Whitechurch
InTouch

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Are You Paying Too Much To The Tax Man?

There's no better time than the end of the financial year to conduct a financial MOT and pension check

Happy new year from Whitechurch!

We hope you enjoyed your Christmas break. We're certainly full of mince pies and good cheer, raring to get stuck into a new year of working with you. Like many other firms, during December we postponed our Christmas party and went back to working safely from home, but we remain here to meet your needs. In this newsletter we discuss an end of tax year financial MOT; a retirement checklist to help you start your thinking and a WSL view of markets.

A Financial MOT

There's no time like the end of a tax year to conduct a financial MOT – to check that your investment strategy is still aligned to your objectives and to ensure that you are not paying too much to the tax man. The tax year ends on the 5th of April 2022. You have until then to make the most of your tax-free allowances that can't be rolled over. To get you started we have compiled a list of key 'hazard lights' to check.

Annual allowances

» Capital Gains Tax (CGT): £12,300
» Inheritance Tax (IHT): £325,000
» Pensions: £40,000
» Individual Savings Accounts (ISA): £20,000
» Junior Individual Savings Account (JISA): £9,000

For further information please see our Tax Rates Leaflet 2021 on our website or ask a member of staff to post a copy.

Investment Portfolios

With so much changing in the global economy and political world it is essential to have a forward-looking investment strategy; to regularly review your portfolio and to ensure that your investments are continually positioned to meet your goals.

Many portfolios and funds have made good gains over the last few years, despite the fall at the initial time of the Coronavirus pandemic. But this can lead to an investment having moved to a higher equity percentage and therefore a higher risk level. If you are that bit older, or approaching retirement, this may not be the most suitable positioning for your investment.

Regulation

Do you have the most up to date pension plan? The age you can access your pension is increasing from 55 to 57 in 2028. This might affect your plans and requirements. This also highlights how pensions regulation frequently changes and your finances need to be prepared for further change in the future.

Taxation

Is there a possibility you might have other non-taxable income when you retire? For example, you might have an Individual Savings Account (ISA), General Investment Account (GIA), investment bond, or cash available to take money from, along with your pension.

Income

There are several factors that are important to consider when assessing what level of income you need. Firstly, is any income actually required? A professional adviser can calculate what a sustainable level of income is for your plans and what the most appropriate funds are to provide this. They can also help to be sure you aren't paying unnecessary amounts of tax that could be avoided.
Secondly, when do you plan to retire? Have you considered where your income will come from if you retire before the age you can receive income from your State or Defined Benefit pension? As noted above, you might have other income sources that could be sufficient to provide this amount, or an adviser could look to see if a form of 'bridging pension' is a solution.

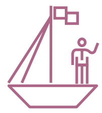
Costs

Have you considered the costs and range of funds you currently have? You might want a professional to have a look if these are in-line with your needs both now and for any flexibility in the future. There may be costs associated with taking benefits from your pension or if you're considering moving to a different plan if you want to change your options. However, it might be that the costs of switching pensions are less than those on an old style plan. It might be that a managed portfolio with fewer active strategies is more suitable for you due to their lower costs.

In summary, having an adviser check in on your retirement plans and current pension and other saving accounts that could provide possible income could enable you to have greater flexibility in the future and provide a better value for money plan.

Pension Checklist

Points to think about and discuss with your adviser



Your Goals and Dreams

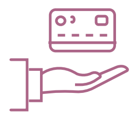
What are your plans or goals you'd like to achieve in retirement. Can your income realistically achieve these?

State Pension

Does the current age fit with your retirement plans? Do you know how much you and your partner are entitled to?

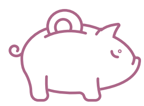
What is your total entitlement?

You might have various plans available that provide different benefits. This can include workplace schemes, private pensions and state pensions.



Bridging Pension

Are you considering early or partial retirement?
This can provide income before your main pension or state pension starts.



Tax Efficiency

You might have other assets that can help with the tax efficiency of retirement income.

2022 Market Predictions

2021 will be remembered as a bumper year by many investors. Most developed equity markets enjoyed double digit returns led, once again, by the US. There were several tailwinds to performance including macroeconomic measures, such as low interest rates and stimulative fiscal policies, as well as the successful roll out of coronavirus vaccination programmes in many countries.

The main laggards were emerging markets, and in particular China, as well as developed Asian economies. Investor sentiment in China was undermined by a regulatory crackdown, which impacted the tech space, as well as problems in the property sector. Several property developers, most notably Evergrande which defaulted on its debt payments in December, now appear close to insolvency.

Fixed income markets also had a difficult year as inflation consistently exceeded forecasts around the world. CPI inflation hit 5.1% in the UK, 4.9% in the eurozone and 6.8% in the US. This increased the pressure on central banks to tighten monetary policy through curtailing bond purchases and increasing interest rates. In many cases central banks acted, although the ECB are still clinging to the 'inflation is transitory' mantra. As might be expected under these circumstances, index-linked bonds significantly outperformed conventional government bonds. It was a strong year for the global property market including the UK. The latter benefited from the economy recovery as well as interest from global investors given the attractive rental yields in the UK together with the scope for rental growth, in some cases linked to inflation.

Looking ahead to 2022, we identify three key issues for investors to consider. Firstly, the interplay between inflation and interest rates is likely to continue to impact on asset prices. If inflation continues to exceed market expectations, then the quicker interest rates are likely to rise. In the short term some of the base effects in the inflation calculation (which is a rolling 12-month figure) should decline by the middle of the year. However, we believe that longer-term inflationary pressures related to macroeconomic policies and labour cost dynamics are likely to persist. At the very least, we expect inflation to run ahead of the yield curve (market interest rates). In this environment inflation-linked bonds are likely to continue to outperform conventional government bonds and we are positioned accordingly.

Secondly, we anticipate the global economy recovery will continue. The outlook for the UK economy appears to be relatively robust. For example, Goldman Sachs predict UK growth of 4.8%, the highest in the G7 and well ahead of the 3.5% forecast for the US. We remain overweight in UK equities given the attractive valuation relative to other markets. The plethora of bids for UK companies in 2021 indicates that international investors share our positive view on UK valuations and are prepared to act on it.

Thirdly, there are several potential curveballs to keep an eye on. Russia's rhetoric towards Ukraine and NATO has become extremely belligerent while Taiwan increasingly seems to be in the crosshairs of China's unification policy. Assuming these two geopolitical issues do not boil over, the more immediate risk is the ongoing slowdown in the Chinese property market. Given that the latter accounts for circa 28% of GDP this poses a significant risk to economic growth. Most commentators expect the government will eventually step in and co-ordinate a bailout. However, deflating a bubble is easier said than done. Even though the valuation of Chinese equities has fallen significantly we are not yet convinced now is the time to increase exposure, but we continue to review the situation.

If you would like an adviser to provide a financial or pension MOT please contact us on:
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