elements.

The value of advice
With uncertainty still reigning supreme, it has never been more essential to obtain sound professional advice. We can develop a plan tailored to your requirements, outlining realistic and achievable financial goals, to help you navigate the challenges and opportunities the New Year will no doubt bring.



A HANDY TIP TO MAKE RETIREMENT SAVING A LITTLE EASIER

Even before the pandemic, high living costs and debt meant that many people found contributing much to their pension pots challenging.

Now, with rising unemployment and an uncertain economy, it's unsurprising that 16% of employees reduced their pension contributions as a result of the pandemic, 15% opted out, while 7% stopped contributing altogether[1].

A matter of perspective

Despite reduced incomes and travel restrictions, English holidaymakers still spent £28.5bn on staycations and day trips in 2020[2]. So, if holiday funds currently take precedence over your pension, try seeing it this way: your pension contributions are still saving up for a holiday – just a little later in life!

Imagine your future self

Retirement may seem a long way off, so try imagining yourself in the future and what you want to do and achieve once you stop working. You might want to holiday and eat out regularly or take up a new hobby maybe. Imagining what your pension funds might help you to achieve, rather than considering them as an inconvenient chunk bitten out of your current income, is a great way to prioritise your pension.

Any contribution is worth it

Any contribution is better than no contribution, so let us help you assess your finances to make those future holidays a reality.

[1]Employee Benefits, 2020, [2]Visit Britain, 2020

ANY CONTRIBUTION IS BETTER THAN NO CONTRIBUTION

IHT RECEIPTS FALL FOR THE FIRST TIME SINCE 2009

Following a decade of steadily increasing Inheritance Tax (IHT) receipts, the amount of IHT collected over the 2019/2020 tax year fell for the first time since 2009.

HMRC data reveals that IHT receipts fell by 4%, or £223m less than in the 2018/19 tax year. The introduction of the main residence nil rate band (RNRB), which was phased in over four years and came into full effect in April 2020, is considered to be one of the main drivers behind the fall.

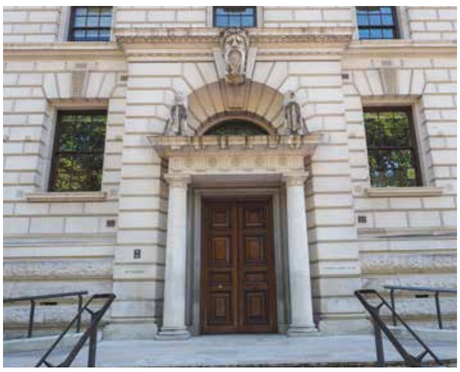
RNRB in brief

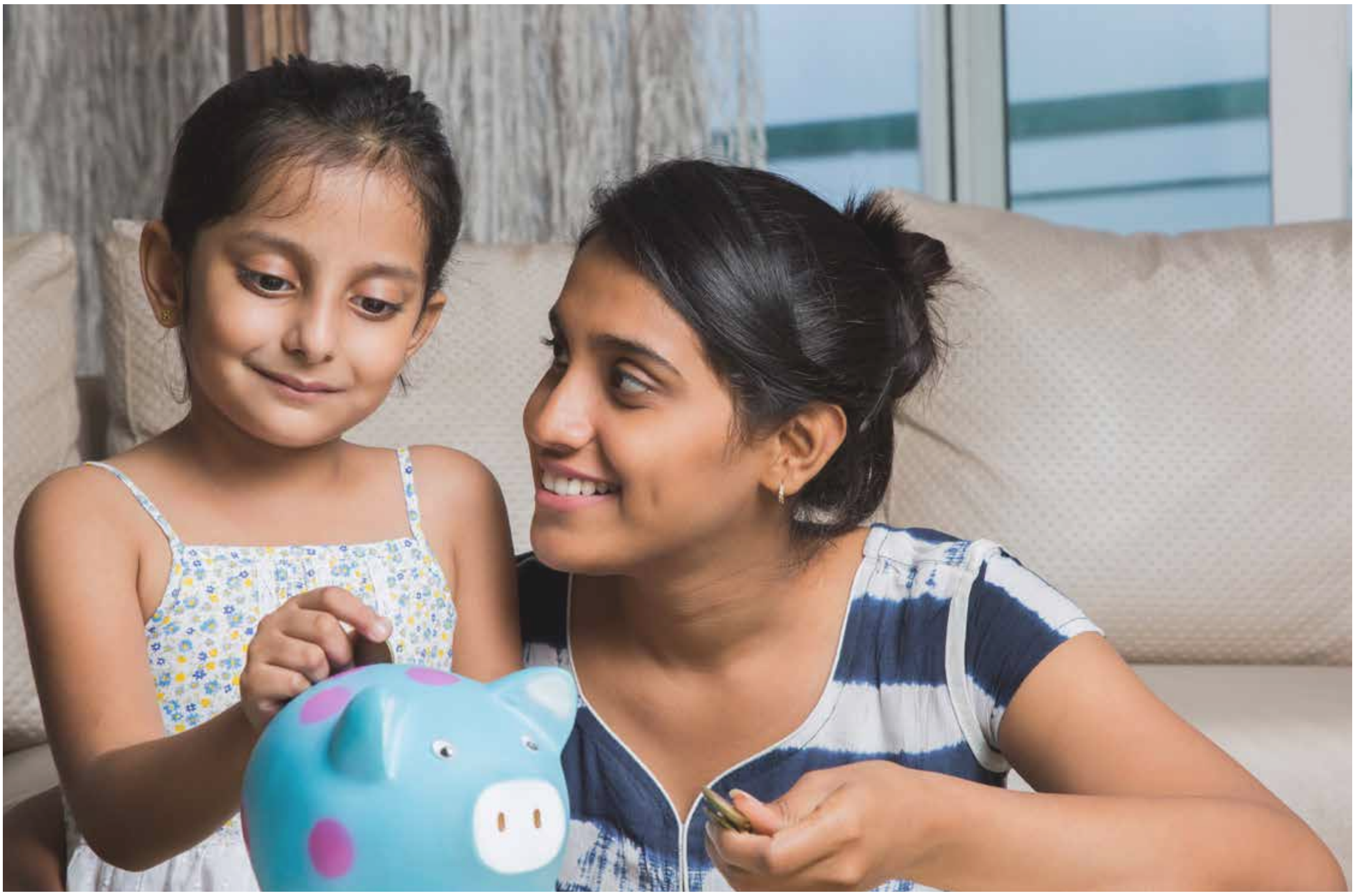
The RNRB is an additional IHT allowance available to those who leave their main residence to their direct descendants (children, stepchildren or grandchildren). The value of the allowance is now £175,000 and, when combined with the nil-rate threshold of £325,000, has the potential to raise an individual's overall IHT allowance to £500,000 (unless the estate exceeds £2m, at which point the RNRB starts to taper).

The RNRB, like the nil-rate threshold, is transferrable to your spouse or civil partner on your death, giving rise to a potential IHT allowance of £1m. Beyond these thresholds, IHT will usually be payable at 40%.

Passing on your hard-earned wealth

If you are looking to pass on your assets as tax-efficiently as possible, we can work with you to take advantage of all the allowances available to you, leaving more of your hard-earned cash for future generations.





MONEY CONFIDENCE – THE MOST VALUABLE LIFE LESSON?

2020 was a year of financial fragility, plagued with money worries for many people, and research suggests that our children are picking up on our anxiety.

According to a monthly study of children's mental health during the pandemic, those from low-income families showed higher levels of anxiety and stress, with symptoms including unhappiness, worry and restlessness[3].

Opening up the conversation
While your first instinct may be to hide your money fears from your children, this may actually increase their anxiety. Indeed, research shows that children who are regularly exposed to conversations about money and finance tend to grow up to be more financially confident adults[4].

Making teaching fun
Here are some fun and engaging ways to teach your children about spending, saving and the value of money:

Play board games
Games such as Monopoly or Payday can provide hours of family fun, while simultaneously teaching your children about living expenses, tax, budgeting and saving.

Make it a challenge!
Are you looking for cheaper broadband or utilities? If your children are a bit older, challenge them to find a better deal – with a percentage of the savings they make as a reward!

Turn the food shopping into a game
Give the kids a list and ask them to look out for cheaper or own brand products, as well as money-saving deals. You could even offer a prize for the most money saved.

Reward hard work
Offering a small 'wage' for completing household chores teaches children that money is something to be earned in exchange for work.

Supporting you to support your kids
We understand that many people remain anxious about the state of their finances. We can help you get your finances back on track, leaving you free to support your kids through this demanding time.

[3]Co-Space Study, 2020, [4]Money & Pensions Service, 2018

DON'T FALL PREY TO PENSION SCAMS

Pension savers have long been a target for fraudsters, with high returns for successful scams: the FCA says that pension scam victims lose an average of £82,000.

The situation has worsened during lockdown, with research[5] indicating that 64% of pension transfers are now showing at least one warning sign of a potential scam.

Keeping yourself safe
Fraudsters are becoming increasingly sophisticated in their methods and scams can be harder to spot than you might think. So, learning to spot the signs is an important part of keeping yourself safe:

1. Contact via cold call
If you're contacted out of the blue, be on your guard. Pension cold calling was banned in 2019, so treat unsolicited contact with extreme caution.

2. 'Too good to be true' claims
Scammers will usually make attractive promises, e.g. that they can get you high returns for little risk, or that they know of special loopholes to help you save more tax.

3. Pressure to make speedy decisions
Rushing victims into a hasty decision is a common scamming tactic, so if you feel like you're being pressured, slow down and think – no matter how good the opportunity may seem.

Stop and check
Action Fraud have urged consumers to seek regulated advice on investment opportunities. If you have been approached by phone, email, social media or face-to-face, it really does pay to be suspicious, trust your instinct and:

- Seek professional advice before making a significant financial decision
- Use the Financial Conduct Authority's register to check if a company is regulated
- Remember that, if something sounds too good to be true, it probably is.

For more information about investment fraud, visit www.fca.org.uk/scamsmart.

[5]XPS Pensions, 2020

THERE'S STILL TIME TO USE YOUR ISA ALLOWANCE

Lockdown life may have left you with a bit of extra cash, if so, why not take the opportunity to make some tax-efficient savings and investments?

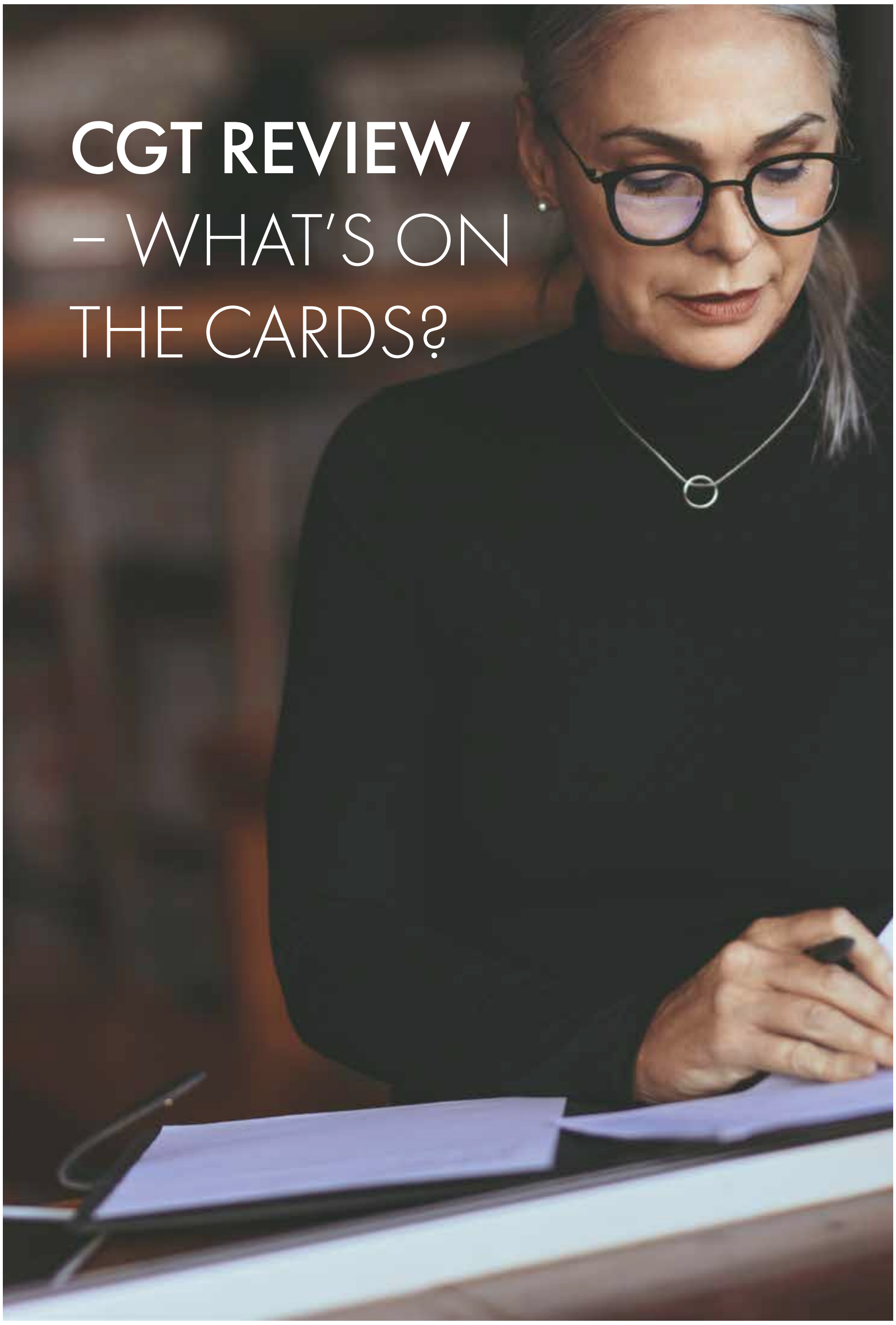
The end of the tax year (5 April) will soon be upon us, so if you would like to use some or all of this year's ISA allowance, don't leave it too late or you could miss out. Remember, you can't carry over any unused allowance to the next tax year, so if you have cash you won't need access to in the short term, then now's the time to invest it.

The annual allowance for the 2020/21 tax year is **£20,000** for an ISA and **£9,000** for a JISA (Junior ISA). You can also mix and match within each of these forms of ISA, as long as the combined amount doesn't exceed the relevant annual allowance; for example, you might choose to put half the money in a cash ISA and the remainder in a stocks and shares ISA. Or, you can put it all into one type of account.

With interest rates currently at rock bottom, it's more important than ever to ensure your savings are working hard for you. The ability to save up to £20,000 tax-free is one way of achieving a higher return, especially for those in higher or additional rate tax bands, who don't benefit fully or at all from the Personal Savings Allowance. With many after-school kids' clubs off the agenda, why not invest the average spend of £57.36 per week, totalling almost £2,200 over the course of a 38-week school year, into a JISA? It all adds up.

5 April is Easter Monday this year, so don't wait until the last minute

CGT REVIEW – WHAT'S ON THE CARDS?



In July 2020, Chancellor Rishi Sunak charged the Office for Tax Simplification (OTS) with carrying out a review of Capital Gains Tax (CGT), sparking speculation that the government is planning to increase the tax in a bid to refill its coffers following the coronavirus pandemic.

Split into two parts, the first of which was published on 11 November 2020 and the second still to come, the OTS has so far made several interesting recommendations, including decreasing the annual exemption allowance to between £2,000 and £4,000 and moving CGT rates closer to Income Tax rates. The first, OTS suggests, would increase the number of people paying CGT by 360,000 annually, though some could be put off realising their gains.

We will be closely following the progress of the review and will keep you up to date with any developments.

THE OTS HAS SO FAR MADE SEVERAL INTERESTING RECOMMENDATIONS, INCLUDING DECREASING THE ANNUAL EXEMPTION ALLOWANCE

HOW MIGHT INFLATION CHANGES AFFECT YOUR PENSION?

The Retail Prices Index (RPI) measure of annual inflation is to be replaced by the Consumer Prices Index plus housing costs (CPIH) measure from 2030.

The Office for National Statistics (ONS) has welcomed the change, stating that CPIH offers the '*most comprehensive*' picture of inflation. However, it could also have an impact on your pension.

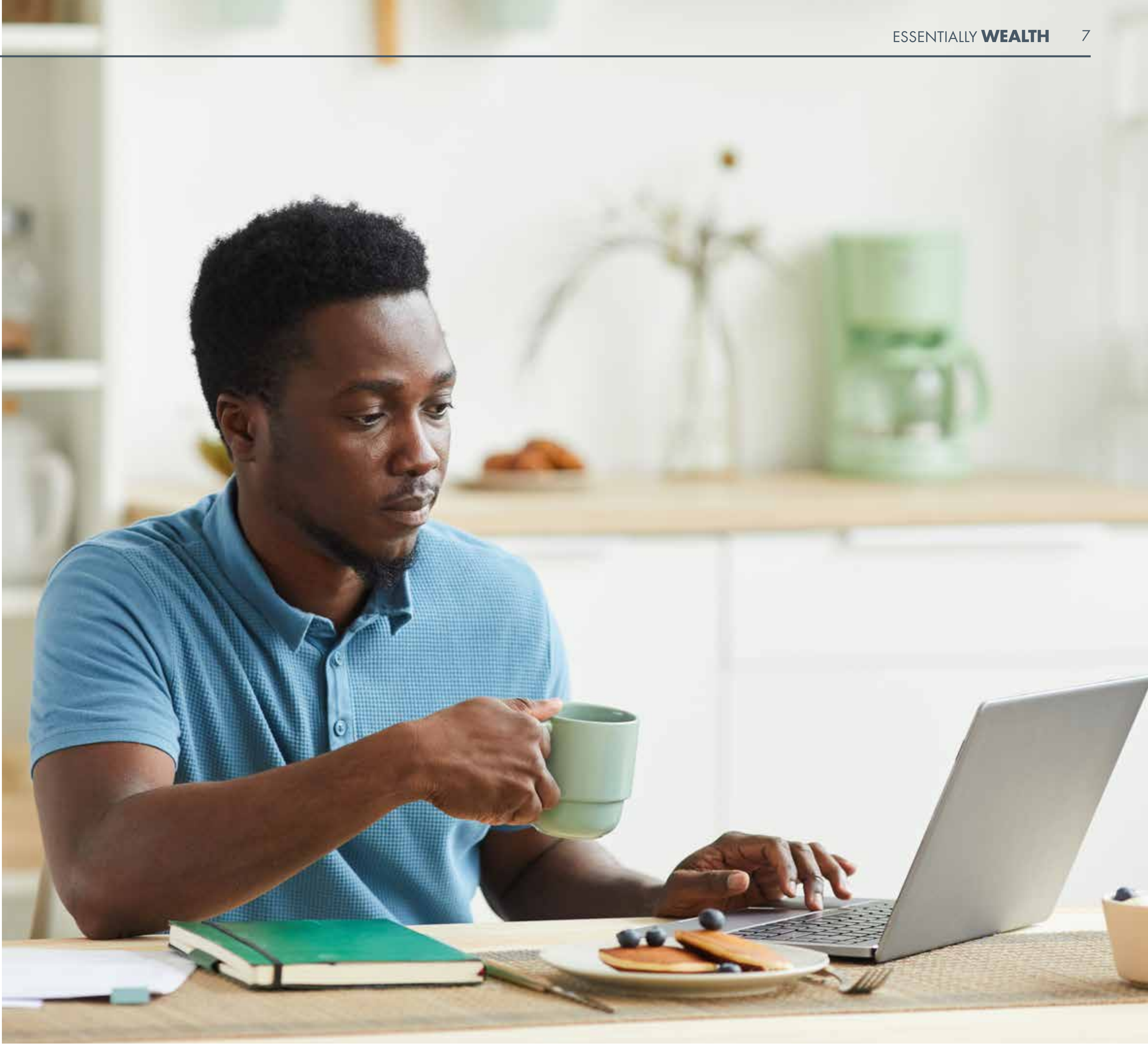
CPIH and your pension

The reform is set to most significantly affect defined benefit (DB) pension schemes, which often invest heavily in index-linked gilts, a type of government bond that pays out in line with inflation. Given that RPI inflation has historically been higher than CPIH – by 0.8% on average[6] – the move is expected to leave DB schemes £60bn worse off[7].

Don't panic

We can help you plan ahead and keep on track for a comfortable retirement.

[6]GOV.UK, 2020, [7]Pensions Policy Institute, 2020



COVID INTENSIFIES THE GENERATION GAP

Never before have the British population's life chances been so starkly divided by age, profession and region. The COVID pandemic has had an extremely uneven impact on people's lives and livelihoods, often giving rise to divisions between the generations.

Young adults have been disproportionately affected, with students restricted to online learning whilst still paying full price for accommodation and tuition. Meanwhile, workers under the age of 25 are more than twice as likely to lose their job in comparison with their older counterparts[8].

According to the Intergenerational Foundation (IF), '*Younger generations are under pressure like never before.*' A recent report from the Foundation highlights the effect this pressure has had on young adults' mental health, warning that today's children and young people risk becoming the '*lost generation*' due to a lack of support and the government's response to COVID-19.

Older generations feeling the strain

For those most at risk of complications from the virus, life has not been kind either. Elderly people have not only struggled with shielding and the resulting isolation, but access to key financial services, many of which have moved online during the pandemic. Access to cash and banking services has been a key concern; Age UK comments, '*We are hurtling towards a cashless society with no real consideration for the many people who will be left behind.*'

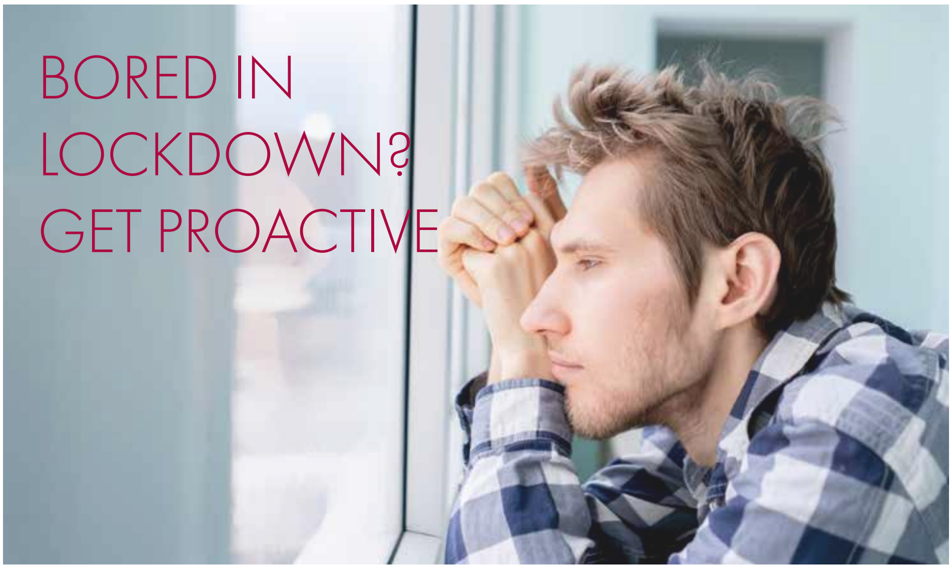
It's good to talk

While it is easy to feel resentful, it's important to remember that everybody has been affected in some way, no matter what their age. The crisis has highlighted health, social, emotional and financial vulnerabilities across the generations – but it has also shown us the importance of staying connected. Despite intergenerational divides, and despite the amount of time families have spent apart, the pandemic has brought many of us closer together.

So, now could be the perfect time to engage your family in conversations about financial matters. Money can be a contentious subject, but we're here to help break down the barriers and get you talking positively and productively.

[8]LSE, 2020

BORED IN LOCKDOWN? GET PROACTIVE



It's cold and gloomy, and we're enduring another lockdown – but don't despair. Spring is just around the corner, so before it arrives, why not get proactive and knuckle down on your finances?

The end of the tax year (5 April) will be here before you know it, making this the perfect time to double check you've taken full advantage of all your annual allowances for maximum tax efficiency. It might seem a daunting prospect, but our handy list of allowances is here to help you on your way.

Here's a reminder of some of your main tax planning opportunities:

- **Pensions** – current Annual Allowance of £40,000. For every £2 of adjusted income over £240,000, an individual's Annual Allowance is reduced by £1 (the minimum Annual Allowance will be £4,000)
- **Pensions** – 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
- **Individual Savings Accounts (ISAs)** – maximum annual contribution of £20,000 per adult
- **Junior Individual Savings Accounts (JISAs)** – maximum annual contribution of £9,000 per child
- **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 your death, you must outlive the gift by 7 years, though taper relief may otherwise reduce the applicable IHT rate. 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 (CGT) allowances** – £12,300 annual exemption per person, £6,150 for trusts – currently under review, correct at time of publication.

RECONSIDERING RETIREMENT? YOU'RE NOT ALONE

The pandemic has rendered retirement unaffordable for many people.

A recent study[9] found that 15% of those over 50 years of age and still in work, plan to delay their retirement by three years on average, while a further 26% stated that they now intend to continue working indefinitely as a direct result of the coronavirus crisis – a total of around 1.5 million people.

The financial situations of many workers may have been constricted over the last year or so, impacted by possible weaker investment returns and a labour market which is under pressure, with many experiencing job losses. Mature workers may be facing limitations for well remunerated 'second act' careers, combined with the prospect of longer life spans, to find that retirement is going to be a more costly period.

Review and recalibrate

Before making any firm and fast decisions, you should first gain a better understanding of your financial situation by conducting a thorough review. The New Year period provides the perfect opportunity to take stock and build foundations for a better financial future. We can assist you in finding the best way forward for your retirement, whatever your situation.

[9]Legal & General, 2020

Important Information: We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.