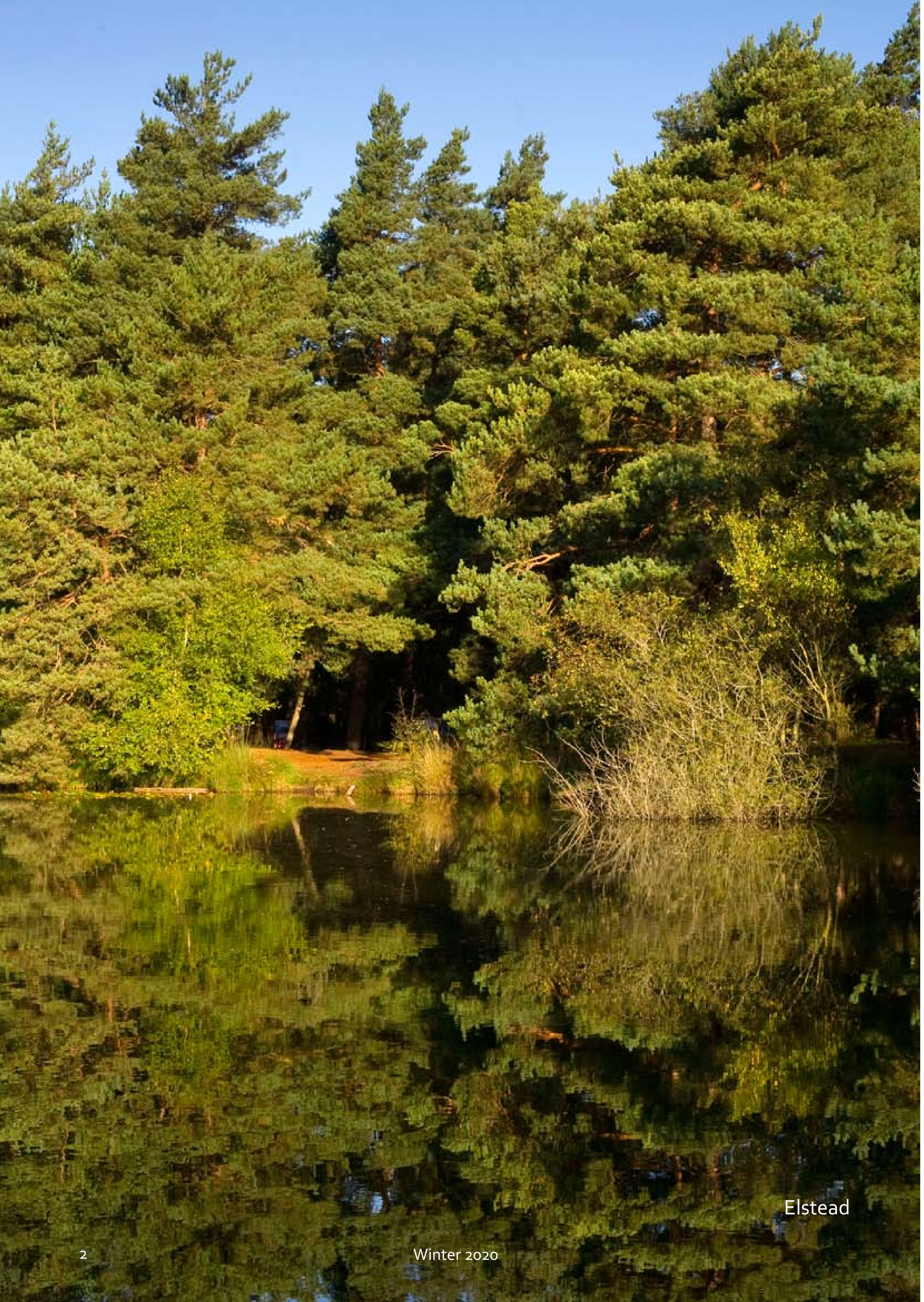
CHAPTERS FINANCIAL®

NEWSLETTER

WINTER 2020



Elstead

Welcome

2020 is nearly over! It's been a remarkable year for most of us, for many in negative ways, and for some in positive ways. As we approach what is still the festive season, we hope that you and your loved ones are able to enjoy some company together and that there is some cheer after the events of the last 10 months. With 2021 ahead of us, perhaps most of our New Year's resolutions will simply be for a better year in the varied aspects of our lives.

We had intended to send this Newsletter towards the start of November, to tie in with the planned Autumn Budget from our Chancellor, Rishi Sunak MP. Because of the fluid situation this was cancelled, for the time being anyway, although as we all know, the US election went ahead.

With the White House suffering from the effects of COVID-19, the fight for the Presidency was much tighter than first anticipated, and acrimonious during the drawn out count. Joe Biden received enough electoral college votes by the Saturday to become President Elect, with Donald Trump yet to concede. Equity markets somewhat rallied during the week and it will be interesting to see how they react in the lead up to Christmas, especially with the important news of a possible vaccine.

In the UK, we now approach the Brexit transition outcome on 31 December 2020. The effects of this change may be significant, and we may see GBP Sterling fall in value. With significant foreign ownership of the UK's biggest listed companies, this may see some UK stock market values rising, although this is not guaranteed.

Tax returns will still need to be settled by the end of January for personal arrangements, and by the end of December 2020 for corporation tax.

If you personally took advantage of the facility to defer a second payment on account within the Self-Assessment payment system, the deferred payment will need to be settled by the end of January 2021.

From a positive perspective, the team at Chapters Financial has been looking to the future, and the ways in which we can improve our systems performance and connectivity with clients. We indicated this opportunity in our last newsletter and we are delighted that our new colleague, Sarah Gibson, joined the team in mid-October to help us in this regard. Sarah comes from a legal background; however, she has been interested in investments and financial services for some time from both a personal and a professional perspective. We welcome her on board and look forward to achieving an even more efficient and connected client service in the future.

In additional news from Guildford, I send my congratulations to my director colleague, Vicky Fulcher, for successfully passing the Chartered Institute for Securities and Investment (CISI) Diploma in Advanced Financial Planning. The achievement of this Level 7 diploma means that Vicky can now apply to the CISI for Certified Financial Planner (CFP) status.

We look to keep you updated with your own arrangements directly, and with hopefully helpful information through our website and Newsletters on a regular basis. We hope the articles contained in the pages of this Newsletter will provide some additions to your overall financial planning as we move into the last quarter of this tax year 2020/2021.

With a keen eye on the changing landscape of tier restrictions, at the time of writing, we are able to offer socially distanced meeting facilities at our office in Guildford (subject to rule changes), or meetings virtually by Zoom or MS Teams.

Finally, and most importantly, the team and I want to send our thanks to our clients and contacts for their continued support over 2020. We look forward to working with you into 2021 and hope you all have a peaceful festive season.

Keith Churchouse

If you had your time again?

Regret is a strong word and one that many of us may prefer to avoid. However, as we all know too well, life happens, and some changes can be beyond our control. The year 2020 is an ideal example of how circumstances can and do change, probably beyond our wildest expectations.

Looking back over the last twelve months, I certainly have points where I wish I had made some changes personally that might have smoothed the transition into lockdown, back to the office and beyond. Everything has changed, although in a strange way nothing has changed, with the tax year running as normal and financial planning as busy as ever.

The economic news over the period has not been overly positive, with job losses rising, some political turmoil, and global markets currently maintaining their positions following falls. US markets have returned largely to their pre-pandemic levels, whilst UK markets, as an example, remain subdued. With the US election now declared and President-Elect Biden to take office in January 2021, US financial markets may remain buoyant, although this is not guaranteed.

With the important news from Pfizer and BioNTech that their clinical trials of a COVID-19 vaccine had been largely successful, hope for 2021 will increase, although it may take many months to have sufficient doses to help the global population.

In other areas, such as UK residential property, asking prices have risen significantly, in part due to the temporary change in Stamp Duty costs.

We know that with the planned UK Budget in abeyance for a while, tax relief and allowances have remained unchanged. This means that you can still:

- claim higher rate pension tax relief if you are a higher rate taxpayer (subject to the rules)
- earn £12,500 gross in this tax year and pay no income tax
- contribute £20,000 into an ISA in this tax year
- use your capital gains tax allowance, if available and prudent, to a level of £12,300 gross
- pay up to £9,000 into a Junior ISA for those savers under the age of 18

These are only examples of what can still be achieved in this tax year, although it is all too easy to forget these opportunities against the noise of other events.

Whatever you do, have no regrets about your financial planning this tax year. With a good few months of the tax year ahead of us, these options remain in your control.

They move in mysterious ways: market commentary

We are all human and we are aware of the catastrophic effects of the way COVID-19 has moved through communities worldwide. As our scientists seek to find a suitable vaccine solution, understanding increases as to how the virus affects various groups, which seems to be dependent on their age, health and ethnicity, amongst other factors. However, it affects people, and you would have thought it would affect sentiment, and in the case of this article, investment sentiment, in the same way across the globe.

Far from it, with some markets remaining undervalued in our view, and some towards the top end of their value.

The next notes are market observations, rather than any individual advice, noting of course that past performance is not a guarantee of future performance.

I have made a simple comparison of example UK (FTSE All Share) and US (S&P 500) indices as examples to see how they have performed over the last year's period:

US (S&P 500 Index)		
Date	Index Value	Comment
14 Oct 19	2966.15	
23 Mar 20	2237.39	Bottom
12 Oct 20	3527.37	Variance from bottom approx. +36.57%

UK (All FTSE Share Index)		
Date	Index Value	Comment
14 Oct 19	3904.60	
23 Mar 20	2738.41	Bottom
12 Oct 20	3374.54	Variance from bottom approx. +18.85%

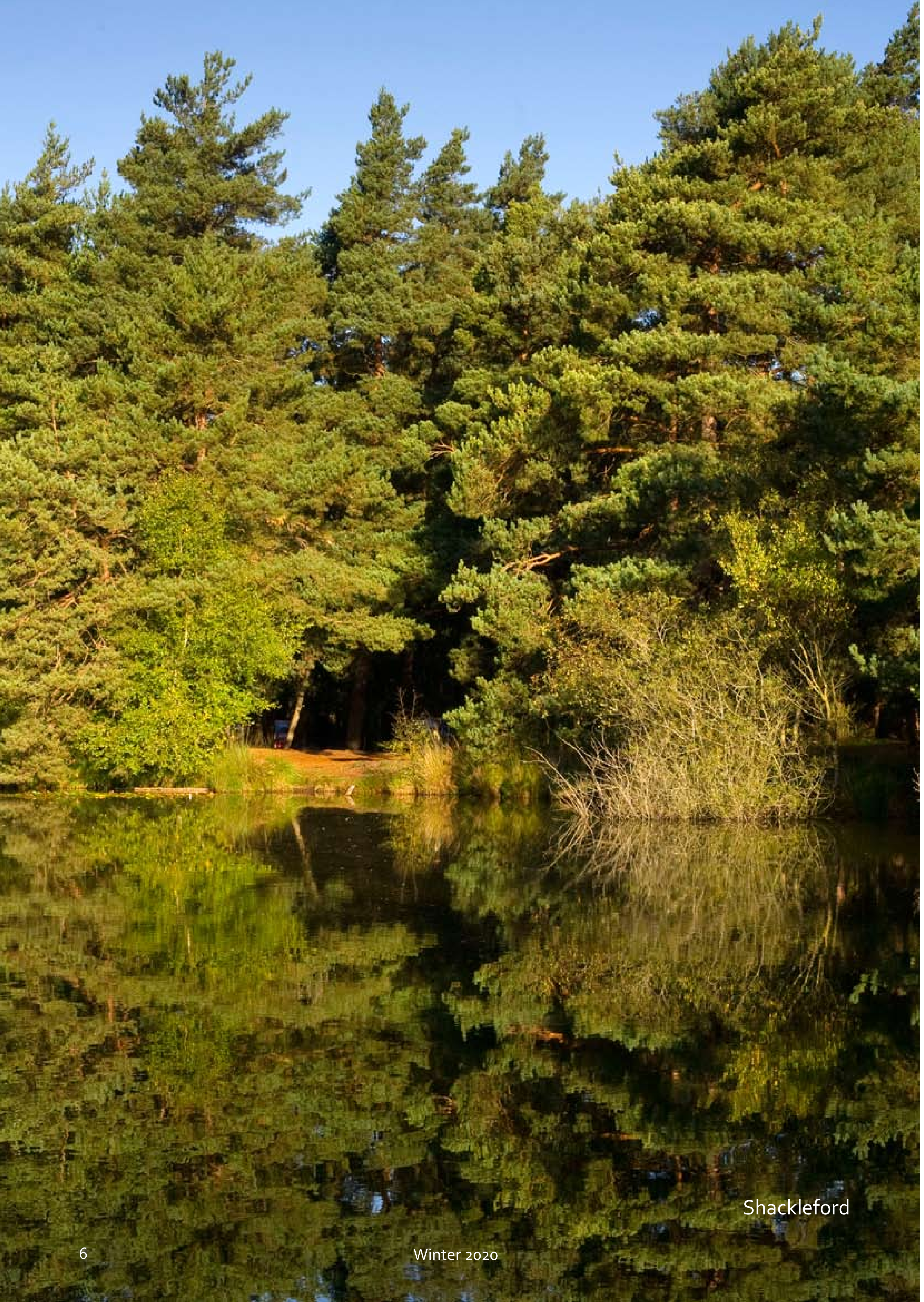
It should be noted that neither of the indices chosen are a barometer of growth / value overall; however, they do provide an indication of what has changed over the last 12-month period. As an additional example, the FTSE100 index, from its lowest recent point, has moved forward to 12 October 2020 by 20.17% approximately. As you can see the variances in growth from the bottom of the markets, which were around 23 March 2020, are significant. As to why, this might in part be due to sentiment, with many sectors in the US, such as technology, doing well.

It is also important to note that currency issues remain a concern, with the US dollar currently losing favour in the global markets at this time. As at 12 October 2020, the US dollar has seen the following variances over the last year:

GBP vs US Dollar		
Date	GBP vs US Dollar	Comment
14 Oct 19	£1.305	
19 Mar 20	£1.140	Bottom over 12 months
12 Oct 20	£1.306	Variance from bottom approx. +12.72%

With the US election result now decided, it will be interesting to see how this differential changes.

If you would like to consider your future investment and pension planning, then please do contact us at our Guildford office.



Shackleford

All on the ONS: savings boom!

The pandemic has seen most of us seeking up to date information on important economic and health data as it becomes available. Gaining a good source of reliable data has sadly proved to be challenging on occasions, much to the annoyance of most of us.

The Office for National Statistics (the ONS) has been a great source of data, bringing forward some data on the issues faced by the UK into the public realm for all to consider. Of course, some of the information on the relative demise of the UK economy and the speed of its decline has only confirmed what many of us had feared. Other statistics have been fascinating in the effects of most of us working from home for the first few months of the lockdown from March 2020.

One statistic that struck me was the level of savings being achieved in the UK over the second quarter's period (April to June 2020). The findings issued on 30 September 2020 noted that the UK households' savings ratio increased to a record level of 29.1% in the period, up from 9.6% in the first quarter of 2020, which in itself was higher than the last few years. Understandably to some extent, households reduced their spending by a record amount, namely £80.5 billion. This is a reduction of 24.2% and reflects the restrictions on movement over the period.

More details on these statistics can be found on the website for the Office for National Statistics at www.ons.gov.uk.

On the same day (30 September), following research from the Institute of Fiscal Studies (IFS), the FT reported another effect of the pandemic, with over 1 in 8 older workers, and by older they are referring to the over-50s, having changed their retirement plans as a result of the pandemic. Many respondents have noted that their financial position had worsened. The full article 'Britain's over-50's rethink plans as virus takes toll on retirement ' can be found on the Financial Times website www.ft.com.

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These savings can be used in many ways, from paying down debt, such as credit cards, loans and mortgages, to creating an emergency deposit fund, to adding funds to your pension. Now that the Autumn Budget has been cancelled (more about this on p9), pension funding still offers most investors tax efficient savings.

Reviewing your savings and financial planning is usually worthwhile and the team at Chapters Financial can help with your plans.

180 days to access your pension funds?

With the significant effects of the COVID-19 pandemic, commercial property fund moratoriums have again been established. The potentially lengthy notice periods for redemptions, and therefore the inability of investors to access their money, has caused concern to investors and the regulator alike. People's lives change, with some heading for the retirement door and others divorcing, as examples. With a possible uplift in the numbers requiring their tax-free cash and income to be drawn as they leave employment or their spouses/civil partners, these fund manager positions might cause real problems.

The UK regulator, the Financial Conduct Authority (FCA), has stepped in with focused proposals to control significant elements of the system, as noted in their consultation paper CP20/15 of August 2020 entitled '*Liquidity mismatch in authorised open-ended property funds*'. This applies to UK authorised property funds that are non-UCITs* retail schemes, or NURS for short. The full consultation paper CP20/15 can be accessed from the FCA's website www.fca.org.uk. For reference, the consultation ended on 03 November 2020.

The FCA is consulting on the introduction of what it believes to be a fairer system by proposing a 180-day notice period for these property-based funds.

As the opening summary of this document notes:

The UK has a number of FCA-authorised 'daily dealing' funds which invest directly in property, for example commercial buildings. These are open-ended funds which offer investors the option to put money in and take it out on each working day (this is sometimes called 'offering daily liquidity').

Daily dealing can be attractive for investors because, assuming it can be maintained, it means they can invest in and move out of an asset class whenever they want. But the underlying asset that they are investing in cannot be bought and sold in this way. So, fund managers often hold large cash balances to manage the risk that investors choose to redeem their investments at any time.

And:

Fund suspensions (moratoriums) can protect investors from worse outcomes. But repeated suspensions suggest that the daily liquidity that these property funds offer cannot always be delivered and comes with a price. Investors in authorised open-ended funds need to have confidence that they will be treated fairly.

Moratoriums, usually for up to six months, on the ability to be able to trade funds in commercial property funds within pensions are nothing new, and are a tool that fund managers can use to protect the fund assets in the case of significant variances in cash flow. To reference this, following the vote for Brexit in the UK in the early summer of 2016, most commercial property funds placed moratoriums on their funds because of concerns that many investors would seek to encash their holdings. This change in UK fundamentals could have placed pressure on managers to sell commercial property assets, perhaps at a time they did not want to, to meet the outflow demand. As concern wavered, many moratoriums were withdrawn by early autumn 2016.

To give this article some balance, when commercial property funds are popular, a significant inflow of cash can cause a cessation of trading if maximum cash limits (usually dictated by the fund's original mandate) are exceeded.

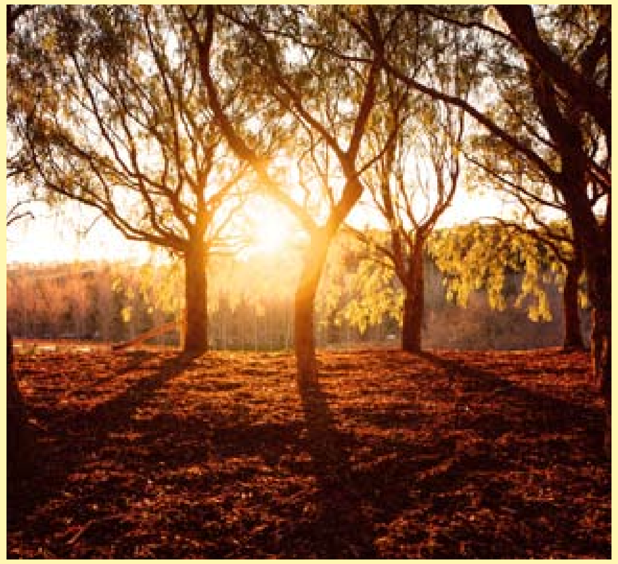
You can see from the notes above that the decision of when to put in place and to end a moratorium lies with the fund managers and this raises the issue of control of investors' capital, and the overall liquidity of the system itself. Some managers have relinquished their moratorium positions as of September/October and it will be interesting to see if all managers eventually follow this route.

Reading this new FCA paper further, I cannot see any reference in the document to pensions-in-divorce sharing, noting the required implementation period of four months following a court sealed share order. Obviously, the planned 180-day notice period may breach this limit. It is unlikely that a spouse transferring to an ex-spouse would give prior and appropriate notice and the provider may not meet their obligations, or somehow make only a partial transfer if the transferring holding contains NURS. This may cause the receiving spouse detriment if they are relying on the funds to provide immediate benefit. We have, of course, responded to the FCA consultation paper on this topic.

Is this a concern to investors in these funds? It should be and may well reduce the attractiveness of allocating pension and investment funds to this area, noting that alternatives such as Investment Trusts may be more effective in the future. With some already trapped in this asset class, the possible overlap of the current moratoriums and the introduction of the new regulatory rules by the FCA (if approved) may well cause a headache or two for those planning their retirement, divorce, or indeed both!

**UCITs = undertakings for collective investment in transferable securities*

Sadness about the Autumn Budget



Usually, around October each year, the Chancellor stands at the despatch box in Westminster to detail his monetary views of the economy ahead. This had been the plan for the latter months of 2020.

Over recent years, the annual UK Budget has been switched from the spring to the autumn, and back again, which has got rather confusing. Since 2017, it's been in the Autumn (noting the plan to have two Budgets this year, the first in March 2020) although this time round it's been cancelled. This is because of the quickly evolving effects of the pandemic on the economy, both in the UK and across the world.

To some extent, this cancellation is to be understood, but I for one am sorry and saddened that it won't be taking place. Why? Because many people pay no attention to their personal financial planning throughout the year, until it is somewhat forced upon them by the headlines of the Budget. It's a really emotive event when (because of tax) the price of your wine, petrol, home insurance and so forth invariably goes up, or relief that your personal tax allowance goes up a bit, meaning you can earn a bit more each year without paying tax.

The personal finance pages of the press tingle the next day, or the weekend after, with the classes of 'winners and losers' of any changes that have been proposed and planned. And the sad part is that this won't happen this autumn and, for some, the rare chance to look at their money planning may be lost.

Whatever you do, don't lose the opportunity to take a look at your money planning and where you are in your plans. The stimulus that brings you to money planning may not be there this late 2020, but whatever usually grabs your attention, take a look soon. It might make a big difference to your overall planning as we approach a difficult few months ahead.

The coffee machine hub and employee benefits

With effective physical networking out of the question for the time being, it will be interesting to see if this void can be filled again effectively. Now there is a challenge if ever I saw one!

Will alternative and additional benefits as part of a reviewed and renewed 'menu' service for employees help retain and attract the right staff members? This might be death in service benefits, health cover or pension contributions to name a few options. And if a business moves to a virtual basis, without the need for a large (and usually expensive) office, perhaps this cost benefit can be passed on to add value to team members now working from home.

A place where team members might gather, just for a minute or two, to refresh their cup of whatever beverage they have as their choice, and to pass the time of day, concerns, initiatives and the like with their colleagues. For some, for many, that oasis of work distraction is over, as they now work from home on a permanent or semi-permanent basis. You are not going to get many colleagues standing around in your kitchen passing the time of day.

Has something been lost? Yes. Could it be quantified? No. Was it vital to the general wellbeing of both the staff and the fabric of the business? Yes! Taking this further, is this a loss to city centres and office space towns? Certainly.

We are aware of some companies bringing their team members together through Zoom or MS Teams and asking managers to refrain from joining any agreed meeting until 10 minutes has elapsed to allow the coffee machine chat to be virtually enacted. Time will tell if this works and I, for one, will be sorry to see any loss of appropriate camaraderie if interaction with colleagues simply becomes virtual.

Many people are motivated not by money or benefits, but by being part of something bigger and exciting that can be instilled by being a team member. And if this is lost, then loyalty may also be lost, because one Zoom meeting might be the same as the next, whoever you work for.

Employee benefit 'menu' services are nothing new, although the new working situations we all find ourselves in may mean that some employers will need to review their proposition. Many use a 'fixed price' menu system, which details the total benefit package (the fixed price!) the employee can enjoy, and then providing them with the menu of benefits that they can select from. We feel it is important to detail to employees which benefits are not taxable, such as death in service cover, and which are, such as private medical insurance. Perhaps reaching out with a survey of the team might help with the focus of any new inclusive benefits arrangements.

Time will tell what will happen. The 'new norm' for business interaction will find its own way, and I believe quickly, as we all adapt to our new ways of working.

However, employers will need to think carefully about their approach to 'business as usual' from an employee benefits perspective, especially if working from home is now the anticipated future. The loss of the coffee machine hub might be the start of the loss of a lot more!

And finally... Pocket Money Surveys 2020

Two surveys have recently been published (RoosterMoney and Statista) which give a fascinating insight into kids' spending habits and how even these have been affected by the COVID-19 pandemic.

With access to shops and high streets being limited and kids having to spend a lot more time at home, the shift in children's spending from the physical to the digital has accelerated over the last few months. For the first time ever, online games take the top spots in things to spend pocket money on with Roblox and Fortnite securing numbers 1 and 2 in the list respectively. The usual favourites, books & magazines and sweets have been pushed down to numbers 4 and 5 in the list with Lego remaining constant at number 3.

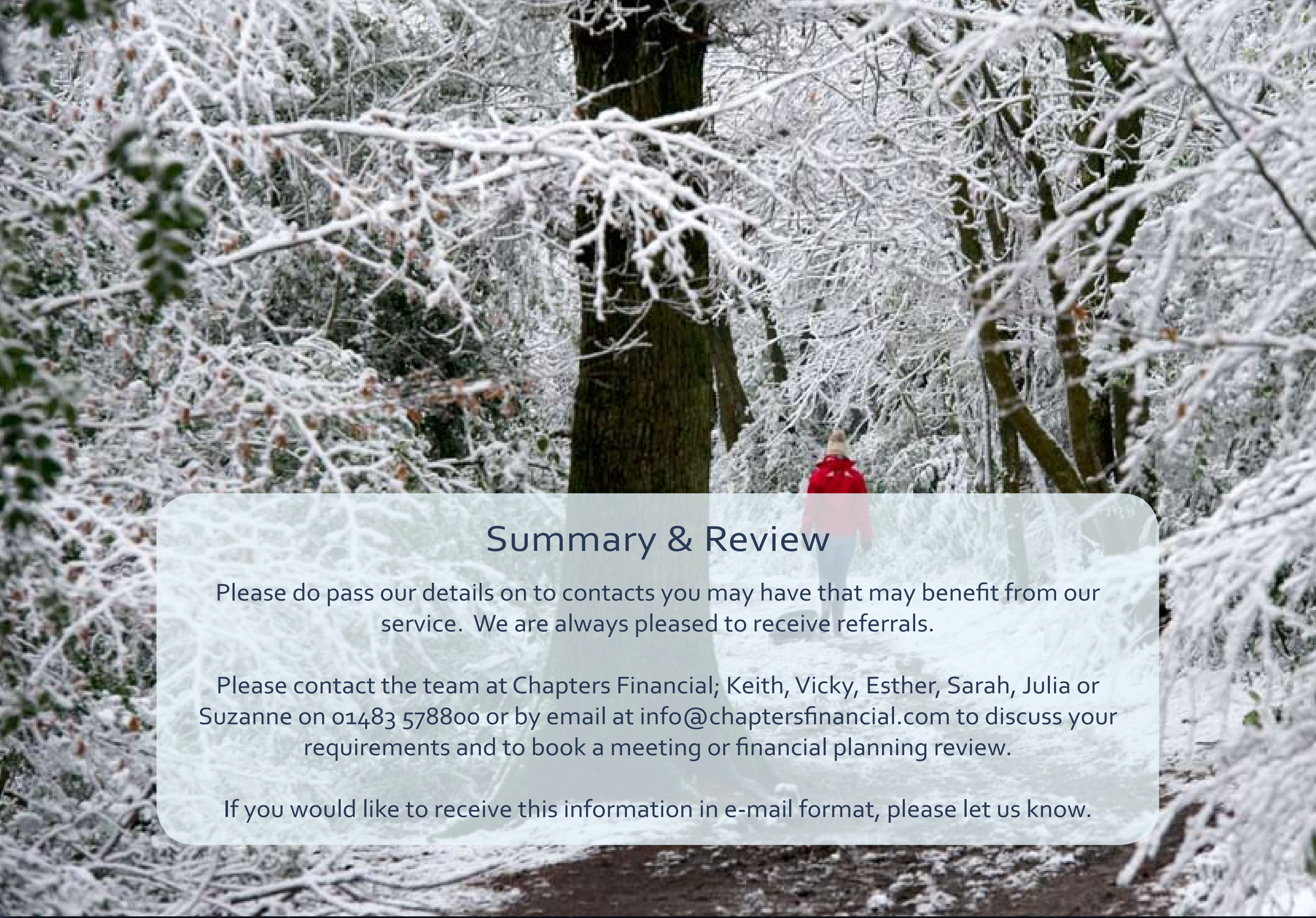
Top 5 Things Bought with Pocket Money Q2 2020	
1.	Roblox
2.	Fortnite
3.	Lego
4.	Books & Magazines
5.	Sweets

The good news is that the amount kids are saving has risen to a record 43.5% according to RoosterMoney's Pocket Money Index. This may be as a result of having less spending opportunities during lockdown but it is still encouraging and a trend that we hope will continue.

But just how much pocket money do our children receive and how can they boost their income?

Here are a few interesting statistics that have come out of these surveys:

- Average pocket money per week is £7.55 which is down from 2019 by around 16p per week. This is the average, with younger children receiving less and older children receiving more. £2.73 per week is the average for a 4-year old while the rate shoots up to over £8.00 per week for a 14-year old.
- Children in London get the most, with children in the South East and East of England receiving on average about £2.00 per week less.
- The most popular day to receive pocket money is Saturday (63%).
- If additional funds are required, the top paid chores are washing the car and mowing the lawn. Getting good grades at school is also well rewarded.



Summary & Review

Please do pass our details on to contacts you may have that may benefit from our service. We are always pleased to receive referrals.

Please contact the team at Chapters Financial; Keith, Vicky, Esther, Sarah, Julia or Suzanne on 01483 578800 or by email at info@chaptersfinancial.com to discuss your requirements and to book a meeting or financial planning review.

If you would like to receive this information in e-mail format, please let us know.

CHAPTERS FINANCIAL®

www.chaptersfinancial.com

Hadleigh House, 232 High Street, Guildford, GU1 3JF.

Tel: 01483 578800

Fax: 01483 578864

email: info@chaptersfinancial.com

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