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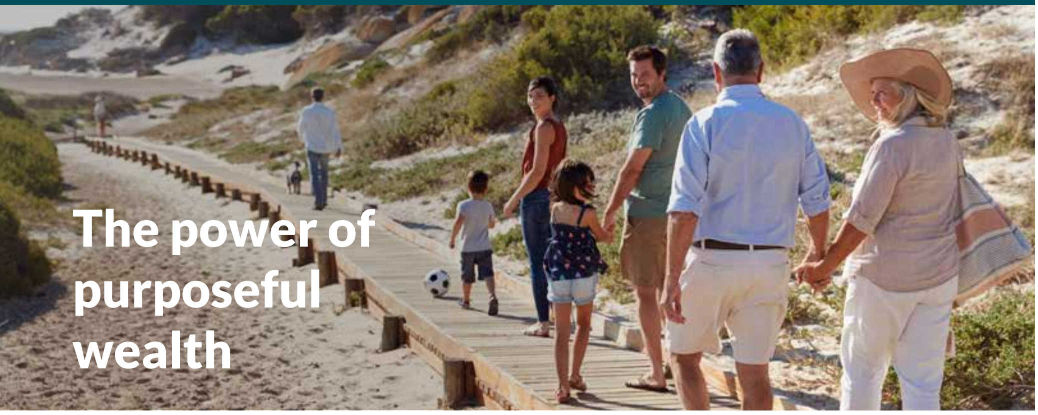
Your Window on
Wealth
SUMMER 2022



The power of purposeful wealth

Most people would agree that wealth is not about hoarding money but the financial freedom and flexibility it affords to help us achieve our passions and goals. Wealth essentially has the capacity to create a powerful purpose within our lives, provided we are able to unlock its true value.

Understanding your 'why'

A good starting point for unlocking the value of wealth is to develop a clear understanding of what you want from life and what mark you want to leave. Do you want to travel; start your own business; support your family; create opportunities for others, or leave a legacy? Establishing the type of things that you really care about can provide a genuinely powerful purpose to wealth.

Sharing your wealth

One of the best ways to find fulfilment in your wealth is by sharing it; there is certainly no joy in holding onto wealth you will never use. Using wealth to help family, for instance, can be a particularly rewarding experience that allows you to positively change loved ones' lives. Indeed, as the cost-of-living crisis continues to weigh heavily on household budgets, there has perhaps never been a better time to offer financial support to family members.

Intergenerational planning

A recent report[1] shows that one in three advised families now share the same financial adviser, with many turning to them for help with wealth transfers and planning. As well as cost-of-living pressures, the increasing need for intergenerational advice has also been fuelled by the Chancellor's decision to freeze Inheritance Tax (IHT) allowances until at least 2026, which will result in a growing number of people becoming liable for death duties.

Unlocking the real value of your wealth

We can help you develop a clear understanding of what you want to achieve with your wealth and then provide the support and advice required to fulfil those goals.

[1]M&G, 2022

Personality traits of the self-made millionaire

In the first study of its kind[2], researchers have distinguished the personality traits most common among self-made millionaires versus those who have inherited their wealth.

The study analysed a sample of wealthy individuals according to the so-called **'Big Five'** personality traits:

- **Openness** (curious vs cautious)
- **Conscientiousness** (efficient vs disorganised)
- **Extroversion** (outgoing vs reserved)
- **Agreeableness** (friendly vs uncaring)
- **Neuroticism** (confident vs anxious)

The results showed that wealthy individuals across both categories tended to show a similar personality profile, being open to new experiences, extroverted, conscientious, agreeable and demonstrating low levels of neuroticism. They were also shown to be more risk tolerant than the average population.

Interestingly, the study revealed that self-made millionaires more closely match this personality profile than inheritors – and that this becomes more pronounced the wealthier they are.

The report concluded that people with this unique combination of personality traits have a higher chance of becoming rich via their own means. The good news – if you don't match this specific profile – over the years many studies have also shown that taking financial advice can result in heightened wealth accumulation.

[2]Humanities & Social Sciences Communications, 2022

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INSIDE THIS ISSUE:

IN THE NEWS

Huge rise in individuals exceeding pension Annual Allowance

In the past five years, the number of individuals whose yearly pension contributions breached the Annual Allowance (£40,000) has soared by more than 675%[3]. In the 2015–16 tax year, 5,460 people reported pension contributions exceeding the Annual Allowance in their self-assessment forms. For the 2019–20 tax year, the figure stood at 42,350. Meanwhile, the value of pension contributions breaching the Annual Allowance rose by 564% during the same period.

Victim loses £48,000 in 'screen sharing' scam

The Financial Conduct Authority's[4] (FCA's) ScamSmart scheme has turned its attention to so-called 'screen sharing' scams, whereby fraudsters take over their victims' computers using remote desktop software. Since July 2020, the FCA has seen well over 2,000 such cases, with victims losing a combined total of £25m between January 2021 and March 2022. One 59-year-old woman lost nearly £50,000 when a scammer posing as a financial adviser convinced her to download screen sharing software on the pretext of helping her complete a Bitcoin investment. Instead, they took advantage to access her banking details and other private information.

[3]House of Commons, 2022, [4]FCA, 2022

Spotlight on investor sentiment and super trends

A new investor sentiment survey[5] shows that, while investors are concerned about both the economic impact of the war in Ukraine and rising inflation, they remain confident about the stock market outlook and are not adjusting their portfolios just yet.

Two thirds of investors surveyed said they expect the ongoing conflict to result in higher energy prices, while 64% expect more global instability and 60% are concerned about increased cyber-attacks. In addition, 92% expect the war to increase inflation and more than half believe abnormally high inflation will last longer than 12 months.

Investors remain optimistic

The survey did, however, find that investors were not at the time looking to adjust their portfolios, although they are poised to do so should the market decline further. Commenting on the findings, Co-President of UBS Global Wealth Management Iqbal Khan said, *"The long-term economic implications of the war in Ukraine are difficult to assess, but most investors remain optimistic on their outlook for the stock market and are confident in their well-diversified investment portfolios."*

Super trends – all change

Analysis[6] by Credit Suisse has identified growing concerns over the economy as a key super trend, with economic anxieties now replacing the pandemic as the top worry for investors. The Swiss bank's latest review of global themes driving investment over the long term suggests that, although COVID-19 *'remains a worry for many people'*, it now ranks below concerns about *'poverty, social inequality and unemployment.'* Other super trends identified within the analysis include an infrastructure boom driven by government spending, technology with new catalysts like the metaverse providing impetus to this trend, the silver economy and climate change.

[5]UBS, 2022, [6]Credit Suisse, 2022

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Your retirement today

The Class of 2022 retirement report[7] provides a riveting insight into the plans and thoughts of those either planning to retire this year or recent retirees, really highlighting the changing face of retirement in the UK.

The last couple of years have impacted people's plans, with people reassessing what retirement looks like to them. Less people are giving up work entirely, choosing to adopt a more staggered approach to retirement. Two thirds (66%) plan to continue working in some capacity during retirement; of this number some plan to move to part-time hours, others intend to continue working for their own business, start their own new business or volunteer. Therefore, a third of retirees plan to give up work altogether, down from 44% of 2021 retirees.

Financial readiness

Confidence in financial readiness to retire has fallen, with only 25% feeling financially ready to retire, versus 30% in 2021. A key factor in this fall being the rising cost of living, with 28% of respondents unsure how to mitigate the impact of rising inflation on their retirement income – a prime concern for those with large cash holdings.

Pass it on

With over a half (56%) of retirees planning to pass on wealth to their loved ones, just 23% feel confident about how they will pass on any leftover assets to loved ones. Only 9% have started gifting wealth to reduce their IHT liability. Interestingly just 30% have had conversations with their partner about passing on their estate, while just 26% have spoken to their children about it.

No two retirements are the same

Retirement is a thriving new beginning to plan for. Whether you're thinking about a gradual retirement or full retirement how do you visualise your retirement years? Have you thought about your income requirements or tax implications? Have you started a conversation with family about how you want to use your wealth to help them? Advice can help you seek clarity and provide focus and direction.

[7]abrdn, 2022

Key findings

The Class of '22 have saved **£385,000** on average in their pension pots

21% have less than **£100,000** in their pension pots

£293,000 is the average amount in savings and investments

28% have less than **£100,000** in savings and investments

Revisiting your IHT strategy

Latest data from HM Revenue & Customs (HMRC) revealed IHT receipts for April 2021 to March 2022 were £6.1bn, 14% (£0.7bn) higher than in the same period 12 months earlier.

Factors at play

Receipts have increased partly due to higher death rates during the pandemic, as well as due to the rise in property prices which has seen more families coming into scope for IHT. With thresholds frozen at current levels – the nil-rate band is £325,000 and the main residence nil-rate band is £175,000 – IHT is effectively a stealth tax.

Time for a refresh? IHT top tips

- **Gifts** – use your £3,000 annual allowance before the end of each tax year. You can also make gifts of up to £250 per person per tax year
- **Trusts** – for example putting money into a trust to pay for a grandchild's education or to support another relative
- **Make a Will** – and keep it up to date
- **Leave money to charity** – if you leave at least 10% of your net estate to charity, the IHT rate reduces from 40% to 36%
- **Take out life assurance** – this won't reduce your estate but instead provides a lump sum to your beneficiaries to pay the IHT bill. The policy should be written under a suitable trust
- **Take advice** – sensible IHT planning can help to reduce the amount of IHT your beneficiaries will have to pay and safeguard your wealth for the future.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.
The Financial Conduct Authority (FCA) does not regulate Will writing, tax and trust advice and certain forms of estate planning.

Trust Registration Service update

The Trust Registration Service (TRS) opened in 2017 with the aim of digitalising the trust registration process. Following the UK's adoption of the EU's Fifth Anti-Money Laundering Directive (5MLD) in 2020, changes to the TRS were required in order for HM Revenue and Customs (HMRC) to fulfil its obligations under the new regulations.

The new rules require all UK express trusts and some non-UK trusts (including most non-taxable trusts) to register with HMRC. The TRS began accepting registrations from non-taxable trusts in September 2021, with an initial deadline of 10 March 2022. Due to delays in getting the TRS prepared, this deadline was later amended to 1 September 2022.

Rules relating to non-taxable trusts
The September 2022 deadline applies to all trusts that existed on or after 6 October 2020 – even if they are now closed. Following this deadline, all new trusts (and any changes to the details of existing trusts) must be registered within 90 days. In order to not penalise trusts set up close to the September 2022 deadline, however, the 90-day rule will also apply to trusts set up on or after 2 June 2022.

Which non-taxable trusts are exempt?
There are some trusts that are exempt from registration unless they pay UK tax. Some examples include trusts used to hold money or assets of a UK-registered pension scheme, trusts holding life insurance and other policies that pay out upon a person's death, charitable trusts and will trusts.

We understand that the rules relating to trusts are complex, so please don't hesitate to contact us if you are unsure.

Divorce and your pension – a supporting role

Research[8] suggests that nearly one in five people are, or will be, financially worse off due to their divorce, and that many divorcees struggle to make ends meet after separating from their partner.

The statistics make for worrying reading. A third of divorced respondents said they were forced to take money from their savings to supplement their finances, 20% had to use credit cards for everyday expenses, 18% borrowed from family and friends, while 15% resorted to selling their possessions to make ends meet.

Pensions are an asset
Pensions can be highly valuable assets – 42% (or £6.4tn) of UK wealth is currently held in private pensions – meaning that a pension can be a hugely important part of a divorce settlement. And yet, 15% of divorced people had no idea that their pension could be impacted by getting divorced, while 35% did not make any claim on their former spouse's pension.

Don't underestimate your pension
Alistair McQueen, Head of Savings & Retirement at Aviva, commented, *"It's critical that, as part of the separation process, couples take time to think about and discuss one of their single most valuable assets, their pension [...] It can often be a very complex issue so, as well as hiring a family lawyer, it would be advisable for couples to contact a financial adviser to walk them through the pension valuation and financial process."*

The impact of 'no-fault' divorce
It has yet to be understood how the introduction of so-called 'no-fault' divorce in April this year might be starting to impact the way in which pensions and other assets are treated in divorce settlements. We would always recommend speaking with a qualified financial adviser for guidance relating to the financial aspects of your divorce.

We are here to help you make some important decisions with your finances as you navigate the complexities (emotional and financial) of divorce.

[8]Aviva, 2022

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It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. Changes in the rates of exchange may have an adverse effect on the value or price of an investment in sterling terms if it is denominated in a foreign currency. Taxation depends on individual circumstances as well as tax law and HMRC practice which can change.

The information contained within this newsletter is for information only purposes and does not constitute financial advice. The purpose of this newsletter is to provide technical and general guidance and should not be interpreted as a personal recommendation or advice.

The Financial Conduct Authority does not regulate advice on deposit accounts and some forms of tax advice.

All details are correct at time of writing – June 2022.

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