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Your **money**

Your long-term financial goals

After more than a decade of putting up with paltry savings rates, the sharp increase in rates over the past two years has brought considerable cheer to savers. However, while the rise is certainly welcome, it is important savers do not overly rely on cash savings but carry on investing if they are to maximise returns and achieve their long-term financial goals.

Think holistically

Although the availability of higher rates has provided a boost to cash savings, assessing the appropriate amount to hold in rainy-day funds is always difficult, particularly given recent cost-of-living pressures. However, history suggests holding too much money in cash can hold back your future wealth, as returns on both bonds and equities have a better long-term record in terms of outpacing inflation.

Time in the market

History also suggests long periods out of the market increase investors' chances of underperforming. This is because, while cash rates may look attractive, knowing when to sell and buy back into the market is extremely difficult if not impossible, particularly when markets are volatile. The best approach is therefore usually to stay in the market and build a portfolio capable of capitalising on any improved outlook in order to maximise potential long-term gains.

Don't be intimidated

Another reason why some people might shy away from investing is because they feel overawed. Indeed, a recent survey[1] found that half of the UK population admits to being intimidated by investing, with more respondents saying it would be easier to learn a new language than start investing. On a more positive note, however, other research[2] recently showed growth in the uptake of regulated financial advice, with 4.4 million UK adults seeking advice in 2022, up from 3.8 million two years earlier.

Here to help

And of course, we're always here for you; so, if you need any advice get in touch and we'll help you build an investment strategy focused squarely on your future dreams and aspirations.

[1]Lloyds Bank, July 2023, [2]FCA, July 2023

Time to crackdown on 'finfluencers'

Influencers who generate content on financial topics are rapidly rising in popularity on social media, having been dubbed 'finfluencers.'

The good news is that finance is becoming more accessible and appealing to younger generations through bite-sized, more light-hearted formats. Coupled with a lack of financial education in their school years, Gen Z and millennials are increasingly turning to finfluencers to improve their financial education and boost their levels of financial literacy. Unfortunately, this demand is not always being met by those qualified or experienced enough to educate others.

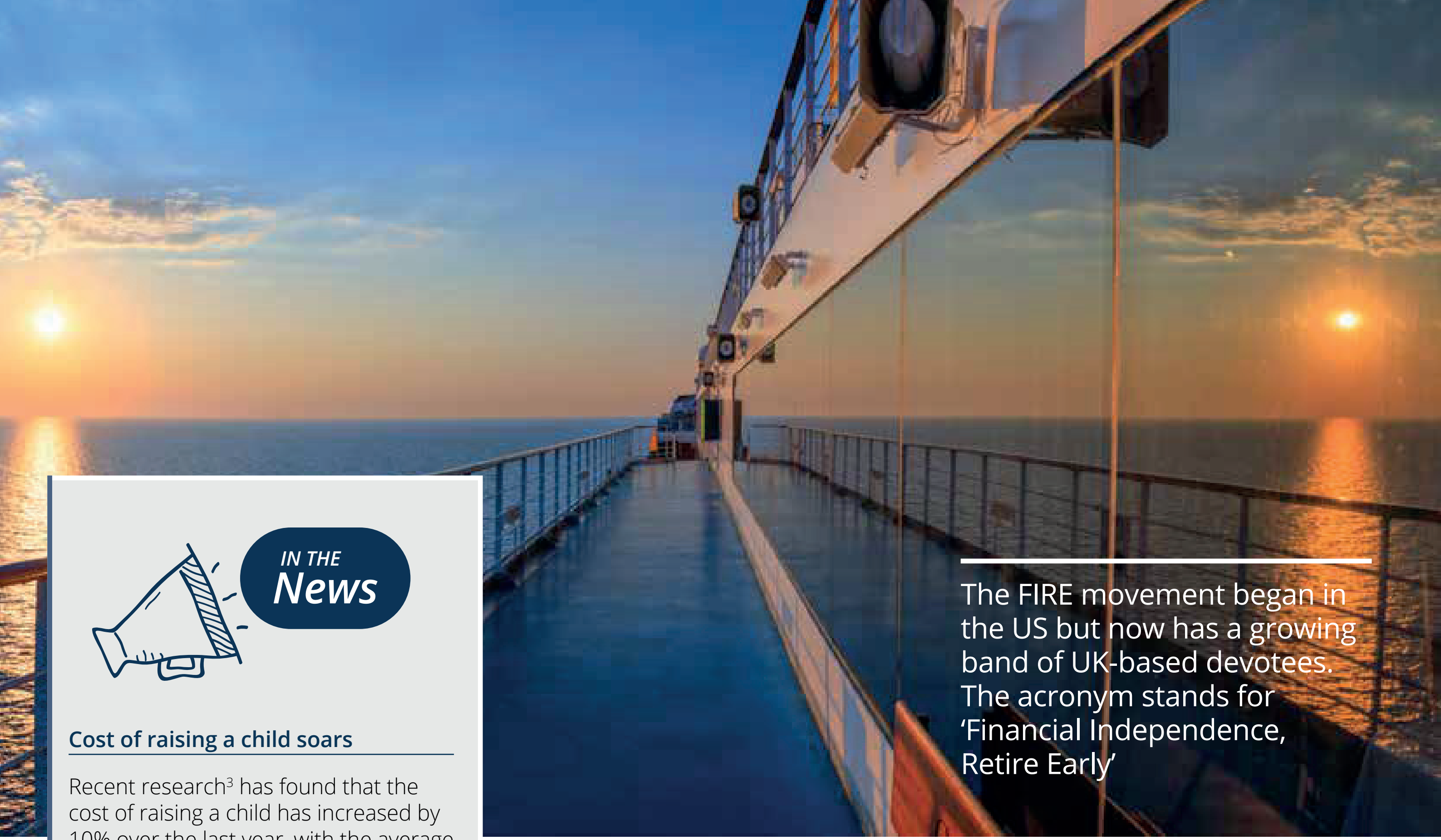
City watchdog involvement

The Financial Conduct Authority (FCA) is working with the Advertising Standards Authority to help educate influencers and consumers about the risks involved in promoting financial products.

Sarah Pritchard, FCA Executive Director, Markets said, *"We've seen more cases of influencers touting products that they shouldn't be. They are often doing this without knowledge of the rules and without understanding of the harm they could cause their followers. We want to work with influencers so they keep on the right side of the law, as this will also help protect people from being shown scams or investments that are too risky."*

The value of investments and income from them may go down. You may not get back the original amount invested.

Inside this issue



The FIRE movement began in the US but now has a growing band of UK-based devotees. The acronym stands for ‘Financial Independence, Retire Early’

FIRE investing

Many of us dream about retiring early so we can devote more time to things we enjoy; but financial realities inevitably mean few of us actually realise those dreams. A growing number of people though are turbo-charging their chances of early retirement success by embracing the FIRE principles of investing.

We didn't start the fire

The FIRE movement began in the US but now has a growing band of UK-based devotees. The acronym stands for ‘Financial Independence, Retire Early’ with followers adopting extreme saving techniques in order to invest as much as possible during their working years so they can attain financial independence at a relatively young age. For some, the ultimate goal is retirement in their late thirties or early forties, while for others it’s simply the financial freedom to be able to work part time.

Playing with fire

Some of the key principles associated with the FIRE movement include maximising savings, with followers setting aside up to 70% of their income every month; paying off all debt, including a mortgage; and living exceptionally frugally. Devotees also save via investment products, such as a stocks and shares ISA, in order to maximise returns while sheltering proceeds from the taxman.

Eternal flame

Another pillar of the FIRE movement is the ‘4% rule’, a formula used to calculate when someone has enough money to stop work. In simple terms, 4% is the amount someone can typically afford to withdraw from their retirement pot each year without too much risk of running out of money. So, if someone expected to spend £20,000 a year, they would need a pot worth at least £500,000.

Light my fire

Creating a clear, appropriate investment goal is key to financial planning success, and FIRE investors have certainly nailed that. Furthermore, the basic principles do make sound financial sense. So, if early retirement is a burning desire for you, it might just be worth joining the FIRE brigade.

IN THE News

Cost of raising a child soars

Recent research[3] has found that the cost of raising a child has increased by 10% over the last year, with the average UK family spending £223,256 in their offspring’s first 18 years. This works out at over £12,000 a year per child. The research looked at the different costs associated with bringing up children, ranging from essential through to leisure activities.

End to rising wealth

The Resolution Foundation has found that the cost-of-living crisis, coupled with the monetary policy response, has put an end to the trend of rising wealth in the UK. The independent think-tank estimates that the wealth-to-GDP ratio fell to around 650% by early 2023. This is by far the biggest fall on record as a proportion of GDP, wiping out £2.1trn of household net worth in cash terms.

Gender pensions gap

There is still a wide gender pensions gap – recently published government data (for 2018/20) shows a gap between median male and female private pension wealth of 35% overall. The size of the gap varies according to age, with women aged between 45 and 49 seeing a 47% chasm relative to men in the same age group.

[3]Moneyfarm, 2023

The value of investments and income from them may go down. You may not get back the original amount invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

Let's talk it through

A pandemic closely followed by a cost-of-living crisis has undoubtedly created a challenging financial backdrop for us all and inevitably heightened money-related stress and anxieties. At times like these, it's more important than ever to open up and talk any concerns through with loved ones or a professional adviser in order to protect both financial and mental wellbeing.

An intricate link

The sheer volume of negative news stories relating to the economy and household finances makes it almost inevitable that this doom and gloom plays on people's minds. Research highlights a clear, if intricate, link between financial and mental health, with a poll conducted by the Money and Mental Health Policy Institute revealing that 86% of people experiencing mental health problems believe their financial situation worsened their mental wellbeing.

Long-term outlook

While it is obviously normal to worry about finances, things are not usually as bad as people fear. This is particularly true for those who have developed a well-structured long-term financial plan. In this case, talking through any potential problems with us typically provides much-needed reassurance and can ease any concerns you may have.

Emotional value of advice

Indeed, while financial advice clearly delivers benefits on many fronts, emotional support is one aspect particularly valued during challenging economic times. We are able to provide clients with a more holistic market insight that considers positive as well as negative factors and provides a sharp focus on potential opportunities. This can bring considerable comfort and peace of mind to clients, with the reassurance of knowing long-term financial plans remain firmly on track.

We're here for you
So, if you're feeling stressed or anxious about any aspect of your finances please get in touch.

Tax toll on prudent savers

Taxes on savings and dividends are set to top £24bn this fiscal year in what is being seen by some as a fresh attack on savers who have shown prudence and thrift.

Savers hit...

Higher interest rates mean that more savers are being drawn into paying tax by crossing the Income Tax savings threshold. Interest earned on savings is only tax-free up to a maximum of £1,000 a year for basic rate taxpayers and £500 for those paying the higher rate. HMRC is expected to raise £6.6bn in 2023-24, which is more than five times higher than two years ago.

.. and those getting dividends

Individuals who own significant dividend-paying stocks or rely on dividends as a primary source of income have also been hit, with the annual Dividend Allowance having been halved from £2,000 to £1,000 in April 2023, and halving again in April 2024, to stand at just £500. The take on Dividend Tax is set to increase by almost £2bn to £17.6bn this tax year, according to new figures from HM Revenue and Customs (HMRC).

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A financial and wellbeing safety net

Life has a funny way of turning out differently to how we expect it. When faced with the unpredictable twists and turns of fate, it is comforting to have the support of the right protection cover for your needs.

Rising bills reinforce need for protection

Increased household bills, mortgage and rent costs, mean that protection is more important than ever right now. Have you considered how you would be able to afford your monthly outgoings if your family were to lose the income of the primary earner through death or illness?

Longer-term mindset

In response to these challenging conditions, some households are considering reducing their level of protection – and are therefore at risk of leaving themselves vulnerable to financial shocks.

It may seem tempting to save a few pounds a month by cancelling or postponing taking out cover. But there is a risk that, should the worst-case scenario strike, you and/or your family will be left in a difficult financial position.

Support for your wellbeing as well

Did you know - mental health issues are one of the top reasons for claiming under income protection? One leading provider[4] paid £6m in income protection claims last year of which a third (£1.91m) related to mental health claims. Many life and critical illness policies also include support services for mental health issues.

Essential

Protection is an essential part of long-term financial planning for everybody. Having the right insurance cover for your unique needs is an indispensable financial and wellbeing safety net for you and your loved ones.

[4]Zurich, 2023

Gender division and money matters

Despite women's earning power increasing significantly over recent decades, the division of financial responsibilities does not appear to have evolved.

A survey[5] of 4,000 UK adults earlier this year found that women still typically have greater oversight of domestically focused financial matters, such as household costs (67% of women versus 51% of men) and utility bills (74% of women versus 66% of men). In contrast, men continue to hold more responsibility for longer-term products, such as investments (35% of men versus 19% of women) and pensions (43% of men versus 31% of women).

Redressing the balance

When it comes to financial planning, if one person in the couple takes on the role of spokesperson, it's important that they do not only speak for themselves in any meetings or discussions, as this raises questions about how suitable any advice will be for both parties.

Are things changing?

Worryingly, according to the survey, women under 30 years old are twice as likely as women over 30 to believe that they are naturally bad at managing their finances. This is despite younger generations saying that they've had a better financial education than older generations.

Financial confidence

We are here to guide and support all our clients, irrespective of their gender or their level of confidence in financial matters.

[5]Handelsbanken, 2023

If you would like any advice or information on any of the areas highlighted in this newsletter, please **get in touch**.

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All details are correct at the time of writing (01 October 2023)