NEWSLETTER


Photo by Andrew Spybey @theguildfordian

SPRING 2021

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Welcome

With Lockdown 3 nearly over, 2021 is well underway and any seasonal festivities are now a distant memory. We had planned to distribute this Newsletter earlier in the year; however national events delayed our plan, and conveniently fell in line with the early Budget of 03 March. More on this later in this Newsletter.

The end of 2020 was notable for many national and international events; Brexit and the US election to name two. The announcement of the various vaccines in November and December 2020 saw most global investment markets rally and hold their gains into 2021. We hope this continues, although not guaranteed. There was also concern at the start of the summer of 2020 that dividend yields would fall, and there were some reductions. However, dividends are continuing to recover, and we look forward with greater confidence that these will return to normality over time.

With the ramifications of the agreed deal for Brexit now being revealed, and the progress of the roll-out of the various vaccines across the UK and abroad, there is something to cheer as we look forward to the spring and summer. Hopefully a release from the many constraints we endured in 2020 brings thoughts of a warm summer, and I am sure that the possibility of going on holiday later in the year is high on the list of objectives for the year ahead.

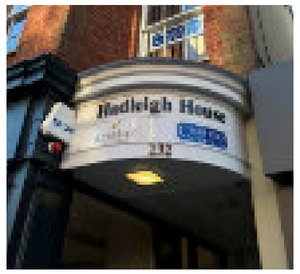
We are of course approaching the end of the tax year 2020/2021, and my usual reminder to use up (or potentially lose) annual allowances where available and affordable remains constant. It is not uncommon each spring to suggest that the incumbent Chancellor is 'stuck between a rock and a hard place'. Based on the events of 2020, this thought is renewed with greater vigour because of the government debt that has been accumulated. Higher taxes are likely to be required going forward; the implementation of the freezing of many increases to future personal allowances for five years will initially be gentle, but will bite into the future.

The full details were revealed in the Budget on 03 March and we have detailed some of the changes on page 5 of this Newsletter. We hope this update is helpful, although if you have any questions then please do speak to me or the team.

We do plan to produce a new Newsletter in May 2020, subject to any logistical restrictions, and we will look forward to providing you with topical updates at that time. Our website is updated regularly if you would like to look at this in advance.

Thank you for your continued support of Chapters Financial during the challenges of the last year and we look forward to working with you into the future.

Keith Churchouse



The next 'year-end' is not cancelled!

So, 2021 has started as 2020 ended, in very restricted circumstances. January and February have historically been quieter times of the year as we all reminisce about the recent festivities and try to stick to our virtuous New Year's resolutions, usually of some form of personal abstention.

We envisage that 2021 may well be different, with many having changed plans and toned down celebrations, noting that New Year was effectively cancelled. However, the next 'year-end', the tax year end of 05 April 2021, is not cancelled. Over my 35+ years in the profession, I have heard on many occasions the view that the incumbent Chancellor is 'stuck between a rock and a hard place' and this was demonstrated with his Budget on 03 March 2021. However, never in modern history has the individual at the dispatch box in Westminster had to face a pandemic and the corresponding mountain of debt taken on to keep the wheels of the UK moving.

The cost of the debt taken on by the Government may well not be the issue in the micro-cost interest rate environment. It is the need in the future to repay it that is the medium to longer term problem. More on the UK debt increase during 2020 can be found on the Office for National Statistics website.

And the probable way to solve it (other than to hope for an inflation spike to erode its real capital value) is of course taxes...and lots of them. Personal and business taxes were in for a full review.

There was of course speculation as to what would happen in this year's Budget, and with the full announcements made, the immediate effects for household economies seem muted. However, with the freezing of many personal allowances looking forward for the next five years now confirmed, the real sting in the tail will be felt in the years ahead. These are unlikely to be the only tax changes we will see this year, with an autumn statement ahead, and it will be interesting to see if further increases in taxation can be tolerated by the fragile economy.

Please do take time to review your financial planning as we approach the end of the tax year 2020/2021. The Budget in early March will no doubt have focused the mind; however, many of the annual tax allowances are on a 'use it or lose it' basis, meaning that if an allowance is not used, it is lost by the end of the tax year.

We, along with many of our clients, have evolved new ways of communicating, using technology such as MS Teams and Zoom meetings, as examples. Some clients and contacts prefer to maintain traditional communication options, such as telephone, letter and email. All channels of communication remain available to you, observing the current restrictions with regards to face-to-face meetings, which we hope will end soon.

Our website is regularly updated with topical articles if you would like to look at this in advance of our next Newsletter.

Spring Budget 2021 – 'the cash flow Budget'

Rishi Sunak MP has been Chancellor of the Exchequer for just over a year at the time of writing (03 March), having been promoted to the role on 13 February 2020. I am not sure that even he could have predicted the rollercoaster of a year that we have experienced in terms of the UK's finances and the billions provided to support individuals, businesses and the wider economy through the coronavirus pandemic. He has been balanced in his approach thus far, and it was interesting to listen to his speech from Westminster.

The Budget was originally planned for October 2020; sensibly, though, this was cancelled because of the difficulty of implementing economic measures and changes when the pandemic situation was changing so rapidly.

We often comment at the time of a Budget that the Chancellor of the time is 'stuck between a rock and a hard place'. This has never been a truer statement, and although he has been relatively cautious on tax rises on this occasion, to give the economy more time to recover, we do anticipate a more aggressive stance in an Autumn Statement (or indeed second Budget) later this year.

The Budget was very much about cash flow: encouraging the release of stockpiled cash through new investment to stimulate the economy, jobs and growth, whilst restraining tax increases.

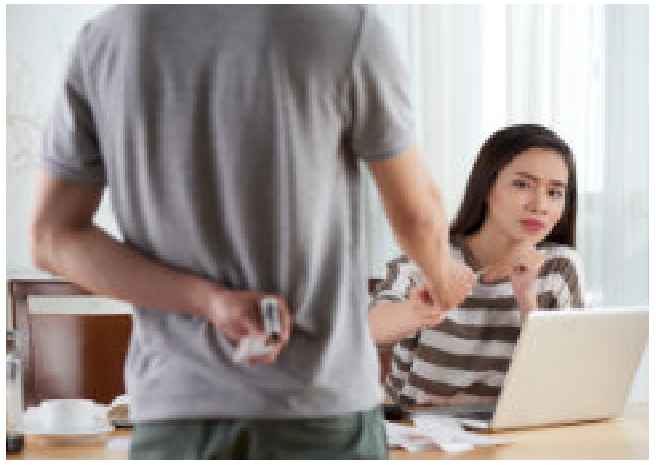
As the Chancellor noted in his three-point plan, the priority continues to be supporting the UK to recover from the deep economic effects of COVID-19. The rapid roll-out of vaccinations is an important element in this recovery – however, the fact remains that Government borrowing is at record levels, as noted below, and this will need to be addressed. The historically low interest rate environment is in the Government's favour, making borrowing extremely cheap, and we do believe that this situation is set to continue for some time, although there are no guarantees. In addition, we may see inflation start to creep up over the short to medium term, which would help to erode the UK's debt. Please note that usually the 'devil is in the detail' for Budget plans and I am sure this will be no different in allowing him to gently raise taxes without any headline changes.

We have put together some key headlines of the Budget, concentrating on personal finances in this article:

- The personal income tax allowance will rise to £12,570 in April 2021, as planned, and will then be frozen from 2022 to 2026.
- The higher rate income tax threshold will rise to £50,270 in April 2021, as planned, and will then be frozen from 2022 to 2026.
- The Inheritance Tax threshold will be maintained at the existing level of £325,000 until April 2026.
- The Lifetime Allowance (LTA) for pension benefits will be frozen at its current level of £1,073,100 until April 2026.
- The annual exempt amount for capital gains (CGT) will be maintained at its existing level of £12,300 until April 2026.
- The adult ISA allowance will remain unchanged at £20,000 and the JISA and Child Trust Fund allowance at £9,000 for tax year 2021/2022.
- The stamp duty holiday (£500,000 nil rate band) has been extended to 30 June – it was planned to end on 31 March. To smooth the transition back to normal, the nil rate band will be £250,000 until the end of September and will return to £125,000 on 01 October 2021.
- For homebuyers who can only afford a deposit of 5%, a new mortgage guarantee scheme will enable all UK homebuyers to secure a mortgage up to £600,000 with a 5% deposit.
- The Universal Credit uplift of £20 will continue for a further six months (and equivalent support for those on working tax credits).
- The minimum wage will increase to £8.91 per hour from April 2021.
- The contactless payment limit will rise to £100 later this year (was £30, raised to £45 less than a year ago).
- A 'green' retail savings product will be available through NS&I in the summer of 2021. This will give UK savers the chance to take part in the collective effort to tackle climate change.

We hope this update is helpful in looking forward.

Do you keep money secrets?



New research published by the government-backed Money & Pensions Service (MaPS) has revealed that almost four in 10 people are keeping "money secrets" from their loved ones, including hidden debt problems.

The most common secrets are hidden credit cards (37%), undisclosed loans (23%) and secret savings accounts (21%). Millennials (aged 25-34) were the most cagey, with three in five hiding details of their finances. The MaPS survey which polled 5,200 people nationwide, suggests that many Britons still fear stigma when talking about money worries. Almost 40% of respondents said they stayed silent about concerns, often due to feeling embarrassed, a fear of being judged or of making family members anxious.

The survey also found people in relationships tended to underestimate the extent of money secrets their partner kept from them - while 23% of people in relationships suspected their spouse hid things, nearly half admitted to having hidden things themselves.

The MaPS survey marked its recent Talk Money Week, which encouraged people who are struggling financially during the pandemic to talk it over with a friend, family member or expert as it could help make money problems more manageable, benefiting people's health, relationships and overall wellbeing.

The survey comes at a time when, alongside the publication of the latest Office for National Statistics (ONS) employment and Department for Work and Pensions (DWP) data, the charity Citizens Advice released new figures showing it has supported nearly 280,000 people with advice on Universal Credit since March. Seven in 10 of those seeking advice on benefits have never come to Citizens Advice before. During October, "redundancy" was the most-searched term on the Citizens Advice website.

Millennials are among those hardest hit financially by the effects of the pandemic with MaPS's research suggesting that around 71% of those aged 18 to 24 worried about money once a week. Yet, with help, some of them are being encouraged to talk about their money worries in workshops run by the MyBnk social enterprise and charity. MyBnk workshop facilitator Tekisha Henry advises young people to be more open about money and keep a positive mindset. "Don't just work for money, make it work for you," she said.

In the current unprecedented financial landscape, there is absolutely no shame in admitting that you may need support and practical advice like never before. The good news is that there is help available out there:

Citizens Advice's services are free, independent, confidential and impartial. Visit www.citizensadvice.org.uk to get advice online or to find your local Citizens Advice.

The Money & Pensions Service (MaPS) brings together three financial guidance bodies – the Money Advice Service, The Pensions Advisory Service and Pension Wise. It's sponsored by the DWP and aims to help people make the most of their money and pensions. For more details, visit www.moneyandpensionsservice.org.uk

MyBnk is a UK charity that delivers expert-led financial education programmes for 5 to 25 year olds with schools and youth organisations. Available directly, virtually or online at: www.mybnk.org/our-work/financial-education/

Whatever you do, don't hide from money worries – seeking help as early as possible is the best course of action.

In the Spotlight

Are you really sitting comfortably?

Lucy Blick, Life Made Simple Physiotherapy

Sadly, the vast majority of university students had to return to their studies virtually from home after the Christmas break with only a limited number, for example medical students, being permitted to return to campus.

'Desk-itis' starts early

Whatever the situation, both school and university work tends to involve a lot of time sitting at a desk and studying, in the classroom, in a lecture hall, at home, in the library, in a café, or in a multitude of other locations thanks to the power of the internet. Being desk-bound starts much earlier than your first job, and now that study is so much more flexible, your desk and chair set-up can vary considerably depending on where you are working. One reasonable question might be 'are you really sitting comfortably?'.

Posture and proper equipment

Most people are aware these days that posture and proper equipment are really important in maintaining the health of your muscles and frame as you sit and study; however, it's clear from our engagement with clients that not everybody is able to achieve this, particularly if you don't have a permanent study base, or are competing for space with others working from home. 'Desk-itis', as one of our clients nicknamed it, is a real and increasing issue for many students and it can have a lasting impact on their lives, particularly if they head straight from education into a desk-bound job, especially with the fun of 'gap years' off the agenda for many. Hopefully, a new employer would have undertaken a workstation assessment to ensure you are comfortable at your work desk, but this doesn't always happen.

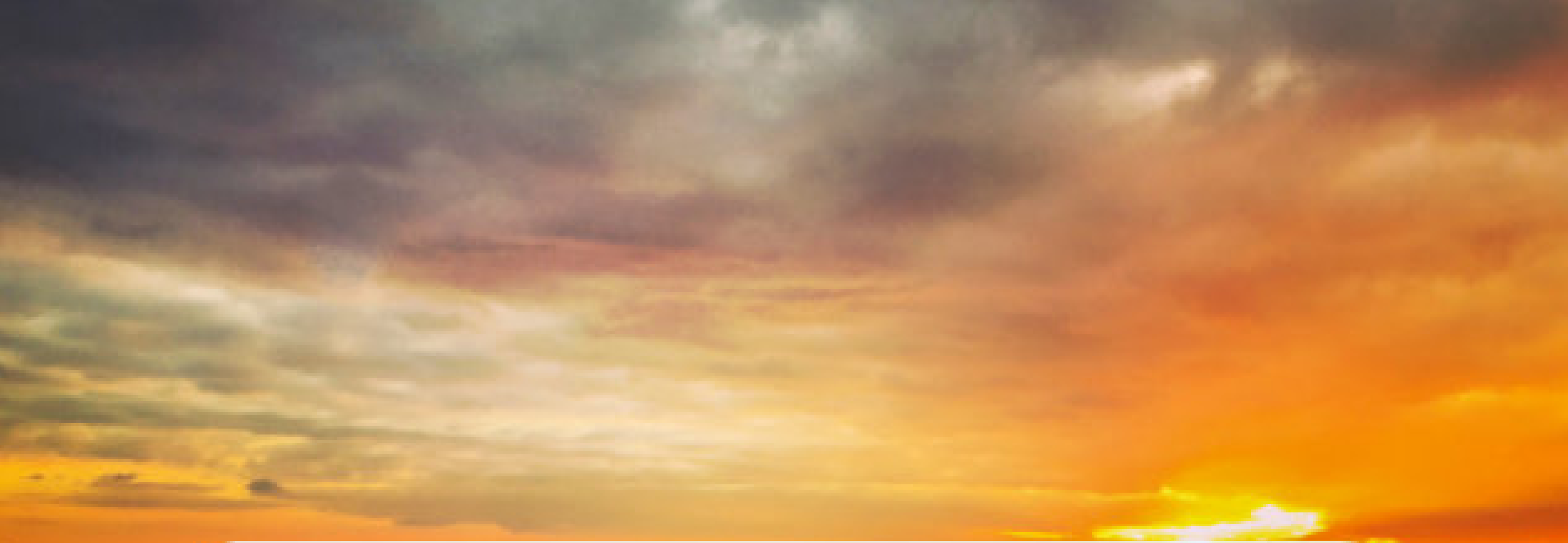
The habit of moving

There is normally a wide range of activities available for school and university students to encourage them to keep moving; sports is built in to the curriculum in schools until the age of 18, and after that there should be plenty of free time and options available for students to take part in sporting activities they enjoy. However, as young people are given more freedom to choose how they use their time, it can be easy to slip into a routine of limited activity, poor posture and, quite possibly, a less than optimal diet, particularly at times of academic pressure. Putting in place regular sessions of activity early in life is a fantastic way of ensuring that exercise is built into your daily routine as you move from study to employment and, eventually, into retirement.

Physiotherapy for children and young people

At Life Made Simple Physiotherapy, we offer physiotherapy to children aged 9 years old or more. Tackling muscular and skeletal issues early can be a very effective way of preventing or reducing the mobility problems that plague so many people in later life. More immediately, physiotherapy can help a child or young person enjoy their chosen activity or sport to the full.

If you would like to be in our spotlight in our next edition please let us know by emailing suzanne@chaptersfinancial.com



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, 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. We have full Zoom and MS Teams facilities for virtual meetings.

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

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