HOWARD
WEALTH MANAGEMENT

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Your Wealth

Spring 2021

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And the world's happiest pensioners are...

In Finland, according to a recent study[1], which places the Finnish capital of Helsinki as the happiest place to retire. The study also revealed that a pension fund of £225,000 is needed to live out a comfortable retirement in this happiest of cities.

The *World Happiness Report* was used to create a *'happiness index'* of cities across the world and combined with cost of living, average salary and life expectancy data from over 50 countries. Three more northern European capitals also made the cut, according to the research, with Copenhagen, Reykjavik and Oslo ranking among the world's top five cities for a happy retirement. Completing this cheerful list is Switzerland's Geneva, the country's second most populous city, at spot number three.

UK retirees not far behind

Positively, several UK cities ranked highly on a list that took account not only of the happiest, but the most affordable, places to retire. While Australia's Melbourne topped this list, Belfast, Edinburgh and London also featured within the world's top 20 happiest retirement cities on the basis of affordability.

[1]Audley Villages, 2020

Vaccine sparks optimism among investors

Spring has arrived and, for the first time in what feels like a long while, hope is in the air – and we are all certainly in need of it. Positively for investors, the signs are looking increasingly optimistic, with belief growing that we are making our first steps toward meaningful economic recovery.

The rapid development, approval and rollout of several effective coronavirus vaccines has sparked hope that restrictions can soon start being lifted as per the government's 'road map'. Recent research has also shown encouraging signs that, as well as protecting vaccinated individuals, the programme will also slow transmission within communities. This has sparked hope of a powerful surge in economic activity in the near future as restrictions ease.

Recovery goes global

Vaccine programmes aren't just causing a renewed surge of positivity in the UK; the International Monetary Fund's latest forecasts suggest that the global economy is projected to grow by 5.5% this year. This represents an upward revision of 0.3% from the IMF's last projection in October 2020. Vaccine-related optimism was also behind a strong inflow of equity funds across the final quarter of 2020.

Could rates go negative?

The Bank of England held interest rates steady at 0.1% in February, but it gave banks and building societies a six-month period to prepare for such a possibility. If introduced, sub-zero rates would further reduce the incentive to save on deposit, potentially increasing demand for shares. And, consequently, this would place even greater emphasis on investment portfolios.

Spring clean your finances

The future of the economy remains uncertain, but there are positive signs for investors. So, it's more essential than ever to ensure your investment portfolio is working for you. Now could be the perfect time to undertake a review of your portfolio and rebalance the allocation of asset classes as required, ensuring your investments are well-diversified and performing in line with your long-term requirements and objectives.

Key Points
Spring Budget 2021..................................

A pledge to *"continue doing whatever it takes"*

During his second Budget on 3 March, as expected, COVID support featured front and centre of Rishi Sunak's statement, in what is an exceptionally challenging time for both the UK and global economies.

The Chancellor's proclamation to *"continue doing whatever it takes"* set the course, with the statement centring around a three-point plan offering support for jobs and businesses, fixing finances, and charting economic rebound, which he anticipates will be *"swifter and more sustained"* than previous expectations.

The medium-term economic outlook from the Office for Budget Responsibility's (OBR) was unveiled. A strong economic rebound for the UK is forecast, over the remainder of 2021, as restrictions ease, allowing economic activities to resume. Growth is expected to moderate towards the end of the year and output to return to its pre-pandemic level in mid-2022, six months earlier than previous predictions, reflective of the faster rollout of the vaccine. OBR forecast economic growth of 4% this year and by 7.3% in 2022.

As the economy reopens and emergency fiscal support is withdrawn, borrowing is forecast to fall back from a peacetime record of £355bn in 2020/21 to £234bn in 2021/22. Although the Chancellor didn't set any new fiscal targets during the Budget, he did acknowledge that tax rises would be necessary in the coming years to help restore the public finances.

Job support

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

Business support & taxation

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

Personal taxation, wages and pensions

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

Property transactions

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

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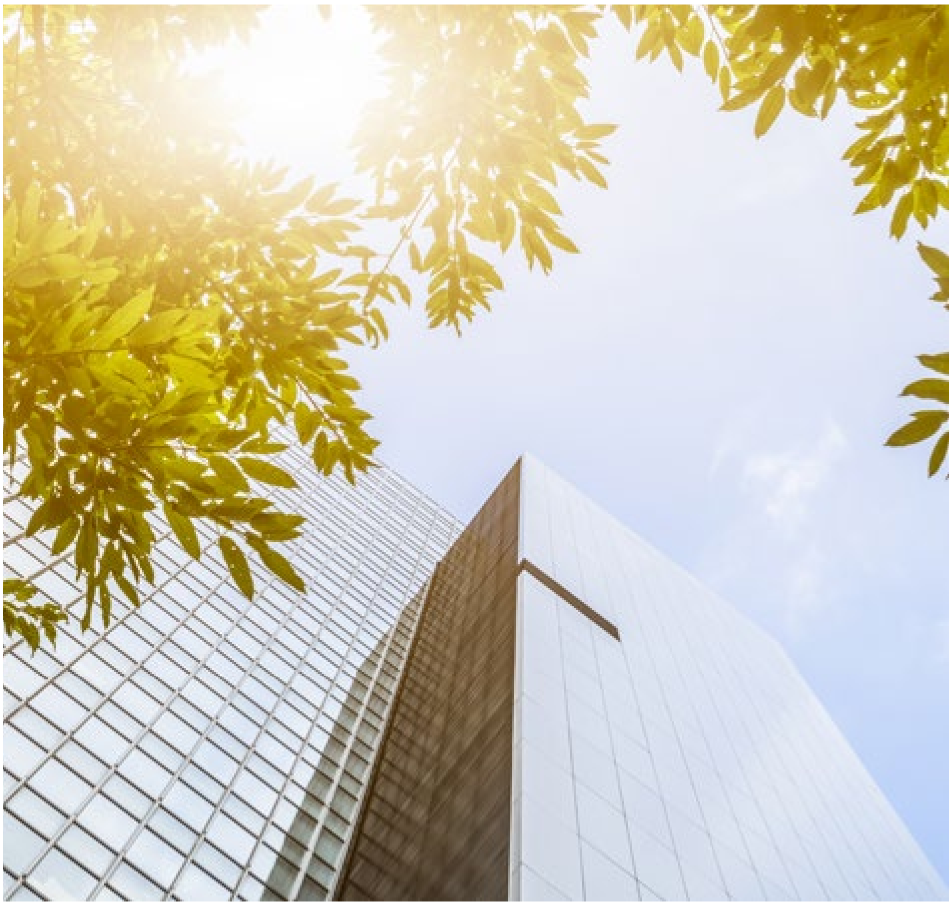

Pandemic leads to growing ESG awareness

The inclusion of ESG (environmental, social and governance) issues within mainstream investment strategies has been gaining in prominence during the pandemic, according to new research – and it's a trend that's set to continue.

The global rise of ESG – a megatrend here to stay

ESG investment has been increasingly catching the interest of investors across the globe for several years now, due to consumers' growing desire to know where their money is being invested and the wider social and environmental impact it is having. In fact, according to a recent survey from CoreData, 75% of professional fund buyers believe that all investment funds will be incorporating ESG factors into their strategies within the next five years.

The COVID effect

The survey also found that the rise of ESG investment has been accelerated by the pandemic, with 80% of UK fund investors saying it has led them to focus more on ESG.

Founder and principal of CoreData, Andrew Inwood, commented: *"The pandemic has helped reset humanity's moral compass and encouraged people to favour investments aligned with their beliefs and values."*

COP26 will keep fire burning

Environmental factors such as pollution, waste and climate change are among ESG investors' biggest concerns, according to research[2]. This is likely to mean that coverage of the 26th UN Climate Change Conference of the Parties (COP26), to be held in Glasgow this November, will further boost interest in ESG investing.

Across the pond, new US president Joe Biden has committed to an ambitious new climate regime, which is also expected to raise climate change and the COP26 conference higher on the world agenda. Yet another reason why ESG is set to be a watchword for 2021 and beyond.

[2]BlackRock, 2020

People accessing their pensions on the rise

During Q4 2020, more people accessed their pensions and more money was withdrawn, compared to Q4 2019. A total of £2.4bn was withdrawn from pensions in Q4 2020, a 6% increase from the £2.2bn withdrawn in Q4 2019.

HMRC data indicates that 360,000 people accessed their pensions in the three months to 31 December 2020, up 10% from the same period in 2019, meaning the average amount withdrawn per individual was lower[3].

Pandemic impact

There is usually a slight decrease in the number of savers accessing their pensions in the final quarter of the year, meaning that this change in behaviour is potentially a result of the pandemic. With unemployment and redundancies rising, many people may be feeling the need to dip into their pensions, for relatively small amounts in some cases.

Weigh your options carefully

Taking money from your pension may seem attractive in the current climate, but it's not without its risks. We can help you weigh up your options so that you can make an informed decision.

[3]Gov, 2021

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Taking back control of your retirement

Consumers lack confidence and understanding about issues relating to their pensions, according to two studies. The findings reveal the need for people to fully engage with their retirement planning.

Overestimating State Pension

Savers are confused about the amount of State Pension income to which they're entitled, as well as the age at which it can be claimed, according to a Which?[4] survey. Nearly a third of people overestimate their State Pension income (by up to £50,000 over their whole retirement in some cases), while seven in ten cannot identify their current State Pension age.

These figures bring into sharp relief large holes in the nation's pensions knowledge; that's why Which? believes more should be done to engage and educate consumers about pensions issues, so they can better plan for their retirement.

The nation's biggest financial worry

Meanwhile, a financial wellbeing study[5] reveals that funding retirement is UK workers' top money concern for a second consecutive year, with a third of employees listing it as their main financial worry.

The group has previously identified low engagement with later life financial topics as a major issue for employees and is concerned that it continues to be such a significant problem – not just financially, but also in terms of the impact financial worries have on their wellbeing.

Keep on track

Funding retirement is complicated, but careful planning and expert advice will put you firmly on the right track. Understanding the various options available to you and what's best for your unique circumstances is essential, as it will allow you to make sound, informed decisions.

[4]Which?, 2021, [5]Close Brothers, 2019

Financial support for family – the norm for a third of retirees

A third of those planning to retire last year, expected to support their families financially, providing handouts totalling over £3,700 a year, or £311 a month, although 12% expect to contribute £500 or more[6]. Top priorities for those supporting loved ones include living and accommodation costs.

Almost a quarter (24%) will give family members regular cash to cover everyday living costs such as food, and 20% cover some or all of their household bills. A further 19% pay for treats such as holidays and 15% have put money towards a property purchase.

Don't forget your financial security

It's natural to want to provide support to loved ones, especially with the current economic situation impacting people's finances. However, with the pandemic also affecting pension savings, this could restrict your ability to continue to support family members. Talking to us can help you quantify how much support you can provide without compromising your financial future.

[6]Key, 2020

UK dividend update

UK dividends dropped by 44% year-on-year in 2020 to £61.9bn, according to Link Group's most recent Dividend Monitor[7]. The lowest annual total since 2011, it was nevertheless boosted by a better-than-expected Q4, which saw suspended payouts restored.

The financial sector accounted for two-fifths of the cuts, the most significant contributor. Oil dividend cuts contributed another fifth. Less affected were dividends from FTSE 100 companies, with underlying dividends falling by 35%; mid-caps' payouts fell by 56%.

Cause for hope?

Forecasts suggest that payouts could rise by 8.1% on an underlying basis, yielding £66bn in 2021; in a worst-case scenario, they could fall by 0.6% to £60.7bn.

CEO Corporate Markets of Link Group, Susan Ring, commented: *"There are reasons for optimism, but the resurgent pandemic has pushed back the reopening of the economy even further. We still believe the worst is past, but a new lockdown means our expectations for 2021 are significantly more subdued."*

[7]Link Group, 2021

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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