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Your Money

Spring 2021

Inside this issue

A "swifter and more sustained economic recovery" in the offing

Key points – Spring Budget 2021

Tips for a smooth retirement

Millions keep ill health secret from loved ones

At sea with your finances?

One in three Generation Xers to retire on minimal incomes

Dealing with divorce



A new wave of investors spring to life

Have you updated your pension expression of wishes?

If not, now is the time!

Essentially, an expression of wishes allows you to designate one or more beneficiaries whom you would like to inherit your pension.

While many people draw up an expression of wishes when they first open their pension, many forget that it needs to be updated as they move through life. Some also mistakenly believe that they don't need to update it as long as they have a valid Will.

What happens if you don't update your expression of wishes

Keeping your expression of wishes up to date is the best way to ensure your pension goes to your intended beneficiaries – otherwise, your money may not be distributed according to your wishes. Pension providers will mostly pay out according to their clients' wishes, but they have the discretion to select different beneficiaries if deemed appropriate.

Failing to update your expression of wishes could therefore render the process of settling the death benefits a difficult and protracted experience for your beneficiaries at an already painful time.

We are on hand to assist you with all aspects of your pension planning.

Savers disappointed by record-low interest rates are looking for new ways to make their money work harder this spring. With savings accounts offering minimal interest rates, some are pondering investing with the hope of reaping higher returns.

Despite many families suffering reduced financial circumstances, others have managed to put away a surprising amount in savings due to lockdown. UK savings hit record levels in early 2020 after surging from 9.5% in Q1 to a record 27.4% in Q2 and have remained at historic highs since¹.

To save, or not to save?

Last year, £125bn was put away in savings accounts, and the first half of 2021 is expected to see this figure increase, according to the Bank of England. This means that many people have witnessed their savings accounts grow substantially at a time when they are receiving little to no interest in return – a situation prompting many to consider alternatives to holding cash and think about taking their first tentative steps into the investment market.

Why you should seek advice

With a huge variety of funds available, many would-be investors find it challenging to know where to start. Seeking professional advice enables you to put a sound investment plan

in place, with sensible and achievable goals. The effectiveness of taking advice is demonstrated by a study², which highlights that people have better financial outcomes when they have an ongoing relationship with an adviser. *Those who reported receiving advice at both time points in our analysis had nearly 50% higher average pension wealth than those only advised at the start.* Benefits were greater for less-affluent investors, with a 'just getting by' group enjoying a 24% (£35,054) boost to their pension wealth across the ten year study period.

In it for the long haul

Before investing, it's important to establish a savings safety net, and commit to investing over the long term, at least five, preferably ten years. Historically, although investing in equities has generally delivered better long-term returns than cash, there have been significant short-term falls in the past and there remains a risk the value of investments can fall; we therefore need to establish your risk tolerance before recommending any investments. Whether you're looking at your pension, establishing an investment portfolio, a stocks and shares Individual Savings Account (ISA), or perhaps a Junior Individual Savings Account (JISA) for under-18s in the family, contact us to take the first step on your investment journey.

¹UK Parliament, 2021, ²ILC, 2019

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A “swifter and more sustained economic recovery” in the offing

On 3 March, Chancellor of the Exchequer, Rishi Sunak, unveiled details of a three-part plan to continue giving support through the pandemic, to repair public finances once recovery is underway, and to lay foundations for the future economy.

Mr Sunak opened his statement by revealing the most recent predictions from the Office for Budget Responsibility (OBR) which provide hope of “a swifter and more sustained economic recovery” than previously expected; the UK economy is expected to grow by 4% in 2021 and by 7.3% in 2022. The Chancellor also confirmed details of various COVID-19 support measures which will see total fiscal support of over £407bn. Mr Sunak chose to freeze personal tax thresholds and increase tax rates on corporate profits in a policy declared “progressive and fair.”

From a taxation perspective, the Chancellor was left with limited headroom as the Conservative manifesto pledged not to alter Income Tax, National Insurance or VAT, so some key tax thresholds were frozen. For example, the Personal Allowance will rise with inflation as planned in April, to **£12,570**, before 20% Income Tax becomes payable, and the higher rate threshold, at which people start to pay tax at 40%, will rise to **£50,270**. Both thresholds will then be frozen at these levels until April 2026. Similarly, tax thresholds for the pension Lifetime Allowance, Inheritance Tax and the annual exemption for Capital Gains Tax will remain until 2026.

Key Points

Spring Budget 2021.....

Job support

- Furlough scheme extended until 30 September 2021 – the government will continue to pay 80% of employees’ wages up to £2,500 a month until the end of June, employers then pay a 10% contribution in July, rising to 20% in August and September
- The Self Employment Support Scheme also extended until the end of September.

Business support & taxation

- A new ‘Recovery Loan Scheme’ replacing previous emergency government funding to support businesses, offers loans between £25,000 to £10m up to 31 December 2021 (government provides an 80% guarantee)
- A new ‘Restart Grants’ scheme provides retail, hospitality, accommodation, leisure and personal care firms up to £18,000, and non-essential retailers £6,000
- Business Rates Relief for retail and hospitality firms has been extended for three months to 30 June 2021, with a two-thirds discount available until 31 December 2021
- Corporation Tax will rise from 19% to 25% in April 2023 for all businesses with profits over £50,000, a tapered rate will be introduced for profits above £50,000, so that only businesses with profits of £250,000 or more will be taxed at the full 25% rate, businesses with profits of £50,000 or less will continue to be taxed at 19%
- To encourage business investment, a temporary ‘super-deduction’ tax incentive scheme will cut companies’ tax bills by 25p for every £1 they invest, by providing allowances of 130% on qualifying investment in new plant and machinery, from 1 April 2021 to 31 March 2023
- VAT 5% reduced rate for tourism and hospitality sectors extended until 30 September 2021, followed by an interim rate of 12.5% for six months.

Personal taxation, wages and pensions

- From 6 April 2021 Personal Allowance increased to £12,570 and the Income Tax higher rate threshold increased to £50,270, both thresholds will remain at these levels until April 2026
- National Insurance threshold increased to £9,568 from 6 April 2021, the Upper Earnings Limit will be £50,270
- Inheritance Tax nil-rate band remains at £325,000 and residence nil-rate band at £175,000, until April 2026
- Capital Gains Tax annual exemption remains at £12,300 for individuals and £6,150 for most trusts
- Lifetime Allowance for pensions remains at £1,073,100 until April 2026, the Annual Allowance remains at £40,000
- New single-tier State Pension increased to £179.60 per week in April 2021, the older basic State Pension increased to £137.60 per week
- ISA (Individual Savings Account) allowance remains at £20,000 for the 2021/22 tax year
- JISA (Junior Individual Savings Account) allowance or Child Trust Fund annual subscription limit remain at £9,000 for the 2021/22 tax year
- National Living Wage increased to £8.91 per hour from April 2021 and will include those aged 23 and over.

Property transactions

- Stamp Duty (SDLT) holiday on house purchases in England and Northern Ireland extended, with the £500,000 threshold at which SDLT starts to apply ending on 30 June, a threshold of £250,000 applies for a further three months, with the regular £125,000 threshold returning from 1 October 2021. In Wales, the Land Transaction Tax (LTT) temporary tax reduction has been extended to 30 June 2021
- Mortgage guarantee scheme introduced from April, with the government providing guarantees to UK lenders who offer mortgages to buyers to secure a loan with a 5% deposit on a property of up to £600,000 up to 31 December 2022.

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Tips for a smooth retirement

Whether 2021 is the year you've earmarked for your retirement or, due to the pandemic, you've decided to retire earlier than intended, it's not too late to get your plans in place.

Organisation is key to ensuring your retirement goes smoothly, even if it still seems a long way off, and we're here to help you get your finances on track. After all, retirement should be a time to look forward to and not overshadowed by financial concerns.

The following steps should help you get started:

- **Get a State Pension forecast**

This will show you how much State Pension you'll get and when you'll receive it, visit www.gov.uk/check-state-pension

- **Value all pensions**

Check your annual statements to find out how much your workplace or private pensions are worth

- **Locate any lost pensions**

If you're unable to find important information related to previous pensions, the government's free Pension Tracing Service can help you locate the necessary details

- **Quantify savings, investments and debts**

Establish exactly how much you have in savings and investments, such as ISAs or property, to boost your retirement income. Prioritise paying down debts so that you start your retirement debt-free

- **Consider how much you need in retirement**

We can help quantify your expected

income to ensure you can afford day-to-day living costs, as well as some luxuries such as holidays. We'll also take into account that your income requirements could change over time

- **Be scam savvy**

Pension scams are on the rise, so watch out for schemes encouraging you to transfer money from your pension to another investment or access your pension early

- **Seek advice**

Financial advice can be particularly valuable at a time of uncertainty. We can help make the big decisions at retirement easier by showing you all of your options and giving you the confidence that you're making the right choices for your future.



Millions keep ill health secret from loved ones

A new study⁴ has revealed that seven million people (13% of the population) are hiding a mental health condition from loved ones, while nearly four million (7%) are keeping quiet about a physical health problem.

Although we all have personal information we'd prefer to keep private, concealing the truth from our families can cause symptoms such as anxiety (34%), guilt (29%) and difficulties sleeping (25%), as well as have serious long-term implications.

Protect yourself and your family

Keeping important health issues secret from your family could be painful and shocking if you died or became seriously ill. What's more, they could find themselves facing financial hardship at an extremely difficult time.

Even if you have a life insurance or critical illness policy, your claim may be rejected if, as with your family, you also don't tell your insurer about your condition. If you're hiding a mental or physical health condition when the policy is underwritten, there's a significant chance you could invalidate your life insurance or critical illness policy.

How we can help

In these difficult times, a problem shared is a problem halved. By talking to us, we can help you put sufficient protection in place that will protect both you and your family against unexpected life events.

⁴Life Search, 2020



At sea with your finances?

If you feel a little at sea with the financial basics, you're certainly not alone – and yet many people are needlessly ashamed of their lack of financial understanding.

A recent study³ revealed that 55% of adults struggle to open up about money, with nearly one in five (18%) citing shame or embarrassment as the primary reason, followed by not wanting to burden others (18%) and 15% feel it causes stress or anxiety.

We're here to tell you that nobody is expected to know everything about their finances.

If you're concerned about your finances or need help with basic financial topics, we aren't here to judge. We're on hand with simple, jargon-free advice that will provide you with the confidence and understanding you need to take control of your finances once and for all.

³Money and Pensions Service, 2020

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One in three Generation Xers to retire on minimal incomes



The pandemic has highlighted a number of generational inequalities, with existing pre-pandemic social fault lines laid bare, alongside financial ones. Yet while much of the news has focused on job losses and bleak prospects among the UK's youngest adults, for one group a different kind of 'Long COVID' is threatening to leave them destitute in old age.

According to research⁵, the hardest hit will be the generation that entered the job market too late to benefit from generous defined benefit pension plans and too early to take full advantage of schemes such as auto-enrolment. Millions of people in this group – known as Generation X – are now expected to face significant challenges in retirement.

The plight of Generation X

The findings from the report show that one in three, or nearly 4.3 million, Gen Xers born between 1965 and 1980 are set to reach retirement with minimal incomes. Just over 2.3 million expect to predominantly rely on the State Pension which equates to just over £9,000 a year, or £25 a day.

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Increasingly referred to as the 'forgotten generation', most Gen Xers would like to save more for retirement but face significant barriers in doing so. The pandemic has only exacerbated this, with nearly 1.6 million Gen Xers furloughed, 1.3 million on reduced working hours and just over half a million made redundant.

Around one in ten say they are now spending their savings to get by, and 13% say the pandemic has caused them to save less.

Financial worries

Half of Gen Xers yet to retire say they are worried they won't be able to live the lifestyle they want and 48% believe they will be worse off than their parents in retirement. At the same time, 11% (around 1.4 million) may be unaware of their financial futures, putting them at risk of sleepwalking into financial hardship in retirement.

Helping you prepare for retirement

We're here to offer financial advice and help reduce your risk of facing retirement without adequate financial provision.

⁵ILC UK, 2020

Dealing with divorce

With couples locked down together for months on end whilst juggling work and possibly home schooling, the past year has sadly put huge strain on many relationships.

With a post-lockdown divorce boom predicted by many family lawyers, it's tricky to know where to start regarding the division of finances.

On divorce, a couple need to decide how to fairly divide financial assets including their home, money in current and savings accounts, pensions and investments. They may be entitled to a portion of their ex-spouse's pension or a share in the sale of their property, for example. They may also have to make decisions about the value of maintenance payments to maintain their and their children's lifestyle. Heightened stress and reduced financial circumstances caused by the pandemic may make coming to an agreement more challenging. If they are unable to agree, they may still be able to settle out of court by hiring a trained mediator or collaborative lawyer. If not, they may have to ask a court to decide.

It's good to talk

We understand this is a challenging time and can help guide individuals through how to best invest the proceeds of a settlement, divide assets tax-efficiently, set up comprehensive protection cover and manage their post-divorce expenditure.

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

It is important to take professional advice before making any decision relating to your personal finances.

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