PROTECT & GROW

SPRING 2021 | ISSUE 06

THE ROAD TO SUCCESS

What does the post-pandemic return to normal look like?

ALSO INSIDE THIS ISSUE

TAXING TIMES ON THE HORIZON!
Are you protected against future Capital Gains Tax rises?

MORE OVER-55S FORCED TO DIP INTO PENSION POTS
Understanding the different ways you can use your pension money

WHY CASH MAY NOT BE KING
How much of your wealth do you currently hold in cash?

KINGSWOOD ACADEMY

ENTERING THE NEW GENERATION OF WEALTH MANAGERS

As a fledgling young professional, if you'd asked me, heading into my mid-thirties, if I would have planned on becoming a wealth manager, I'm sure you would have received a perplexed expression looking back at you. Something along the lines of the emoji with the straight-lined mouth with a raised eyebrow springs to mind!

Very attractive proposition

An industry that I had little knowledge about suddenly became a very attractive proposition. If I could describe the industry as I see it in a few words…

The information and guidance provided gives people an opportunity of assuring not only their own security, but that of their loved ones, by optimising the hard work they have put into their career and lifestyle.

Naturally, entering a new industry, I've done my research and the statistic that stood out to me was the average age of a wealth planner in the UK. The number 58 was quite surprising.

The keyboard warriors

We all know with the keyboard warriors making all the moves in today's society, surely a new wave of advisors had to be entering the industry? This landed me in the hands of Kingswood.

Kingswood is a fast-growing, multinational organisation looking to potentially change the stereotype. Being in the right place at the right time is a phrase that has not often been in my armoury, although on this occasion, I certainly feel I can apply it.

Two-year programme

Kingswood, going into 2021, had made the decision to build an academy. The academy would take people like myself, with 10-15 years of diverse working experience, and provide us with the ammunition to become a wealth planner. Easy you say??!

The scheme's foundation would be built on a two-year programme in order for the successful applicants, first and foremost, becoming qualified as a fully registered wealth planner. This does involve copious amounts of studying to become qualified as fully registered wealth planners. That's the nasty part. However, these are completey funded by the company, which then brings me on to the exciting part of the role.

Exciting wealth management

When entering a career, generally speaking you have a standard practice. Kingswood are doing things a little bit differently and this is what made the job such an attractive proposition.

Each trainee is being given an insight into every department of the company. A rotation programme has been installed to give us an 'all-area exposure' with each rotation ranging between 1-6 weeks. Mini-tasks will be given to us in each, so we can build connections, gain knowledge and, most importantly, understand the practices of how an exciting wealth management company works.

Moving up the ladder

In my first month I've recorded a YouTube video, delivered presentations to the board and am now even writing my first blog post. Doesn't sound very 'financey', you may say, but I want to think of this as a reflection of how Kingswood are doing things.

The next time I write to you all, I hope to have passed a few exams, made an impression on some of my newest rotation projects and started to move up the ladder in becoming a wealth planner at Kingswood.

See you all soon and wish me luck!

Daniel Segal
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WELCOME

WELCOME TO *Protect & Grow* Magazine Spring 2021 issue. Making provision for a secure future, be it for yourself, your family or your business, is one of the most important steps you will ever take.

Whatever your goals are along life's journey, we'll help you keep them within sight. You may want to protect your wealth, grow it or spend it in your lifetime.

At Kingswood we'll explore every aspect of your financial world, taking everything into account to create a financial plan that works for you.

In this issue, fledgling young professional Daniel Segal explains his journey to becoming one of the new generation of wealth managers.

Charlotte Cook, investment manager, is in the spotlight and tells us about her best investment decisions, her top three fund picks and a legendary dinner party!

We look at how, by taking action now, you could take advantage of any remaining reliefs, allowances and exemptions before the end of the 2020/21 tax year on 5 April.

Also inside this issue, with quantitative easing, or QE, being one of the major tools central banks have employed over the past decade, we consider what it is and why it's being used.

Each tax year, we are given an annual Individual Savings Account (ISA) allowance. To utilise your ISA allowance, you should do so before the deadline at midnight on Monday 5 April 2021.

While we hope volatility is less elevated this year, we look at why financial markets and the economy could still remain at the mercy of COVID-19 developments.

It is almost inevitable that taxes will have to rise to help meet the potential £391 billion bill the Government has racked up in supporting the British economy through the coronavirus (COVID-19) pandemic. But how and when?

The UK has seen a rise in the number of people accessing their pension pots or enquiring about doing so. We look at the reasons behind the increase and the implications.

Finally, the one paradox of the coronavirus (COVID-19) pandemic is that even as businesses have shut down and jobs have disappeared, some British households have, on average, been saving more money than they usually do.

Let Kingswood support your lifestyle goals

We'll help you identify where you are today and where you want to be, and what process to follow to create a plan that helps you achieve what matters most in your life. To find out more or to discuss how a comprehensive financial plan can support your lifestyle goals, please contact Kingswood – we look forward to hearing from you.

Paul Surguy – Head of Investment Management
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THE ROAD TO SUCCESS

WHAT DOES THE POST-PANDEMIC RETURN TO NORMAL LOOK LIKE?

It has been a tumultuous year. For the UK, the privations forced upon it by the economic and social restrictions necessitated by the pandemic have been exacerbated by the uncertainty caused by the new trading arrangements consequent on the country's exit from the European Union. While, for most countries, a post-pandemic return to normal will not see an exact re-establishment of the old order – in many areas, there will have been permanent changes to the old status quo – for the UK, it will be much more of a step into the unknown. Here, it has been impossible to separate the impact of the lockdown from the effects on the economy of Brexit. That our economy had a rougher year than others in 2020 seems confirmed by the GDP data. But is this because the nature of our economy leaves it more exposed to shocks or because, not far under the surface, Brexit was already having a debilitating impact even before the final withdrawal terms were hammered out? We cannot know.

Reorganisation and realignment

However, as the chains that have shackled the economy are loosened and removed, we will soon begin to understand the challenges that lie ahead. This will be true for individuals, businesses and government. That some reorganisation and realignment will be required is beyond doubt; the necessary extent will become manifest during the remainder of 2021 and into 2022. In determining what needs to be done, it is important that policymakers do not forget the situation pre-pandemic. It is tempting to think that all we need to do is, as near as we can, get back to where we were, albeit outside the EU's single market. But we must not forget that the decade following the global financial crisis was characterised by a sustained period of sub-normal growth. We still do not fully understand why.

Quantitative easing

Throughout the period, monetary policy appeared massively expansionary. Quantitative easing was not reversed (and continued in some areas) and interest rates remained exceptionally low. Did substandard economic performance persist despite this continued policy stimulus – a conclusion with implications difficult enough for central banks – or worse, was low growth the consequence of the low-interest rates regimes maintained almost universally in developed economies? The latter is clearly a much greater challenge to established economic wisdom. However, I am firmly of the view that by forcing the risk-free rates of return into negative territory in real terms, central banks created an era of lazy capital. They removed the challenge to companies to grow in order to produce returns sufficiently attractive for investors to take risk. Growth requires investment – currently, however, investors would prefer companies not to invest but to channel cashflow into dividends.

Western economies will not remain permanently moribund. It is ironic that for a while, the recovery from Covid-19 damage will itself provide the challenge that stimulates above-normal investment and growth. In the UK, the bar representing that challenge will be all the higher as companies face up to the new order of the post-Brexit world. What should policymakers be doing to facilitate this process? The important word here is 'facilitate'. Governments and central banks do not themselves produce growth. People and companies do that. But they do it in an environment that either encourages or discourages their activities.

Infrastructure growth

I would like to see government policies that are fully focussed on developing the growth infrastructure of the country; on helping the

> **IT HAS BEEN IMPOSSIBLE TO SEPARATE THE IMPACT OF THE LOCKDOWN FROM THE EFFECTS ON THE ECONOMY OF BREXIT.**

emergence of a high-valued-added economy. This starts with education, and fashioning a school, college and university system that cultivates in individuals the requisite skills and aspirations. A curriculum has to be developed that is interesting and relevant and that encourages attainment. Too many of our young people emerge from the educational system having already under-achieved and without the skills required to progress in the workplace. For so many of our young, the possibility of creating their own business is just too far over the horizon.

Simultaneously, the government must address the business infrastructure. In some respects, this may be as simple as developing the right road, rail and air networks. But it must go so much further; so much deeper. The government can create the environment for centres of excellence to develop. The speed, resilience and security of digital communications must be at the heart of this. Numerous government initiatives aimed at bringing high-speed broadband to 100% of the country have been allowed to fall by the wayside; and there are still many areas where mobile communications are patchy or non-existent (including in some major towns and cities). The UK must be able to encourage new start-ups and attract businesses from abroad with the promise that the communications network will be second to none.

New business formation

At the core of this must lie a deep understanding of what encourages new business formation – from start to finish and for large, small and micro businesses. This begins in our education system. It is not simply a matter of producing a workforce with the appropriate level of skills; as part of the curriculum, young people should be taught how to setup and run partnerships and small businesses. There should be agencies to help guide people through these processes and to help them source finance (in this context, central banks need to understand that it is most often not the price of money that is important, but the ability to access finance). We need a broad web of economic centres where it is straightforward to develop a site for a new business operation or to find appropriate office space. This requires a planning system that is fit for purpose. And we need a tax system that encourages research and development, investment and entrepreneurial activity. In other words, the government must be focused on lowering the barriers to growth with coherent, joined-up policies that seek first to unlock and then to maximise potential throughout society and throughout the economy.

Conclusion

The bottom line is that for the UK to be successful in meeting the challenges ahead (from whatever direction they may come), the government must change attitudes towards wealth creation and then cultivate a broad infrastructure within which this can thrive. The extent to which this is achieved will determine the extent to which the huge national debt currently being accumulated is a long-term burden or a medium-term annoyance.

Richard Jeffery
Investment Committee Chair

TAX SAVING OPPORTUNITIES

IT'S TIME TO IDENTIFY, PLAN FOR AND POTENTIALLY MITIGATE YOUR TAX BURDENS

The Government has spent hundreds of billions on measures to support businesses and jobs, and fight the coronavirus (COVID-19) pandemic. But how will it pay for these? We won't know the extent of the final bill until long after the crisis is over.

While the Chancellor of the Exchequer, Rishi Sunak, is looking to reduce the tax gap, there are nonetheless still opportunities to review your financial arrangements for saving tax throughout the tax year. Taking action now will give you the opportunity to take advantage of any remaining reliefs, allowances and exemptions before the end of the 2020/21 tax year on 5 April.

At the same time, you should be considering whether there are any planning opportunities that you need to consider either for this tax year or for your long-term future.

WHAT ARE MY TAX PLANNING GOALS?

- To reduce my current overall tax year liability
- Defer my current year's tax liability to future years, to increase availability of cash for investment, business or personal needs
- Reduce any potential future years' tax liabilities
- Maximise tax savings from allowable deductions
- Maximise tax savings by taking advantage of my available tax credits
- Maximise the amount of my wealth that stays in my family
- Minimise a potential Capital Gains Tax liability
- Minimise potential future estate taxes to maximise the amount left to my beneficiaries and/or charities (rather than the government)
- Maximise the amount of money I will have available to fund my children's or grandchildren's education, as well as my retirement plans

Five things to consider before the end of the tax year

The end of the current financial tax year is fast approaching, which means now is the time to review your finances and make sure that you've taken advantage of all of the tax planning opportunities available to you. We've listed five things to consider before the end of the tax year.

1. Maximise tax relief on your pension contributions by using all of your annual allowance

Pensions are one of the most tax-efficient ways to save for your longer-term future. The annual allowance for 2020/21 is £40,000, but you can also use surplus allowance from the previous three tax years. Your annual allowance may be restricted to a maximum of £4,000 where your total income plus pension contributions for the year exceeds £240,000, and your net income exceeds £200,000.

For every £80 paid in, your pension provider can claim another £20 in tax relief from the government, so that a £100 contribution actually costs you just £80. Then, if you are a higher rate (40%) or top rate (45%) taxpayer you can claim up to an additional £20 or £25 respectively, making the effective cost of a £100 contribution for you as little as £60 or £55.

There's a key difference in how higher and top rate taxpayers claim tax relief however. While 20% is reclaimed at source by your pension provider, which works for basic rate taxpayers, if you're on a higher or top rate the additional amount has to be reclaimed through a self-assessment tax return and will reduce your overall tax liability at the end of the year.

If you are an employee, an alternative to reclaiming the extra through a self-assessment return is to ask HM Revenue & Customs (HMRC) for your PAYE notice of coding to be adjusted. This way your tax relief is given through a new PAYE code that extends your basic rate band.

2. Take advantage of the Individual Savings Account (ISA) investment limit to generate tax-free income and capital gains

An ISA allows you to save or invest money in a tax-efficient way. An ISA is a tax-efficient savings or investment account that allows you to put your ISA allowance to work and maximise the potential returns you make on your money, by shielding it from Income Tax, tax on dividends and Capital Gains Tax. The maximum annual amount that can be invested in ISAs is £20,000 (2020/21). You can allocate the entire amount into a Cash ISA, a Stocks & Shares ISA, an Innovative Finance ISA, or any combination of the three.

3. Start planning ahead for a first property or retirement

A Lifetime ISA (LISA) is a dual-purpose ISA, designed to help those saving for a first home and retirement. If you are aged 18 to 39, you can open a Lifetime ISA and save up to £4,000 tax-efficiently each year up to and including the day before your 50th birthday. The government will pay a 25% bonus on your contributions, up to a maximum of £1,000 a year. Your Lifetime ISA allowance forms part of your overall £20,000 annual ISA allowance. You can withdraw your savings from age 60 onwards, if not used to buy a home before then. A penalty of 25% may be applied if you withdraw from your LISA for other purposes.

4. Contribute up to £9,000 into a child's Junior Individual Savings Account (JISA)

A Junior ISA is a long-term savings account set up by a parent or guardian with a Junior ISA provider, specifically for their child's future. Only the child can access the money, and only once they turn 18. There are two types available: a Cash Junior ISA and a Stocks & Shares Junior ISA.

The current annual subscription limit for Junior ISAs is up to £9,000 for the 2020/21 tax year. The fund builds up free of tax on investment income and capital gains until your child reaches 18, when the funds can either be withdrawn or rolled over into an adult ISA.

5. Plan your capital gains to make best use of any capital losses

The £12,300 (2020/21) allowance is a 'use it or lose it' allowance. You can't carry it forward to future years. But remember that each individual has their own allowance, so a married couple can potentially realise gains of £24,600 this tax year without incurring any tax liability. If appropriate, you could transfer assets between your spouse or registered civil partner tax-free, so it might make sense to consider transferring

THE £12,300 (2020/21) ALLOWANCE IS A 'USE IT OR LOSE IT' ALLOWANCE. YOU CAN'T CARRY IT FORWARD TO FUTURE YEARS.

holdings to a spouse in a lower tax bracket or one who hasn't used their allowance.

Gains and losses realised in the same tax year have to be offset against each other, and this will reduce the amount of gain that is subject to tax. If your losses exceed your gains, you could carry them forward to offset against gains in the future, provided you have registered those losses with HMRC.

DON'T DELAY AND LEAVE IT TO CHANCE

When it comes to tax, knowing how best to manage your finances can be a complex task. It's important that you get it right, not only because of the financial benefits, but because getting it wrong can have serious consequences for you. To discuss your situation, don't delay and leave it to chance. Contact us for more information.

TAX LAWS ARE SUBJECT TO CHANGE AND TAXATION WILL VARY DEPENDING ON INDIVIDUAL CIRCUMSTANCES.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

INVESTMENTS SHOULD BE CONSIDERED OVER THE LONGER TERM AND SHOULD FIT IN WITH YOUR OVERALL ATTITUDE TO RISK AND FINANCIAL CIRCUMSTANCES.

A PENSION IS A LONG-TERM INVESTMENT AND IS NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028).

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

“WHILE THE RECOVERY IS STILL GETTING GOING, THERE IS EVERY REASON TO AVOID A RETURN TO AUSTERITY.”

QUANTITATIVE EASING

THE MAGIC MONEY TREE

QE, or quantitative easing to give it its full name, has been one of the major tools central banks have employed to try and limit the damage wreaked on the global economy by the pandemic. It is a tool first used to any great extent back in the global financial crisis when interest rate cuts became increasingly ineffective as rates reached ever lower levels. This led central banks to increase the quantity of money circulating in the economy directly by QE rather than just cut the price of money by lowering interest rates.

How does QE work ?

Central banks buy up government bonds (and also corporate bonds nowadays), in the process boosting the money supply and injecting money into the markets. They buy bonds from private investors rather than from the Treasury so as to avoid the impression that they are funding government spending directly. But this is in part just smoke and mirrors.

How is QE supposed to work its magic? This is where it all gets a bit vague. Only recently, the Bank of England was criticised by its own watchdog for not really knowing how QE worked. Still, the basic idea is that QE pushes government bond yields down, driving investors to buy riskier assets such as equities and fuelling asset price inflation. This in turn should provide a boost to the economy, most obviously through wealth and confidence effects.

Has QE worked?

The QE programmes in the US, UK and Europe this time round have dwarfed those during the financial crisis – global QE is running at a $5trn annual pace – representing an unprecedented monetary stimulus. QE has effectively allowed governments to issue massive amounts of debt without driving up bond yields. Despite the highest budget deficits since WWII, government bond yields have fallen to record lows.

QE also helped stop the markets from seizing up last spring in the midst of the crisis and has been a major factor driving the sharp rebound in equity prices. It is all but impossible to disentangle the impact of QE per se but all this suggests it has provided significant support to the economy.

Is QE all good news?

No. For one, it may have boosted the economy overall but it will also have worsened existing inequalities as it primarily benefits the asset-rich. More importantly for markets at least, there are also worries about its long-term impact.

QE has fuelled a sharp increase in money supply, leading monetarists to predict this must herald a surge in inflation – too much money being the ultimate cause of all inflation. The financial crisis saw similar stark warnings but in the event inflation continued to fall. This time though, the risks are bigger as the QE is considerably larger, as is the fiscal stimulus.

There is another noteworthy difference to QE in the financial crisis. This time around, QE is in effect funding the payments being made directly to households by, for example, the furlough scheme. This means the money has a more direct route into the real economy, whereas in the financial crisis it became to a large extent trapped in the financial markets. The demand boost could therefore be that much greater if household confidence rebounds, increasing the inflationary risks.

Still, our view is that inflation is unlikely to pick up much above 2% over the next couple of years. Money growth may be pushing inflation higher but slack in the economies, along with forces such as innovation and the shift to online retail, will be pushing it lower. Also, while central banks have become more inflation tolerant, they are unlikely to tolerate more than a moderate overshoot of their 2% targets.

Could QE be addictive?

There is also the danger that markets have become addicted to QE and that it will be very difficult to wean them off without triggering a big sell-off. This is certainly a risk which has been highlighted by the sharp rise in bond yields in the last few weeks. Back in 2013, during the so-called Taper Tantrum when the Fed first talked of scaling back its QE, Treasury yields rose 1% in the space of three months although equities proved resilient.

The Fed, however, is very aware of this danger. It will proceed cautiously in reducing its bond purchases and is unlikely to start doing so until next year. All the same, with the current high equity valuations supported by the very low level of bond yields, this does pose a risk, albeit one more for next year than this year.

QE has also effectively allowed governments to run massive budget deficits, seemingly without any obvious constraint. The danger here is that QE proves addictive not just to investors but to governments. Indeed, the Bank of England is on track to own half of all conventional UK gilts by the end of the year. QE may encourage politicians to continue to run large deficits and accumulate excessive debt rather than start the painful process of cutting spending or raising taxes.

Near term, while the recovery is still getting going, there is every reason to avoid a return to austerity. Longer term, however, such inaction could take government debt up to debilitating levels and fuel a surge in inflation.

QE and MMT

All said and done, the long-term effects of QE are fraught with uncertainty and controversy. Advocates of Modern Monetary Theory would have us believe that the combination of QE and large deficits poses no problem. For us, it is somewhat akin to believing in a Magic Money Tree. Weaning governments, investors and economies off QE is likely to prove difficult – the only question is just how difficult?

Rupert Thompson
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> PUT YOUR 2020/21 ISA ALLOWANCE OF £20,000 INTO AN ISA BY 5 APRIL AND DON'T PAY TAX ON THE MONEY YOUR ISA MAKES

DON'T MISS THE ISA DEADLINE

SAVING AND INVESTING FOR A FUTURE THAT MATTERS. YOURS.

Each tax year, we are given an annual Individual Savings Account (ISA) allowance. This can build up quickly, letting you accumulate a substantial tax-efficient gain in the long-term.

The ISA limit for 2020/21 is £20,000. The proceeds are shielded from Income Tax, tax on dividends and Capital Gains Tax. To utilise your ISA allowance you should do so before the deadline at midnight on Monday 5 April 2021.

We've answered some typical questions we get asked about how best to use the ISA allowance to help make the most of the opportunities as this tax year draws to a close.

Q: CAN I HAVE MORE THAN ONE ISA?
A: You have a total tax-efficient allowance of £20,000 for this tax year. This means that the sum of money you invest across all your ISAs this tax year (Cash ISA, Stocks & Shares ISA, Innovative Finance ISA, or any combination of the three) cannot exceed £20,000.

Q: WHEN WILL I BE ABLE TO ACCESS THE MONEY I SAVE IN AN ISA?
A: You can take money out of your Cash ISA but how much, and how often, depends on which type of ISA you have. If your ISA is 'flexible', you can take out cash then put it back in during the same tax year without reducing your current year's allowance. Your provider can tell you if your ISA is flexible.

Stocks & Shares ISAs and Innovative Finance ISAs don't usually have a minimum commitment, which means you can take your money out at any point. That said, you should invest for at least five years. As such, if you're looking to use your money within the next few years, you should probably keep it in a Cash ISA.

There are different rules for taking your money out of a Lifetime ISA.

Q: CAN I TAKE ADVANTAGE OF A LIFETIME ISA?
A: You're able to open a Lifetime ISA if you're aged between 18 and 39. You can save up to £4,000 each tax year, every year until your 50th birthday. The government will pay an annual bonus of 25% (capped at £1,000 per year) on any contributions you make.

Q: WHAT IS AN INNOVATIVE FINANCE ISA?
A: An Innovative Finance ISA allows individuals to use some or all of their annual ISA allowance to lend funds through the Peer to Peer lending market. Peer to Peer lending allows individuals and companies to borrow money directly from lenders. Your capital and interest may be at risk in an Innovative Finance ISA and your investment is not covered under the Financial Services Compensation Scheme.

Q: WHAT IS A HELP TO BUY ISA?
A: A Help to Buy ISA is a government scheme designed to help you save for a mortgage deposit to buy a home. The scheme closed to new accounts at midnight on 30 November 2019. If you have already opened a Help to Buy ISA (or did so before 30 November 2019), you will be able to continue saving into your account until November 2029.

Q: I ALREADY HAVE ISAS WITH SEVERAL DIFFERENT PROVIDERS. CAN I COMBINE THEM?
A: Yes you can, and you won't lose the tax-efficient 'wrapper' status. Consolidating your ISAs may also substantially reduce your paperwork. We'll be happy to talk you through the advantages and disadvantages of doing it.

Q: CAN I TRANSFER MY EXISTING ISA?
A: Yes, you can transfer an existing ISA from one provider to another at any time as long as the product terms and conditions allow it. If you want to transfer money you've invested in an ISA during the current tax year, you must transfer all of it. For money you invested in previous years, you can choose to transfer all or part of your savings.

Q: WHAT HAPPENS TO MY ISA IF I DIE PREMATURELY?
A: If you die, the money and investments you hold in an ISA will be passed on to your beneficiaries. After your death, your ISA will retain its tax benefits until one of the following occurs: the administration of your estate is completed or the ISA is closed by your beneficiary.

STILL UNSURE WHAT'S RIGHT FOR YOU?
Tax-efficiency is a key consideration when investing because it can make such an enormous difference to your wealth and quality of life. If you want to understand more about our ISA options please contact us.

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.
THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.
PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

PRODUCT PROVIDER & KW GROUP DEADLINES FOR RECEIVING ISA'S AND OTHER TAX YEAR SENSITIVE CONTRIBUTIONS MAY PRECEDE THE TAX YEAR END, THIS IS TO ENSURE CONTRIBUTIONS ARE APPLIED DURING THE CORRECT TAX YEAR. FOR FURTHER ENQUIRES OR FURTHER INFORMATION PLEASE CONTACT KW AT YOUR EARLIEST OPPORTUNITY.

IN THE SPOTLIGHT

CHARLOTTE COOK, INVESTMENT MANAGER, TELLS US ABOUT HER BEST INVESTMENT DECISIONS, HER TOP THREE FUND PICKS AND A LEGENDARY DINNER PARTY!

Q: WHAT WAS IT THAT FIRST ATTRACTED YOU TO THE WORLD OF FINANCE?
A: Having studied business management at university, I knew I wanted to work in the industry. Completing a summer internship at Kleinwort Benson (now Kleinwort Hambros) offered me the opportunity to have exposure to different areas of the business. I found I could combine my interest in investments with anthropology by having daily interaction and building long-term relationships with clients.

Q: WHO IS YOUR INVESTMENT HERO OR SOMEONE YOU ADMIRE IN THE INDUSTRY?
A: Helena Morrissey. No doubt she has had an extensive career in finance, cumulating in her appointment as CEO of Newton Investment Management which, under her leadership, saw its AUM double. However, it has to be what she has given back to the industry that I find most admirable. From founding the 30% club in a push to increase female board representation, to her campaigning to promote diversity and young talent. All of this she has done while raising nine children.

Q: WHAT WERE YOUR FIRST, BEST AND WORST INVESTMENT DECISIONS?
A: My first and probably one of my best investments was to start putting money into my ISA as soon as I started earning, and it is something that I would advise everyone to do. Aside from my ISA, my best investment decision over the last few years has to be my regional bias towards the US, which has provided access to some transformational businesses with phenomenal success. And my worst, a horse. It cost a lot more to keep than expected and didn't sell for as much as you would think. On the plus side, it taught me hard work and kept me out of trouble for most of my teens.

Q: WHAT ADVICE WOULD YOU GIVE TO YOUNG TALENT WHO WANT TO ENTER THE INDUSTRY?
A: If you can, try to get some sort of work experience or an internship which will offer you exposure to a number of areas within a business. This also allows you to get your name known within a firm, rather than crossing their desk as one of hundreds of CVs when applying for a role. From here, get your head down and learn as much as you can, remembering that you never stop learning. You also want to work towards your professional exams.

Q: IN WHAT WAY IS BEING OF A YOUNGER GENERATION AN ADVANTAGE IN YOUR ROLE?
A: Like many of my generation, I have a desire to leave the planet in a better place than we found it, and it's from this mindset that we can offer an alternative view when it comes to sustainable investing. Combining financial gain for our clients while providing a positive impact on our communities and planet is key. I would also say as a generation we have the advantage of growing up with technology; however, my IT skills leave much to be desired.

TOP THREE FUND PICKS?
- Smith & Williamson Artificial Intelligence
- Brown Advisory US Sustainable Growth
- BlackRock Sustainable Energy

Q: WHAT IS YOUR PERFECT TEA/BISCUIT COMBINATION?
A: Builder's tea, a dash of milk (almond) and no sugar, with a digestive. Sounds simple but you can't beat it.

Q: IF YOU WERE MAROONED ON A DESERT ISLAND. WHAT ONE BOOK, ONE ALBUM AND ONE PRACTICAL ITEM WOULD YOU CHOOSE?
A: *Where the Crawdads Sing* by Delia Owens, the best book to come out of lockdown. Chef soundtrack and a fishing rod. I'd like to think that with the free time I could learn a new activity.

Q:WHAT THREE PEOPLE (DEAD OR ALIVE) WOULD YOU INVITE TO A DINNER PARTY? AND WHAT DO YOU COOK?
A: David Attenborough, Coco Chanel and Michelle Obama. You can't beat a Sunday roast: lamb, of course.

WEALTH NEEDS MANAGING – NOW MORE THAN EVER

ACHIEVING YOUR FINANCIAL GOALS THROUGH INVESTING, AND ONE SIZE DOES NOT FIT ALL

Even as we hope to put the coronavirus (COVID-19) pandemic in the rearview mirror in 2021, uncertainty regarding both the virus and Brexit is likely to continue to weigh on the UK and global economies as well as on our personal finances during this year.

While we hope volatility is less elevated this year, financial markets and the economy could still remain at the mercy of COVID-19 developments.

Setting specific investment goals is key

Understandably investment volatility can make it easy to focus on the short term and those temporary peaks and troughs. Setting your specific investment goals is important to keep you focused when you need it and will enable you to build a portfolio to get you where you want to be. Investment strategies should include a combination of various investment and fund types in order to obtain a balanced approach to risk and return. Maintaining a balanced approach is usually key to the chances of achieving your investment goals, while bearing in mind that at some point you will want access to your money.

Market factors that determine volatility

Market volatility can be nerve-racking, even for the most seasoned investors. Many different factors can impact market volatility, sending values of investments in either direction. Some of the most common factors that determine the volatility of the market include investor concern, political events, natural disasters and major events in foreign markets. But it's important to keep matters in perspective. Avoid making rash decisions and focus on your long-term goals. Keep investing as you normally would. Also don't attempt to pick the market bottom or the turnaround to jump in. Fight the impulse to think you can.

Riding out the market ups and downs

Investments don't always go in a straight line – they have the potential to react and recover from short-term market events. Rather than looking at short-term volatility, it pays to look at the bigger picture. Over the long term, investments will usually deliver returns that allow you to grow your wealth. Looking at a twelve-month snapshot of your investment portfolio may show that investments have underperformed but look back over the last five or ten years, and you'll hopefully be on track.

Tolerance for risk

One of the first steps in developing an investment strategy is to identify your tolerance for risk as an investor, referred to as your 'risk profile'. Every investor has a different risk tolerance with regard to their investment selections. Making investment decisions can depend on your personality as well as the goals you are investing towards. Weighing up the level of risk you're willing to be exposed to can be challenging. Whether you're reviewing your pension or building a personal investment portfolio, balancing risk is a crucial part of the process.

Well-allocated investment portfolio asset classes

During volatile times, asset classes such as stocks tend to fluctuate more, while lower-risk assets such as bonds or cash tend to be more stable. By allocating your investments among these different asset classes, you can help smooth out the short-term ups and downs. Portfolio diversification may reduce the amount of volatility you experience by simultaneously spreading market risk across many different asset classes. By investing in several asset classes, you may improve your chances of participating in market gains and lessen the impact of poorly performing asset categories on your overall portfolio returns.

Diversification to protect and grow investments

Diversify, diversify, diversify – in other words, 'don't put all your eggs in one basket' – is sage investing advice. In addition to diversifying your portfolio by asset class, you should also diversify by sector, size (market cap) and style (for example, growth versus value). Why? Because different sectors, sizes and styles take turns outperforming one another. By diversifying your holdings according to these parameters, you can smooth out short-term performance fluctuations and mitigate the impact of shifting economic conditions on your portfolio.

TIME TO REACH YOUR FINANCIAL GOALS?

There's always a purpose behind financial investments. What's yours? For many of us, building a nest egg feels like a natural thing to do. Perhaps it's performance. Or preserving your wealth for the next generation. Or maybe you want your investments to reflect your values. What's important is that you understand your situation and your financial goals. To discuss accessible ways of investing that could help you make your money work harder, please contact us.

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INVESTMENTS SHOULD BE CONSIDERED OVER THE LONGER TERM AND SHOULD FIT IN WITH YOUR OVERALL ATTITUDE TO RISK AND FINANCIAL CIRCUMSTANCES.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

TAXING TIMES ON THE HORIZON!

ARE YOU PROTECTED AGAINST FUTURE CAPITAL GAINS TAX RISES?

It is almost inevitable that taxes will have to rise to help meet the potential £391 billion bill the Government has racked up in supporting the British economy through the coronavirus (COVID-19) pandemic. The Office of Tax Simplification (OTS) published a report[1] in November 2020 outlining the policy design and principles underpinning Capital Gains Tax (CGT).

The OTS acknowledged the consultation has been produced in a shorter timeframe and this hints that change to CGT will be on the cards as the Government looks to counteract the escalating deficit caused by the COVID-19 pandemic.

> **97% OF CAPITAL GAINS TAX REVENUE IS PAID BY OVER 35S, WITH MOST PEOPLE CAUGHT BY THE TAX IN THEIR 50S AND 60S**

Raising revenues

In July 2020, the Chancellor of the Exchequer, Rishi Sunak, asked the OTS to carry out a review of CGT. Mr Sunak asked for a review of its use in 'the acquisition and disposal of property' and 'the practical operation of principal private residence relief'. This suggests that reform could be on the cards.

Above an annual exemption of £12,300 (2020/21), CGT is charged on gains at 10% for basic rate taxpayers and 20% for higher and additional rate taxpayers. This rises to 18% and 28% respectively where the gains relate to residential property. Income Tax is charged at a basic rate of 20%, rising to 40% and 45% for higher and additional rate taxpayers.

According to the OTS, 97% of CGT tax revenue is paid by over 35s, with most people caught by the tax in their 50s and 60s. It means that raising additional revenues can be positioned as a tax on those with the broadest shoulders.

CONDITIONS ASSOCIATED WITH CAPITAL GAINS TAX INCLUDE THE FOLLOWING:

- You can carry forward losses from previous years
- Capital Gains Tax arises on disposal of an asset – normally on sale, but gifts, insurance claims or compensation for losses can be chargeable disposals
- The value of the gain is normally the amount you receive, but gifts and certain sales may be valued at the open market value
- Capital Gains Tax is not normally payable on death

Reforms package

The OTS has suggested a package of reforms, some of which are tweaks around the edges that will be relatively quick wins and some which will cause a bit of a stir. The prospect of bringing CGT in line with Income Tax has been touted for some time and so that is relatively unsurprising, although it would lead to a significant rise in tax paid by those subject to CGT.

Other proposals, such as scrapping CGT uplift on death, have far-reaching consequences and need to be considered carefully. CGT uplift means that CGT is overlooked when an individual dies and they hold taxable assets that have gone up in value. This is because when the assets are transferred to someone else, normally a spouse or family member, they are 're-set' for CGT purposes. Instead, the assets may be subject to Inheritance Tax.

Annual exemption

The OTS also suggest lowering the annual exempt amount. Their view is that while small gains should still be exempt in order to avoid administrative hassle for the sake of a minor tax bill, the current allowance results in too many profits being tax-free.

It seems highly likely that changes are on the horizon. And while it is not suitable for everyone to change their financial plans because of mere policy speculation, it is worthwhile reviewing in light of what will inevitably be a harsher tax environment.

NEED GUIDANCE ON THE IMPLEMENTATION OF PROACTIVE PLANNING AND MITIGATION?

Tax-wrapped pensions and Individual Savings Accounts (ISAs) are just two solutions that are safe from CGT. It is important to fully utilise any unused allowances available and forward planning could help mitigate the tax burden of legislative changes, even if they cannot be eliminated. Speaking to us will give you the best opportunity to utilise these opportunities.

Source data:

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/935073/Capital_Gains_Tax_stage_1_report_-_Nov_2020_-_web_copy.pdf

LEVELS, BASES OF AND RELIEFS FROM TAXATION MAY BE SUBJECT TO CHANGES, AND THEIR VALUE DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF THE INVESTOR.

MORE OVER-55S FORCED TO DIP INTO PENSION POTS

UNDERSTANDING THE DIFFERENT WAYS YOU CAN USE YOUR PENSION MONEY

The UK has seen a rise in the number of people accessing their pension pots or enquiring about doing so. People accessing their pension as a flexible income has increased by 56%[1] according to research since the first lockdown last year. The increase is due to people withdrawing after holding off when stock markets were volatile.

An increasing number of pension savers have started to withdraw funds after many pressed pause at the start of the coronavirus (COVID-19) pandemic. The number of people taking only a tax-free lump sum has increased by 55%. Worryingly, the number of people withdrawing all of their pension in one lump sum increased by 94%.

Complex tax rules around pension withdrawals

Once you reach age 55 you can now access your pension pot. You can take some or all of it, to use as you need, or leave it so that it has the potential to continue to grow. In September last year the Government confirmed it would legislate to enact proposals to increase the minimum access age from 55 to 57 in 2028[2].

Due to COVID-19, many people's incomes have been significantly reduced and so taking money out of their pension pot seemed like a quick cash-flow solution. But there are complex tax rules around pension withdrawals so people should be aware of the potential consequences.

Needing money after a change in circumstances

While a tax-free lump sum can be withdrawn from a pension without incurring any tax liability, any balance withdrawn is subject to income tax. The number of people buying a guaranteed income for life (annuity) increased by 41%.

The increase in withdrawals is due to a combination of factors, including some people returning to withdraw after pausing earlier last year due to stock market volatility and some people needing the money after a change in circumstances.

Factors weighing on pension savers' minds

Data from August and September last year showed withdrawal levels got closer to levels seen in 2019 but many pension savers still resisted the urge to access their pension pots in the face of continued financial uncertainty. When you take your pension, some will be tax-free but the rest will be taxed. You need to be aware that tax depends on your circumstances, which can change in the future.

Stock market volatility, coronavirus (COVID-19) and employment prospects are just some of the factors weighing on pension savers' minds when considering taking money out of their pension pot. Everyone is different and it is important to find the right solution for your circumstances.

TOP 5 THINGS TO CONSIDER BEFORE WITHDRAWING MONEY FROM YOUR PENSION

- **Pensions freedoms:** Familiarise yourself with the pensions freedoms so you are aware of your options. You can now do a lot more with your pension pot than previously. Everyone is different and it is important to find the right solution for your circumstances. What risks are you willing to take?

- **Saving requirements:** Consider the amount of money you will need each month to maintain your lifestyle. Ask yourself: How much might I need? How much might I get? Do I still have a mortgage to pay off? What other sources of income do I have, and do I need my pension to keep up with inflation? Could I consider working for longer? Do I want to have annual holidays?

- **Costs later in retirement:** Think about costs later in your retirement. What will your living costs be in the future? Care needs are not a subject we are comfortable thinking about but it is important to have conversations about it with your family, as well as Powers of Attorney, Wills and inheritance.

- **Health and life expectancy:** We often vastly underestimate this, but evidence shows we are mostly living longer, with a growing variation in healthy life expectancy. If you have a partner, do you need to provide for them financially after you die, or are you relying on them?

- **Time to talk to us?:** Few of us may expect to give up work altogether in our 50s. But a growing number of us are dipping into our pension before retirement age. Before we get into the different ways you could withdraw money, there are some more general things to think about first. Try asking yourself the following questions: How long will I need my money to last? How long do I want to keep working? How much tax might I pay? Could my health and lifestyle affect what I get? How much do I want to leave behind?

GUIDANCE TO ENABLE YOU TO MAKE AN INFORMED DECISION

Whether you have plans to retire completely or want to scale down your work hours, there are now more options than ever to choose from when thinking about making your savings work for you. If you are considering accessing your pension it is essential that you receive professional financial guidance to enable you to make an informed decision. If you get it wrong you could end up with a large tax bill. To discuss your situation – we're here to help you.

Source data:

[1] https://www.abi.org.uk/news/news-articles/2020/11/big-jump-in-pension-savers-accessing-pots-after-pressing-pause-in-the-first-lockdown/

[2] https://questions-statements.parliament.uk/written-questions/detail/2020-08-28/81494

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

WHY CASH MAY **NOT BE KING**

HOW MUCH OF YOUR WEALTH DO YOU CURRENTLY HOLD IN CASH?

One paradox of the coronavirus (COVID-19) pandemic is that even as businesses have shut down and jobs have disappeared, some British households have on average been saving more money than they usually do, due to lower spending, according to new research[1].

But the choice between holding large amounts of cash long-term in a savings account versus investing could have a big impact on your future wealth. Prior to the COVID-19 outbreak, data also highlighted the fact that a considerable number of people already had substantial amounts of money in cash, including those with £250k or more in investable assets.

More money to invest than usual

The research reveals that 18% of those with £250k or more in investable assets have 40-60% of these assets in cash, or at least £100k. This group have also benefitted from the lockdown as 35.5% have said they have more money to invest than usual.

During periods of stock market volatility, which we've seen over the past year, it's totally understandable that cash feels safe, and can be looked upon as a security blanket of sorts. But in the long run, it can do more harm than good to your financial wellbeing.

Below the rate of inflation

By leaving large amounts of money sitting in cash you could be losing out on substantial returns over the long run. The rates of return on cash accounts are extremely low and have plummeted further still since the COVID-19 outbreak, with the average currently below the rate of inflation.

The research also reveals this group are aware of the opportunities, as 42%, the largest of any wealth group, think there are good opportunities in the current market. Indeed, 29% would like to move their cash to investment but don't know what to do, and 37% plan to be more active with their investments overall.

Long-term return for specific goals

Every investor needs a cash buffer in case of emergencies, but too much can negatively impact on returns. A good rule of thumb is to save six months of your salary in cash and then invest in a spread of different assets that can deliver a long-term return for your specific goals.

It's important to do this in the most tax-efficient way, by making sure you fully utilise your allowances, including the Individual Savings Account (ISA) allowance and the pension allowance.

Purchasing power over time

You might choose to invest because you are looking to achieve potentially higher returns on your money than you might get from holding cash and are comfortable with the idea of setting your money aside for the long term (at least five years or more).

Whether you're concerned that you'll lose your money or just don't know where to begin investing, it's common for some people to hold large cash balances in deposit accounts, especially in times of market uncertainty. But historically cash has not been a good store of value for individuals due to the corrosive nature of inflation eating into its purchasing power over time.

Well-structured and well-diversified portfolio

This is particularly acute in the current environment where deposit rates on cash are low and in the event inflation starts to accelerate. If you have excess cash balances you should consider how to protect and grow your capital to meet your specific needs.

Investing does, of course, carry its own risks but a well-structured and well-diversified portfolio, tailored to an individual's requirements and managed sensibly, ought to protect capital from inflation and the decline in purchasing power over time. Diversifying your investment portfolio is one of the best ways to reduce risk, and thus promote growth.

UNDERSTANDING YOUR NEEDS

It's understandable that people might choose to hold large sums in cash. However, cash does lose value and this is particularly true in the current low-interest climate. If you'd like to talk about the balance of your assets, please contact us. We look forward to hearing from you.

Source data:

[1] Quilter research of 2,005 UK adults aged 40+ carried out by Toluna. According to ONS figures over-40s hold 90% of the UK's savings.

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