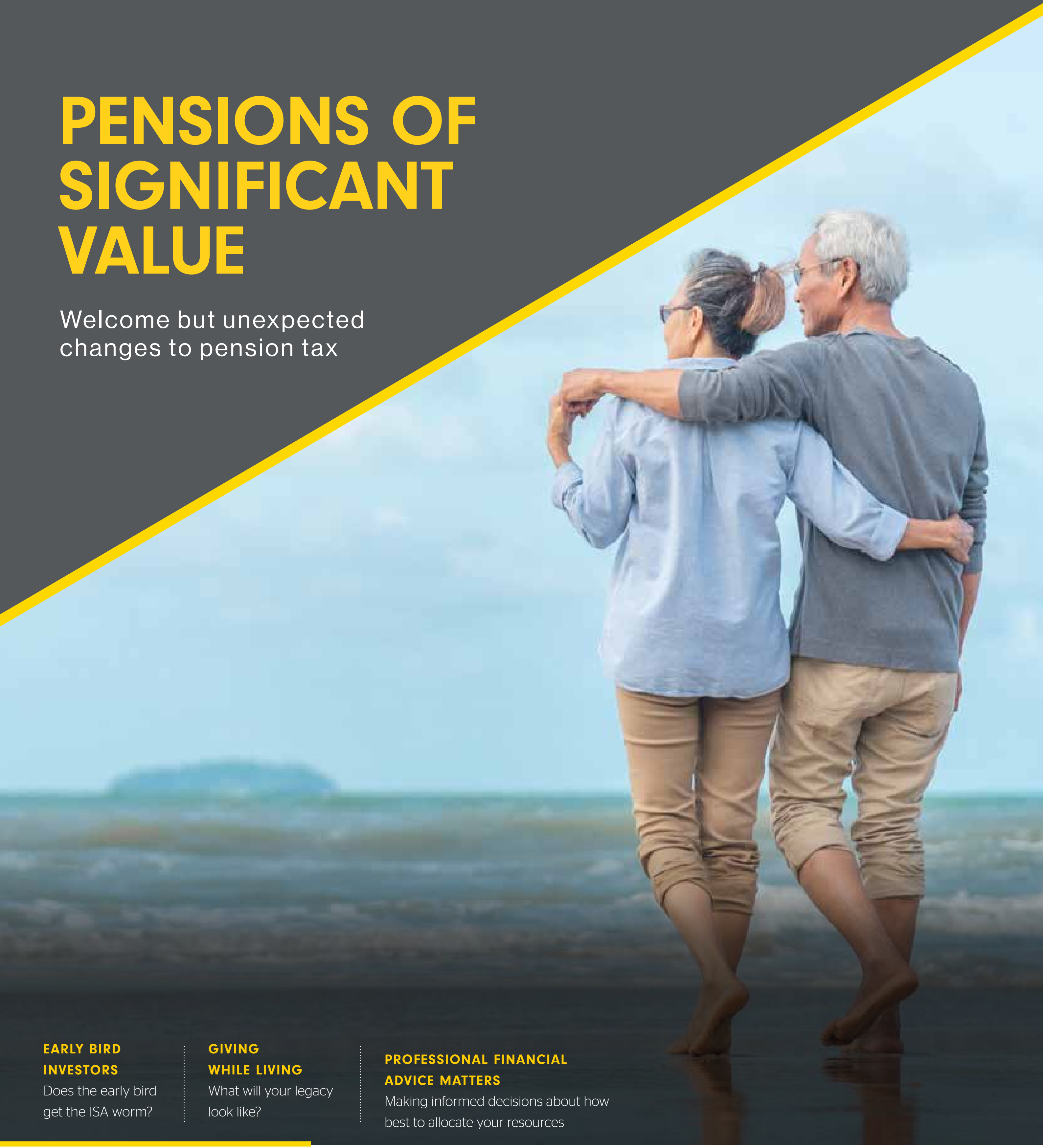
ONE FOUR NINE WEALTH

MAY/JUNE 2023 | ISSUE 05

PENSIONS OF SIGNIFICANT VALUE

Welcome but unexpected changes to pension tax



EARLY BIRD INVESTORS
Does the early bird get the ISA worm?

GIVING WHILE LIVING
What will your legacy look like?

PROFESSIONAL FINANCIAL ADVICE MATTERS
Making informed decisions about how best to allocate your resources

One Four Nine Wealth Limited

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Welcome to One Four Nine Wealth.

Since the last issue of One Four Nine Wealth, several changes have taken place. The Spring Equinox has occurred and officially British Summertime has begun, bringing us longer, brighter days. Just as important was the delivery of the Spring Budget 2023 by the Chancellor and that we've entered a new financial year.

Lots of work goes into preparing for the end of the tax year and once it's completed, we all take a big sigh of relief. With the temperature rising and with an additional bank holiday for the King's coronation, we may be considering taking some well-earned time off. Yet with some of the changes announced in the Spring Budget 2023 we should consider the impacts they may have as soon as we can, especially the abolition of the pension Lifetime Allowance (LTA). Not to mention, it's worth considering investing your Individual Savings Accounts (ISA) allowance as soon as possible in this new tax year. It helps protect you from taxes and means your investment has more time to grow in the market.

One Four Nine Wealth focuses on topics like these to help each and every client in One Four Nine Group, be that of Charter Financial Planning; Rice Whatmough Crozier; Total Wealth Planning; APC Financial Solutions; Russell Gibson Financial Management, HFL Financial Advisers or McCrea Financial Services. Please do get in touch with your local investment, financial advisory or planning team – they are on hand and happy to help, guide and advise.

INSIDE THIS ISSUE

Alongside articles on the changes that will affect retirement savings and about maximising your ISA returns, we also have statistics from a recent study that shows UK consumers who receive professional financial advice can expect to retire on average three years earlier than those who do not. You'll also find an article about Dr Bevan Blair (One Four Nine's Chief Investment Officer), who explains how looking into the past helps to mitigate what could happen in the future. It's been five years since the introduction and implementation of the UK's General Data Protection Regulations (GDPR). Barry Strathearn (Chief Compliance Officer, One Four Nine) reminds us all why GDPR was necessary and its continued importance to protect everyone's data.

We hope you enjoy reading *One Four Nine Wealth*.

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READY TO DISCUSS SAFEGUARDING AND EXPANDING YOUR WEALTH TO PROVIDE YOU WITH FINANCIAL STABILITY?

Our primary goal is to safeguard and expand your wealth to provide you with financial stability in the present as well as in the future. We understand that our clients have unique goals, visions and timeframes, which is why we offer personalised services to meet their individual needs. If you would like to discuss your plans or want to arrange an appointment, please contact your local team.

CONTENTS

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 MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

STATE PENSION

HOW MUCH HAS THE 2023/24 STATE PENSION INCREASED BY?

If you are a UK resident planning for your retirement, it's important to be aware of the State Pension changes that have taken effect in the new tax year. From April, the amount you can now receive as part of the UK State Pension has risen, which will be welcome news to those who have retired or are nearing retirement age.

Knowing what to expect from your future State Pension, and when you can expect to start receiving it, is an essential part of planning for retirement. This may involve making contributions to the National Insurance scheme, which can provide additional entitlements on top of the basic State Pension.

Unlike a private pension, the State Pension is a four-weekly payment made by the government to people who have reached the qualifying age and have paid enough National Insurance contributions.

In November last year, the government confirmed that the State Pension would increase by 10.1% – in line with September's Consumer Prices Index (CPI) measure of inflation.

From April 2023, payments are:

- £203.85 a week (up from £185.15) for the full, new flat-rate State Pension (for those who reached State Pension age after April 2016)
- £156.20 a week (up from £141.85) for the full, old basic State Pension (for those who reached State Pension age before April 2016)

HOW IS THE STATE PENSION AGE CHANGING?

In addition to the increase in the pension amount, there are also changes being considered to the State Pension age. This means that the age at which you can start receiving your pension may be adjusted in line with life expectancy changes.

The government says 12.4 million people currently receive the State Pension. Men and women born between 6 October 1954 and 5 April 1960 start receiving theirs at the age of 66.

But for people born after this date, the State Pension age is gradually increasing to 67 by 2028 and 68 by 2046. At a cost of £105 billion, the StatePension accounts for just under half the total amount the government spends on benefits.

WANT TO EXPLORE YOUR OPTIONS FOR RETIREMENT SAVINGS?

The key to successful retirement planning is to start early and stay informed. By keeping up to date with State Pension changes and exploring your options for retirement savings, you can help ensure a financially stable and comfortable retirement. To get your retirement plans in motion, talk to us about your finances. We look forward to hearing from you.

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YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

EARLY BIRD INVESTORS

DOES THE EARLY BIRD GET THE ISA WORM?

If you're an investor looking to maximise your Individual Savings Accounts (ISA) returns, it's worth considering investing your ISA allowance as soon as possible each year, as soon as it becomes available on 6 April. Not only will this help ensure that your money is protected from taxes right off the bat, but it also means that your investment has more time to grow in the market. This can result in a bigger ISA pot in the long run.

Of course, this strategy may not be right for everyone, and there are risks to investing in the market. It's important to carefully consider your investment goals, risk tolerance and overall financial situation before making any investment decisions. However, for many investors, investing their ISA allowance early on can be a smart move that pays off over time.

HIGHLY EFFICIENT WAY TO PROTECT INVESTMENTS FROM TAX

An Individual Savings Account (ISA) is a highly tax-efficient way for people to protect their investments from tax. In the 2022/23 tax year, everyone in the UK had an annual Capital Gains allowance of £12,300, which was reduced to £6,000 in the Autumn Statement on 17 November 2022. This will reduce further to £3,000 from April 2024.

However, when you invest into an ISA, you can enjoy tax-efficient returns and don't need to declare any interest from an ISA or any income or capital gains made from it when completing your annual tax return.

MAKE SURE YOU USE YOUR FULL ISA ALLOWANCE

The maximum amount that can be invested into an ISA in the 2023/24 tax year is £20,000. This allowance hasn't changed since April 2017 when it was increased from £15,240 and is higher than the £7,000 maximum allowance offered in 2008. However, any unused allowance will not carry over to the next tax year, meaning that it's essential to make sure you use your full ISA allowance during the current tax year if possible.

Investing early can certainly offer many benefits, including an extra year of tax-sheltered growth. However, it's important to be aware that investing outside of an ISA can come with tax risks. The halving of the dividend tax allowance this tax year means that you may end up paying tax on dividends earlier in the year if you hold investments outside of an ISA.

TAKE ADVANTAGE OF POUND COST AVERAGING

Starting an ISA early in the tax year provides many benefits when investing, particularly when it comes to setting up regular monthly payments into a Stocks & Shares ISA. By doing so, you can take advantage of pound cost averaging, which is a process of drip-feeding money into an investment over time in order to reduce the impact of market ups and downs.

The idea behind pound cost averaging is that when you invest a fixed sum every month, you'll buy more units when an investment's price falls, which can provide the potential for greater profits if they then rise.

ESTABLISHING A REGULAR INVESTMENT PLAN EARLY ON

Of course, the opposite can also be true – if prices rise, you'll buy less. However, over time, pound cost averaging can help to smooth out the ups and downs in an investment's value, reducing the risk of dramatic swings in your portfolio.

By establishing a regular investment plan early on, you'll also be able to take advantage of the full tax year for your investments, allowing you to spread your investments across the entire year. This can help to reduce the risk of investing all of your money at a time when the market may be overvalued.

GOOD NEWS IS THAT YOU CAN TRANSFER YOUR ISA

Transferring an existing ISA could also be a practical option if you're looking for a more competitive deal or want to consolidate your investments. The good news is that you can transfer your ISA at any point during the tax year, but it's essential to take note of some things before you do.

For instance, you need to transfer the whole ISA, so you cannot partially transfer your existing Stocks & Shares ISA for the current tax year. It's wise to check with your current provider if they impose fees for transferring out. Taking this step can help you avoid unnecessary costs and ensure that you get the most out of your investment.

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CONSISTENTLY MAX OUT YOUR ISA ALLOWANCE EACH YEAR

The old adage holds true when it comes to investing: time in the market is more important than timing the market. This means that the longer your money is invested, the more time it has to grow and potentially compound over time.

Investing in an ISA can be a great way to grow your savings pot beyond the limits of a tax-efficient allowance. It's important to consistently max out your ISA allowance each year, if affordable, and enjoy generous investment returns. Even if you don't have a large lump sum to invest, you can still benefit from regular, small contributions from the beginning of the new tax year. So start saving and investing today and see how far you can go!

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READY TO PUT YOUR 2023/24 ISA ALLOWANCE TO WORK NOW?

If you're considering using your ISA allowance this year, don't wait until the last minute. Invest early and give yourself the best chance of maximising your returns. Whatever your investment goals, we'll help you to grow your wealth in a way that's right for you. So why wait? Let us help you make the most of your ISA allowance today. To find out more please contact your local team.

THIS ARTICLE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, SO YOU COULD GET BACK LESS THAN YOU INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

MODELLING MARKET VOLATILITY

HOW LOOKING INTO THE PAST HELPS TO MITIGATE WHAT COULD HAPPEN IN THE FUTURE

Dr Bevan Blair *provides his own take on why his love of statistics took him on a road of predictable volatility.*

///MY DAD TOLD ME THAT IF ANYONE EVER PULLED A GUN ON ME I SHOULD START REELING OFF STATISTICS. APPARENTLY THERE'S SAFETY IN NUMBERS.

It was back in 2018 by pure coincidence that I bumped into an ex-colleague of mine, Matthew Bugden. After exchanging pleasantries, we decided we should have a 'proper' catch up, and three weeks later he explained to me the One Four Nine project.

Needing someone to create an investment management philosophy and build out the entire process, I had been presented with an attractive opportunity to bring my own investment style to a UK-based financial advice group. It would give me the chance to work closely with financial advisers to deliver the unique investment philosophy directly to clients.

I joined One Four Nine in October 2019 and I'd like to take this chance now to explain why and how I have come to manage money in the way I do.

DEEP IN THE LAND OF NEW ZEALAND

For nearly half of my life I've lived in the UK but I'm a born and bred New Zealander. I grew up in Wellington and in a country that has vast imposing mountain ranges and open spaces it's unsurprising I, like most Kiwis, love the outdoors. To embrace the true wilderness of my homeland I was part of a local scout troop and then at university a member of the Victoria University of Wellington Tramping Club (VUWTC) where I spent many happy expeditions in the hills, weeks at a time, navigating by maps, compass, sun and the stars. Skills many people have lost because of advances in technology but also our overreliance on it because it makes a job slightly easier. Something I'm sure we're all guilty of. I'm proud to say, though, that I kept to my roots and since being in the UK I am very involved in my local scout troop as a leader.

I have two true passions, politics and cricket. Cricket was my first calling, having played for my school and local club Kilbirnie in Wellington back in the 80's as a natural number seven and off spin bowler – more flight than spin. It's also the reason for the direction of my academic education and subsequent career within investment management.

Nowadays I'm more of a follower of the game than even a watcher but, as a kid, playing the game was only half the fun of it. I'm a self-confessed geek as I'm utterly fascinated with statistics and cricket provides an abundance of excellent statistics that can be analysed to the nth degree. I used to spend endless hours simulating cricket matches with dice, a truly randomly generated simulation, but that is a story for another time!

I can't recall whether it was my captivation with cricket statistics that helped me enjoy and always do very well at mathematics or whether I just had a natural affinity with mathematics and then was captivated by cricket statistics. Whichever it was, I knew the direction I wanted to pursue through my education. As I got older, like many of us, you start to become a bit more interested in the wider world and everyday politics that govern life. Politics is full of statistics and polls, and I would count myself now as an amateur psephologist, someone that analyses election data and tries to interpret voting trends. I get very excited come election time, not because of the theatre of elections, but because of the wealth of polling data!

THE WORLD IS CHANGED

With my intrigue in statistics and politics soaring, the 80s surely fed my addiction. New Zealand went through a very quick and painful economic revolution that fueled a stock market bubble that was so impressive it even put London's big bang to shame. The key year though, as some will still remember, was 1987. The infamous Black

///BAD THINGS HAPPEN IN FINANCIAL MARKETS MORE OFTEN THAN A MODEL PREDICTS AND WHAT HUMANS EXPECT.

Monday (Tuesday in NZ!) crash.

For many people in the UK, the year 1987 is synonymous with Michael Fish and his incredibly bad call on the weather, denying the extremities that were on their way. Mere hours after his statement, the Great Storm hit and devastated the UK. For me, Black Monday for the markets was extraordinary. Overnight a quarter of the value of the New Zealand Stock Exchange (NZSE) was wiped out. It would be over two years before it began to recover and to this day it has never got back to those peaks. A permanent loss of capital fueled by an excess of copious leverage.

Trying to wrap my head around how something like this could happen, I felt I needed to drill down further academically and so took my next step studying a bachelor's degree in Statistics and Operations Research at Victoria University. Later, I moved on to a master's degree, focusing my attention on financial data and specifically the volatility of equity markets.

WHEN CHANCE CAME

Through my lecturers Peter Thompson and Lew Evans I was introduced to the concept of 'Time Series Statistics' that attempts to model and forecast data through time. In 1994 I began applying what I had studied to the New Zealand markets and studied volatility models. I had a rare opportunity to listen to one of the leading researchers in estimating and forecasting volatility, Professor Steven Taylor, whose research on implied probability distributions from option prices are used by the Bank of England to this day. He was on a sabbatical from Lancaster University and was talking about his book (that I owned) 'Modelling Financial Time Series' (1986). Realising this was a once in a lifetime opportunity, I emailed Professor Taylor and over a few months built up a good rapport with him. Explaining that I wanted to do a PhD in accounting and finance, but had no funding, Professor Taylor clearly saw my potential or took pity on me. Miraculously, it worked!

Lancaster University offered me a scholarship where Professor Taylor and Ser-Huang Poon were my two supervisors. I moved over to the UK, completed my PhD and over the course of the next four years published three papers around equity market volatility that have been cited in over 1,000 journals worldwide whilst I have also lectured to students on the topic. My publications have earnt me an Erdos Number of 6 via Ser-Huang Poon (Erdos 5), whom I published with and the Nobel Laureate in Economics, Clive Grainger (Erdos 4), whom she published with. I would dearly love an Erdos-Bacon number one day!

SHAPING THE FORTUNES OF ALL

At this stage I knew I had a thorough academic understanding of the volatility in the markets and began my journey into the 'real' world, working in financial services in the early 2000s. This, of course, was the time when the dot-com bubble was just about to burst and which I can reflect on and confidently say this experience helped define my approach to investing.

I remember quite vividly very early in the new millennium that a crash was most certainly on the cards. I was a novice in terms of actual markets experience compared to the bond traders but I could see what they clearly didn't want to through my comprehensive studies and research of market volatility over the previous five years. There was a day in April/May 2000 when some rather unimportant macro-economic news came through that caused the Nasdaq to fall 8% in a single morning and then recover to finish the day up 2%. My volatility research used intra-day market movements to estimate long-term volatility, and these movements should have caused significantly higher volatility, yet option prices barely moved, suggesting a mis-pricing of risk. Participants bought stock while the risk was considerably higher than they thought and, when the dot-com bubble burst, this mis-pricing of risk hurt them significantly. More permanent loss of capital!

As I moved through my career, I made sure to focus on longer-term trends and started thinking about risk and loss as two separate things. After all, I believe investors are more concerned with making a loss than taking a risk.

In 2008, when the global financial crash hit, was when I drafted my three key principals:

1. Protect Capital
2. Grow Wealth
3. Manage Risk

Since experiencing these major market events and consequently developing my investment principals, I have not changed the way I manage money. I approach it as if I'm managing my own money and if I'm honest I don't understand people that try to time the market in the short term. Don't get me wrong, these people may experience some success but the problem is most can't differentiate between luck and skill and so I believe that they will eventually be found out. My way of managing money will always have the edge.

I'm reminded of a very popular quote that really says it all:

'Bad things happen in financial markets more often than a model predicts and what humans expect'

My philosophy and principles are what help me mitigate risk so no matter what the markets throw up, we minimise falls and maximise the rises.

With the future path of interest rates uncertain, even by the rate setters themselves, with inflation still high and low growth, we need to manage risks and protect capital more than ever. Bonds have started to re-price themselves in terms of risk and I welcome this – mixed asset portfolios, especially at the more defensive end of the risk spectrum, will start to provide the protection clients want from them.

Markets are a bit like a song by David Kilgour of New Zealand Band 'The Clean' – Anything Could Happen. Let's just be prepared for it. ◀

MORE PEOPLE CHOOSING SEMI-RETIREMENT FOR A VARIETY OF REASONS

TWO IN FIVE OVER-55s PLAN TO GRADUALLY PHASE OUT WORKING LIFE BEFORE STATE PENSION AGE

Semi-retirement is an option to consider for individuals who may not be ready to fully retire, but still wish to reduce their work hours and gradually phase out working life. By choosing to semi-retire, you can maintain a good work-life balance while still earning an income.

Many people choose to semi-retire as it allows them to enjoy their hobbies, travel and spend more time with their loved ones. This option also provides a smooth transition into retirement, enabling you to adjust and focus on what truly matters in life.

CHANGING ATTITUDES TOWARDS EMPLOYMENT

A recent study has identified that more than two in five (44%) 55-64-year-olds plan to move into 'semi-retirement' before they reach 65, allowing them to draw on their pension savings while continuing to work part-time[1].

The study investigated changing attitudes towards employment and retirement as a result of the Covid-19 outbreak. The findings highlighted people's shifting emotional and financial wellbeing as they deal with post-pandemic job insecurity.

CONTINUING TO WORK THROUGH RETIREMENT

More than nine in ten (91%) people said they were 'much happier' after reducing their working hours, implying that semi- or partial retirement – 'part-tirement' – could be the solution for more than half (55%) of workers who like the idea of continuing to work through retirement, giving them freedom in later life while remaining part of the workforce.

Retirement can account for up to a third of an individual's life as life expectancy continues to rise and more individuals than ever are surviving to age 100 and beyond. Recent changes in government policy, such as the increase in the State Pension age to 67 in 2028, have caused people of all ages to reconsider their plans for work and retirement.

FLEXIBLE STRATEGY TO WORKING LATER IN LIFE

Over three-quarters of 18-34-year-olds, or 59%, say they intend to semi-retire before the age of 65, rising to 61% of those aged 35-44. The findings show that longer working lives are prompting younger people to consider a flexible strategy to working later in life in order to keep their career.

According to recent ONS data, 48,000 over-50s have lately returned to the workforce, as Chancellor Jeremy Hunt encourages people who

have retired or are considering retirement to pursue part-time or full-time work to help alleviate some of the UK's labour shortage challenges.

HELP IMPROVE MENTAL AND PHYSICAL HEALTH

But the study indicates that people prefer to work past the age of retirement, implying that the UK's workplace participation problems would not just be solved by encouraging people to return to work. Four in five, or 80%, of those over the age of 65 said they enjoyed the notion of working into retirement, with at least two in five, or 41%, of other age groups, agreeing.

Continuing to work can help improve mental and physical health, which informs overall wellbeing, and it can also keep loneliness and isolation at bay. The urge to retire early is frequently motivated by persons seeking more independence while being physically strong and healthy enough to enjoy it.

SEMI-RETIREMENT CAN BE A WIN-WIN SITUATION

The study shows that semi-retirement can be a win-win situation for both employers and employees, as companies gain from preserving the skills and knowledge of skilled workers in the workforce, while workers can make decisions about maintaining a healthy lifestyle and income in retirement.

In a climate where longer working lives are becoming the norm, semi-retirement is a chance to experience the 'best of both', which can benefit both employees and employers. Retaining connection to the workplace is an appealing option for many people who are still working towards their financial goals or are simply not ready to stop working.

MAKE A BIG, POSITIVE DIFFERENCE IN THE LONG TERM

It also provides an opportunity for employers to continue to harness the knowledge and expertise of more experienced staff for longer. As people live longer, investing time in ourselves and considering every option available in later life is the best way to ensure we have the retirement we aspire to. Starting to think and plan further ahead is a small step that can make a big, positive difference in the long term.

The study clearly identifies that semi-retirement looks set to continue to be a popular option for many retirees, and for good reason. Whether you choose to work part-time for financial reasons or simply because you enjoy it, semi-retirement can be a great option for anyone looking to make the most of their retirement years.

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WILL YOU ENJOY FINANCIAL STABILITY DURING YOUR GOLDEN YEARS?

Planning and saving for retirement is essential if you want to enjoy financial stability during your golden years. It's important to start early to take advantage of compound interest and give yourself the largest possible nest egg. To discuss your retirement plans, please contact your local team for more information.

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Source data:

[1] Research among 2,000 UK employees working in organisations with over 1,000 employees was conducted independently on behalf of Aviva by Quadrangle in February 2020, August 2020, March 2021 and June 2022. Not all figures add up to 100% as figures have been rounded throughout the report.

PENSIONS OF SIGNIFICANT VALUE

WELCOME BUT UNEXPECTED CHANGES TO PENSION TAX

Chancellor Jeremy Hunt's first proper Budget 2023, on Wednesday 15 March, brought some welcome but unexpected changes to pension tax. The changes are designed to alleviate the impact of strict pension rules, which are believed by Mr Hunt to have had a negative impact on the country's labour market.

Britons can now expect significant changes that will affect their retirement savings. But to fully understand how these changes could impact on your pension and secure your retirement plans, it is essential to obtain professional financial advice.

EXCEEDING THE ALLOWANCE

The most significant change was the abolition of the pension Lifetime Allowance (LTA) charge. As of 6 April 2023, the LTA for registered pension schemes has been completely removed, with total abolition set for April 2024. The LTA was previously the maximum amount of savings an individual could make in a registered pension scheme without incurring a tax penalty.

The standard LTA for the 2022/23 tax year was set at £1,073,100, which meant those with pensions exceeding this amount would face a tax charge. However, with the abolition of the LTA, individuals can now contribute as much as they like to their pension schemes without fear of being penalised for exceeding the allowance.

TAX-FREE LUMP SUM

This is particularly good news for those with pensions of significant value, as the value their pension funds can grow to will no longer be capped. It is also worth noting that the government tax relief on pension contributions will still be available, which means individuals can continue to benefit from this incentive.

Additionally, under the previous LTA rules, an individual could withdraw up to 25% of their pension savings as a tax-free lump sum, but that has now changed. The tax-free lump sum that can be drawn at age 55, moving to 57 from 2028, is now capped at £268,275 (unless protection is in place).

UK'S PENSION SYSTEM

To ensure that your retirement plans are not impacted by these changes, it is essential to obtain professional financial advice and discuss what is the best course of action for your situation.

The removal of the LTA charge marks a significant change to the UK's pension system, and it remains to be seen how this will impact pension savings and retirement planning in the years to come.

ATTRACTIVE INVESTMENT OPTION

The tax-relievable annual pension contribution limit has also increased from £40,000 to £60,000, unless tapering applies, which is good news for most people.

Pensions have always been an attractive investment option with tax-relievable contributions, tax-free returns, and in most cases no Inheritance Tax. The removal of the LTA tax regime and the opportunity to rebuild pension benefits with an increased allowance are excellent news for long-term financial wellbeing.

BURDEN OF INCOME TAX

While Individual Savings Accounts (ISAs) have remained unchanged, they still are an essential part of a tax-efficient savings and investment strategy. This strategy removes the burden of Income Tax and Capital Gains Tax (CGT). With the current reduction in the CGT allowance to only £6,000, ISAs and pensions become even more critical.

In summary, the Chancellor's budget was constrained, but the message is clear – it's time to take advantage of the saving incentives.

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ARE YOUR EXISTING PENSION PLANS SUFFICIENT TO PROVIDE YOU WITH A COMFORTABLE RETIREMENT?

If you're feeling unsure about how the recent changes in pension tax rules might have impacted your retirement plans, we're here to help. We can offer expert advice and guidance on your retirement planning, whether you're in the middle of building your pension pot or preparing for retirement. To learn more about how we can help you, please don't hesitate to get in touch with your local team.

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GIVING WHILE LIVING

WHAT WILL YOUR LEGACY LOOK LIKE?

April brought a host of changes to the UK's tax regime, with some thresholds for taxes such as additional rate Income Tax being lowered while others, such as Corporation Tax, are increased.

However, the Inheritance Tax (IHT) nil-rate band has remained stagnant at £325,000 since 2009, despite the meteoric rise in property prices over the same period. This has resulted in an all-time high of £6.1bn being collected in Inheritance Tax in 2021/22.

FREEZING OF THE NIL-RATE BAND

Chancellor Jeremy Hunt announced in the Autumn Statement on 17 November 2022 that the government had frozen the IHT thresholds for two more years. As the threshold was already frozen until April 2026, it means that the threshold is now frozen until April 2028.

If you own a home worth over £1 million, there is a risk that your loved ones may face a costly IHT bill upon inheritance, due to the freezing of the nil-rate band. While there is an additional residence nil-rate band (RNRB) of £175,000 that can apply when passing on the property you lived in, married couples or those in registered civil partnerships can transfer the allowance, enabling most couples to pass on up to £1 million tax-free, assuming they pass on their home to their direct descendants.

WEALTH TO FUTURE GENERATIONS

However, if your total estate exceeds £2 million, the RNRB will be tapered. For every £2 by which your individual estate exceeds £2 million, the RNRB will be decreased by £1. Professional financial advice can help homeowners plan to mitigate the impact of IHT.

Downsizing is a popular method to manage IHT, but this presents the challenge of passing on the sale balance to your loved ones. Planning for the transfer of wealth to future generations can be an uncomfortable topic for many families. However, proper estate planning can ensure a smooth and stress-free transition of family wealth to loved ones.

FEELING FINANCIALLY SQUEEZED

It's understandable that many people are feeling financially squeezed in the current climate, and as a result, we are likely to see a rise in 'giving while living'. This refers to the practice of lifetime gifting to loved ones, particularly adult children who may be struggling to make ends meet during the ongoing cost of living crisis.

However, it's important to note that the extended freeze on thresholds will mean that many people will now need to seek professional financial advice more than ever to protect their wealth and ensure that it is passed on according to their wishes, without being caught out by unforeseen taxes in the future.

NEED ADVICE TO SECURE YOUR FAMILY'S FINANCIAL FUTURE?

We understand the importance of addressing these issues in a calm and objective manner. We can assist you in creating a comprehensive succession plan that maximises the amount of wealth passed down to future generations while minimising tax implications. Let us help you secure your family's financial future with careful estate planning. To find out more, please speak to your local team.

Source data:
[1] https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk/hmrc-tax-receipts-and-national-insurance-contributions-for-the-uk-new-annual-bulletin#inheritance-tax

UK GENERAL DATA PROTECTION REGULATIONS

THE FIVE-YEAR ANNIVERSARY OF THE IMPLEMENTATION OF THE UK'S GENERAL DATA PROTECTION REGULATIONS

Barry Strathearn, One Four Nine's Chief Compliance Officer, reminds us why it was necessary and its continuing importance to protecting everyone's data.

When the General Data Protection Regulations (GDPR) were approved, there was elation from many a data protection practitioner as they felt that the new rules would be more suited to the modern world of data processing.

There were to be wholesale changes to data protection laws within the UK from 25 May 2018 with the implementation of the EU's GDPR. Brexit did not have any impact on the implementation of the GDPR within the UK, which became the 'UK GDPR'. This was due to the requirement for a post-Brexit UK to have a data protection regime which mirrored the EU's GDPR.

This revised framework around the storage and handling of personal data extended the scope of the previous law within the UK and provided the ability for the Information Commissioners Office (ICO) to provide much tougher punishment for those who fail to comply with it.

GDPR ENFORCEMENT BY THE ICO

- There have been three criminal prosecutions brought by the ICO, one in August 2022 and two in February 2023
- The ICO has issued 59 monetary penalties, 38 reprimands and 40 enforcement notices. A whole host of sectors have been included, with the main theme being unsolicited and nuisance marketing

The top three monetary penalties went to Clearview AI (£7.5m for unlawfully using scraped data); Marriott International (£20m relating to a hacking incident affecting seven million people in the UK); and British Airways (£20m in relation to a cyber-attack resulting in 400,000 staff and customer records being compromised)[1].

EFFECT OF GDPR

As you can see from the fines, even large companies are being forced to comply when it comes to using our personal data. Even if

/// THE GDPR DEFINES PERSONAL DATA AS 'ANY INFORMATION RELATING TO A DATA SUBJECT.' A DATA SUBJECT IS THE IDENTIFIED OR IDENTIFIABLE NATURAL PERSON TO WHOM THE PERSONAL DATA RELATES.

the fines themselves are small to these huge companies, small hard-fought wins chip away at profits and reputation, forcing those in charge to build data protection into their products.

WHAT IS PERSONAL DATA?

The GDPR defines personal data as 'any information relating to a data subject'. A data subject is the identified or identifiable natural person to whom the personal data relates. In relation, the data subject could be, for example, a customer or an employee. Categories of personal data may include, but are not limited to: contact information, date of birth, bank account details, NI number and customer complaint files.

LAWFUL BASIS FOR PROCESSING

All organisations need to have a valid and lawful basis to process personal data and under GDPR there are six available lawful bases for processing. No single basis is 'better' or more important than the others – which basis is most appropriate to use will depend on the purpose and relationship with the individual. These are Consent, Contract, Legal obligation, Vital interests, Public task and finally Legitimate interest.

WHEN IS PROCESSING 'NECESSARY'?

Many of the lawful bases for processing depend on the processing being 'necessary'. This does not mean that processing must be absolutely essential. However, it must be more than just useful, and more than just standard practice. It must be a targeted and proportionate way of achieving a specific purpose or for a stated purpose.

WHY IS THIS IMPORTANT?

One Four Nine Group have direct registration with the Information Commissioners Office (ICO), and we are responsible for our own compliance with the GDPR requirements.

The lawful basis for processing your data could be under one of the lawful bases as set out in Article 6 of the UK GDPR and noted above such as Consent: where this has been provided directly or Legitimate Interests: to facilitate a continuing service to clients and also where it is in the client's legitimate interests for that service to continue.

THE FUTURE

The Data Protection Act 2018 (which adopts the UK GDPR) is on the UK's statute books, and the Data Protection and Digital Media Bill was set to narrow the definition of 'identifiable' data to allow more automated processing.

The government also published a press release[2] on the 8 March 2023 aimed at new data laws to cut down on pointless paperwork for businesses and reduce annoying cookie pop-ups on websites.

Whether this is positive or not depends on your stance on 'red tape'.

How damaging would it be if the EU and other countries didn't recognise the UK as a safe place to process personal data?

Source data:

[1] https://ico.org.uk/action-weve-taken/enforcement

[2] https://www.gov.uk/government/news/british-businesses-to-save-billions-under-new-uk-version-of-gdpr

WHO IS BARRY STRATHEARN?

Barry is One Four Nine's Chief Compliance Officer and has over two decades of regulatory knowledge within financial services. He is a Chartered Associate of the London Institute of Banking and Finance, a Fellow of the Personal Finance Society and was awarded the CASS prize by Newcastle CII in 2016 for the 'Meritorious completion of the Diploma in Financial Planning' as well as having successfully completed a master's degree in financial planning.

SPRING BUDGET 2023

HOW THE CHANGES AFFECT PENSIONS AND TAXES

The Spring Budget 2023 was delivered by Chancellor of the Exchequer, Jeremy Hunt, on March 15. Among key changes announced were those made to pensions, aimed at making it easier for individuals to save for their retirement and encouraging retirees to return to work.

The 2023/24 tax year started on 6 April, and with it come some significant changes to pensions and taxes. We've provided a summary of the key measures.

CAPITAL GAINS TAX (CGT)

The Capital Gains Tax (CGT) exemption has reduced from £12,300 to £6,000. This reduction means that any gains above the exemption amount will be taxed at either 10% for basic rate taxpayers or 20% for higher rate taxpayers. The rates are even higher for gains on second properties, with 18% and 28% for basic rate and higher rate taxpayers, respectively.

The change means that a higher rate taxpayer making a capital gain of £20,000 in the 2023/24 tax year could face a CGT bill of £2,800, with this rising to £3,400 in 2024/25. This represents a significant increase from the £1,540 bill for the 2022/23 tax year.

It's important to keep in mind that the CGT exemption cannot be carried over from one tax year to the next, so it's essential to make full use of the exemption each year. By investing in an Individual Savings Account (ISA), it offers the opportunity to reduce your CGT liability as any gains made within an ISA are exempt from CGT. By being proactive and taking advantage of any available tax allowances, you can help to prevent unexpected tax bills and ensure that you are maximising your investment returns.

ANNUAL DIVIDEND ALLOWANCE

The annual dividend allowance has been reduced from £2,000 to £1,000, with a further reduction to £500 to be implemented in 2024/25. This means that dividend income exceeding the allowance will be taxed at rates of 8.75%, 33.75% and 39.35% for basic, higher and additional rate taxpayers respectively.

For instance, a higher rate taxpayer receiving £5,000 in dividend income could pay over £1,350 in dividend tax by 2023/24, up from £1,012.50 in 2022/23, which is set to increase to £1,518.75 in 2024/25. One way to avoid dividend tax is by investing in an ISA or contributing to a pension fund, which offer tax-free dividends. If appropriate, maximising these tax-efficient options is a popular strategy when mitigating dividend tax.

PENSION LIFETIME ALLOWANCE CHARGE

The pension Lifetime Allowance (LTA) charge has been abolished, which means there will no longer be a tax charge on the amount of money that can be built up in pensions tax efficiently over an individual's lifetime. From 6 April 2023, the LTA charge has been completely removed, with total abolition set for April 2024.

Previously, any excess over £1,073,100 in pensions incurred a tax charge when the individual drew their pension benefits assuming no protection was in place. Despite the removal of the LTA charge, the pension tax-free lump sum has been capped at £268,275 (unless protection is in place).

So, while people can now build a larger pension pot without incurring a LTA tax charge, the tax-free lump sum will not increase along with it. This change may impact an individual's decision to begin drawing money from their pension, also known as 'crystallising' their pension.

PENSION ANNUAL ALLOWANCE

The pension Annual Allowance has increased from £40,000 to £60,000. This means that individuals can pay up to £60,000 or 100% of their UK relevant earnings (whichever is lower) into pensions every tax year and receive tax relief.

However, those with high adjusted incomes above £260,000 per year (previously £240,000) may have a lower Annual Allowance due to the Annual Allowance taper. This taper reduces the annual allowance by £1 for every £2 of adjusted income that exceeds the threshold, to a minimum floor of £10,000 (up from £4,000).

MONEY PURCHASE ANNUAL ALLOWANCE

The Money Purchase Annual Allowance (MPAA) increased from £4,000 to £10,000. The MPAA comes into play when savers first access Defined Contribution (DC) pensions flexibly, and replaces their standard annual allowance.

This means that individuals who access their DC pensions flexibly for the first time can now pay up to £10,000 per year into their pension without having to worry about reducing their tax relief. ◀

ARE YOU LOOKING TO SECURE YOUR FINANCIAL FUTURE?

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We'll work closely with you to understand your unique financial situation and help you create a personalised plan to achieve your future goals. By navigating the complexities of the financial world, you can secure a prosperous future for you and your loved ones. Contact your local team today to learn more.

PROFESSIONAL FINANCIAL ADVICE MATTERS

MAKING INFORMED DECISIONS ABOUT HOW TO BEST ALLOCATE YOUR RESOURCES

Financial planning is a crucial step towards achieving financial freedom and security. By taking the time to thoroughly evaluate your needs and personal goals, you'll be able to make informed decisions about how to best allocate your resources.

With a comprehensive professional financial plan in hand, you'll have the confidence and peace of mind to pursue your short-term goals and work towards your long-term future. With professional guidance, you'll be inspired to realise that you have far more resources at your disposal than you ever imagined.

BETTER EQUIPPED

According to a recent study, UK consumers who receive professional financial advice can expect to retire on average three years earlier than those who do not seek professional advice, with advised consumers planning for retirement at age 66 as opposed to non-advised consumers who expect to retire at 69[1].

This underlines the positive impact that professional financial advice can have on retirement preparations, with those who seek advice feeling better equipped for their later years. The study identified that twice as many people who seek financial advice create a detailed spending plan in retirement compared to those who don't take advice, with 45% of advised people falling under this category as opposed to 18% of non-advised consumers.

ENJOYING RETIREMENT

Financially advised consumers expect to fund their retirement for a longer period, with an average of 23 years, compared to 17 years for non-advised people before pertinent cutbacks must be made. In addition, the study reveals that financial planning tends to be beneficial for people already in retirement.

Almost all (96%) of wealthy retirees who did a great deal of financial planning or just planned their finances slightly say they're enjoying their retirement, dropping to 72% among those who have done no financial planning.

MORE PRONOUNCED

Regrets for non-advised retirees are more pronounced, with the majority stating that they require more money in retirement compared to their original estimates, and that they wished they had planned more thoroughly, compared to advised people.

Despite having a higher household income, 23% of wealthier pensioners, with an income of between £40,000 and £49,999, wished they had planned more thoroughly, indicating that the value of advice remains consistent regardless of income.

SIGNIFICANT VARIATION

Planning for retirement can be overwhelming, leading to several considerations, making financial advice crucial for people to feel more confident and prepared about their future. The research results underscore the significant variation between the retirement plans and experiences of those who have taken advantage of financial advice and those who haven't.

The research findings demonstrate the value of professional financial advice in terms of the retirement age and the enjoyment of one's retired life. So start planning today, and take the first step towards a brighter tomorrow.

ANY CONCERNS ABOUT YOUR FINANCIAL FUTURE OR WOULD YOU LIKE TO FIND OUT MORE?

Financial planning can certainly feel complicated at first glance, but with the right guidance, it can be a smooth and stress-free process. At every step of your financial planning journey, we're dedicated to providing you with the knowledge, resources and support you need to make informed decisions about your finances. If you have any concerns about your financial future or would like to find out more, please contact your local team.

Source data:

[1] Boxclever conducted research for Standard Life among 6,000 UK adults. Fieldwork was conducted between 6 Sept–16 October 2022. Data was weighted post-fieldwork to ensure the data remained nationally representative on key demographics. Comparisons to data from last year are taken from Boxclever research among 4,896 UK adults conducted between 16-23 July 2021.

I HAVE A WILL, SO WHY DO I NEED A LASTING POWER OF ATTORNEY?

MAKING DECISIONS IN RELATION TO YOUR FINANCIAL AFFAIRS, HEALTH AND WELFARE

It is critical to consider the potential consequences of not having a Lasting Power of Attorney (LPA) in place. Many people assume that their loved ones or close relatives will automatically have the authority to make decisions on their behalf. However, this is not the case, and without a LPA, those close to you will not have the legal authority to handle your financial affairs, health decisions and welfare.

Setting up a LPA is vital to ensure that you have a trusted individual who can manage your affairs when you are no longer able to do so yourself. It is essential to think about these scenarios in advance and plan accordingly by setting up a LPA. This legal document will ensure that your wishes are respected and carried out, regardless of your capacity to make sound decisions.

COSTLY AND TIME-CONSUMING MEASURES

Despite the fact that 95% of UK adults are aware of the LPA, a recent study has revealed that only one in three (33%) actually know how to use it effectively, leaving a considerable proportion at risk of costly and time-consuming measures if they were to lose their spouse[1].

LPA is a legal document that enables you to delegate decision-making authority to one or more trusted individuals to manage your financial matters, property affairs, health and welfare. You can set up a LPA at any time, provided you meet the age requirement of 18 years and have the mental capacity to make sound decisions.

BENEFICIAL IN LONG-TERM SITUATIONS

There are several benefits to having a LPA, including assistance in temporary situations such as hospitalisation or travel abroad, where you may need help with daily tasks like paying bills. It is also beneficial in long-term situations where you want to plan for the unexpected or have been diagnosed with an illness like dementia that may affect your decision-making abilities in the future.

According to the research, although three-quarters (74%) of Britons deem LPA necessary, only 37% of them have actually put it in place. In contrast, around three-quarters (76%) of people in relationships have discussed Wills and trusts with their spouse.

SAME-SEX MARRIED COUPLES

The research also highlighted that less than half (41%) of married couples have enacted LPA, and a quarter (24%) have no plans for doing so, which suggests that many couples view this measure as unnecessary, and often mistakenly believe that LPA is automatically granted to married couples.

Notably, this issue disproportionately affects same-sex married couples, where awareness of the importance of LPA is higher than the population average (87% compared to 76%), but uptake is lower (30% compared to 41%).

NEED ADVICE AND EXPERTISE ON EVERY ASPECT OF YOUR ESTATE?

We understand the importance of putting the right planning in place for the future. We'll help you organise your affairs and plan for the future. To find out more, speak to your local team today.

Source data:

[1] https://adviser.scottishwidows.co.uk/assets/literature/docs/2023-03-power-of-attorney.pdf

THIS ARTICLE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

POWERS OF ATTORNEY/WILL WRITING AND TRUSTS ARE NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.