NEWSLETTER

EARLY SPRING 2022

Photo by Andrew Spybey @TheGuildfordian

Welcome to a new year and a new office!

First of all, I and the team at Chapters Financial wish you a happy and healthy 2022.

As I am sure you will remember, 2021 started with a necessary lockdown period, and it is, we hope, positive to note that 2022 has not started the same way. I know we all hope that the ongoing COVID-19 situation and its significant effects will soon be controlled. It is clear that we will need to live alongside this evolving problem for years to come, as we do with annual winter flu infections.

In part with this in mind, we have created a 'Zoom Room' in our new office to be able to offer virtual meetings (other virtual meeting platforms, such as Microsoft Teams, are available), for when it would be prudent not to meet directly, although you are welcome to visit the new office when safe, and when you are ready.

Global economic environments have also started to see an evolution and change as central bank base rates started to increase in the last month of 2021. Both the Bank of England and the Federal Reserve in America have increased rates, with both indicating that further rate rises will be required with a view to curtailing the effects of inflation. Inflation (Consumer Prices Index / CPI) exceeded 5% in the UK in December 2021 as the economy started to recover and these increases, once thought to be a possible blip, now seem to be a little stickier than first modelled. Only time will tell if this proves to be the case, and the effects of any base rate rise may be beneficial for deposit savers and perhaps more costly news for borrowers.

One other significant topic which continues to grow in importance is an individual investor's stance on environmental, social and governance (ESG) and ethical issues for their investments. Some investment houses have already started to make changes to their mandates to incorporate some tilting towards an ESG outlook in their standard investment profiles, and I am sure that we will see more of this occurring over the years ahead. We have featured an article on this topic in this newsletter and this is a good example of a topic for review when we look at your overall financial planning and the ways in which your funds are invested. If you have any immediate preferences you would like to apply, then please let us know.

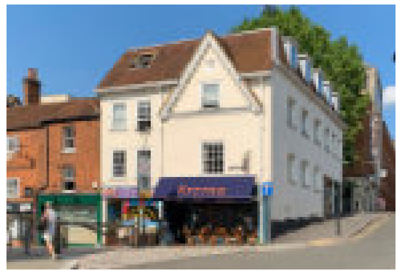
With the New Year celebrations completed, and 2022 in full swing, we still have the end of the tax year to follow on 05 April 2022, approximately two weeks before Easter. This current tax year is the first in which many of the annual allowances were frozen, and if you have not used your allowances where possible, such as the ISA allowance (£20,000) or your capital gains tax allowance (£12,300) then please do get in touch to discuss these opportunities further.

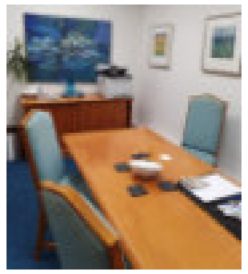
There is much to look forward to in the year ahead, with the celebrations of The Queen's Platinum Jubilee marking the 70th anniversary of her accession, and the Commonwealth Games in Birmingham starting in late July.

On a final note, as we enter the new year, we are settling into our new offices quickly, and the transition has run very smoothly. We look forward to seeing many of you in Shaw House over the coming period.

Kind regards

Keith Churchouse





Cautious optimism, but frozen allowances!

The new year, 2022, has started and most of us hold out more hope for a better year ahead. The Chapters Financial team has settled into our new offices in Tunsgate, Guildford, with the move having run very smoothly.

Christmas was busy for many, perhaps as a compensation for the year before, which some would prefer to forget, and an air of cautious optimism seems to prevail as we look forward. Sure, there are the remaining winter months to endure; however, hope is ahead for normality to return.

Easter falls in mid-April this year, and as a financial planner, this always focuses the mind on the end of the tax year (05 April each year), and of course the start of the new tax year 2022/2023.

The annual tax allowances that clients and individuals can use are usually on a 'use it or lose it' basis, with most allowances being renewed each tax year. You may remember that the Chancellor froze any increases in personal allowances for five years hence, therefore, most will stay static for a good time ahead. Notably, one change at this time will be the anticipated increase in National Insurance contributions for most in work.

Some allowances, such as the ISA allowance (to a maximum of £20,000) are reasonably obvious to most. If you have spare funds that you are comfortable to invest for the medium to longer term, either in cash type arrangements or in a taxable stocks & shares account, you could shelter £40,000 in a tax-efficient ISA wrapper within a matter of months by using your allowances in this and next tax year. The Junior ISA (JISA) allowance remains at £9,000.

Other allowances, such as the dividend tax allowance (£2,000 pa gross) or the capital gains tax allowance (£12,300 pa) may be less obvious, although both can be very effective for planning purposes.

Let's not forget other allowances as well, such as the standard personal income tax allowance of £12,570 gross and the annual gift allowance (£3,000 per donor) for inheritance tax purposes.

Each client is different, and so are the assets they own, their attitude to investment risk, and the individual tax allowances that may benefit their overall wealth management. Individual views may change over time as tolerances to investment risk change, or environmental, social and governance (ESG) and ethical views evolve, as investment houses become more conscious of how they invest for growth, income and returns.

Whatever your plans are for 2022, we hope that you have positive outcomes, both for your own wellbeing, but also for your financial planning.

What does someone really need to put their feet up?

I talk and write a lot about how you can save efficiently, or reduce costs, or challenge your money planning to get the most from it. This is to ensure that life is affordable not only now, but also hopefully in the future.

That's all well and good; however, on average, what income do you need to retire on? This might be aligned to the question of 'how long is a piece of string?' because we are all different and have different needs, aspirations and desires, even in retirement.

Noting that we all have our own lifestyles, incomes and expectations from retirement, whatever that looks like, a report from the Pensions and Lifetime Savings Association (PLSA) in October 2021 suggests that a single person will need post-tax annual income of £10,900 net for a minimum standard of living in retirement.

The minimum retirement living standard covers a typical retiree's basic needs plus enough for some social activities, such as a week of holiday in the UK, eating out once a month, but not including running a car.

The PLSA report suggests that this spending budget increases to £16,700 for a couple. For the first time in the assessment, Netflix subscriptions and items such as haircuts are included, and it's an interesting read to compare your lifestyle with what is suggested as an average.

Reading the report further, and its findings across the UK when taking into account day-to-day housing and living costs, the outline estimates are as follows:

Income Position	Single Person	Couple
Minimum	£10,900 pa (London £13,200 pa)	£16,700 pa (London £21,000 pa)
Moderate	£20,800 pa (London £24,500 pa)	£30,600 pa (London £36,200 pa)
Comfortable	£33,600 pa (London £36,700 pa)	£49,700 pa (£51,500 pa)

All figures are net, i.e., after tax.

The calculations for retirement living standards are pitched at three different levels - minimum, moderate and comfortable - and are developed and maintained independently by the Centre for Research in Social Policy at Loughborough University.

The PLSA said lockdowns gave workers a foretaste of retirement needs.

"*The pandemic has emphasised the importance of economic security as well as social and cultural participation in retirement*," said Nigel Peaple, director of policy and advocacy at the PLSA.

The PLSA adds: "*We hope the updated standards will encourage people to think about whether they are saving enough for the retirement lifestyle they want and, in particular, whether they are making the most of the employer contributions on offer in their workplace pension*."

More on the report and what's been counted in average household spends in retirement can be found at:

www.retirementlivingstandards.org.uk.

Remember, we are all different and are likely to have accumulated wealth during our lifetimes in different ways. Seeking professional advice a good six months to a year out from your retirement date is very much recommended to ensure that your 'retirement landing' is as planned. Please do talk to the team at Chapters Financial for your individual pension and retirement planning needs.

Photo by Andrew Spybey @TheGuildfordian

ESG investing. It's not been plain sailing!

Ethical investing is nothing new. However, from the historic days of it being an unusual choice of investment strategy, the investment market has moved on well and there are good investment funds out there showing consistent and firm returns over the medium term. Very encouraging, although as ever we must add in the caveat that past performance is not a guarantee of future performance.

Since the beginning of this year, EU rules have required advisers to check with clients their views on ESG investing. This rule may well apply to UK advisers in the future. That stands for Environmental, Social and Governance, in placing a layer of screening on funds to meet an investor's requirements, whatever their personal preference may be. I have added nothing new in these notes to what can be found in the pages of our website, noting that funds can be invested in the home market, or overseas, to suit an investor's attitude to and tolerance for investment risk.

However, this is my take on the current situation, which some may argue is outdated. The main issues are marketing noise and potential greenwashing. Greenwashing is effectively dressing - in this case investment funds - to make them look environmentally or ESG friendly and attract you to invest your hard-earned cash, when the reality may be different. This is, of course, disappointing and has, I believe, led some to delay implementing an ESG investment strategy until the position from fund managers and their assessors becomes clear. The team at Chapters Financial, via its Investment Committee, has created an investment panel of suitable style funds to potentially bridge the gap between the market noise that we receive daily, and the funds that we need to be focusing on.

We have also noted that in our experience, many investors are keen only to allocate a proportion of their funds to ESG investing. Almost a 'try before I buy' approach, with any potential proof being achieved in future investment reviews, in the form of returns, or ESG impact, or indeed both.

To be clear, there are some good ESG focused investment funds available, and these are fully accessible. However, the maturity of this market, when the possibility of greenwashing should be minimal, may be some time away.

Whatever your requirements are for your investments and any screening you wish to place on them, please do talk to the team at Chapters Financial for your objectives.

The State Pension making the headlines…again

The headlines towards the end of last year about aspects of the State Pension have not been overly positive, focusing on the suspension of the triple lock (as detailed in our Autumn newsletter) and the Department for Work and Pensions (DWP) mistake, through which £1bn was underpaid to 134,000 individuals, mainly women, and attributed to human error.

Bearing in mind that many retirees rely on these funds, this does create worry for many. The government has confirmed that those who have been underpaid will receive what they are due.

December 2021 also saw the launch of the second State Pension Age Review in accordance with the Pensions Act 2014, which requires the government to review the State Pension age every six years.

This review will look at a wide range of evidence to consider whether the current rules around pensionable age are appropriate. It will examine the implications of the latest life expectancy data, assess the costs of an ageing population balanced against future State Pension expenditure and consider the labour market changes and people's ability and opportunities to work over State Pension age. The findings of this latest Review must be published by 7 May 2023.

We have always been advocates of checking an individual's State Pension entitlement (along with all their private and workplace pensions) to make sure that they are up to the maximum available, and to top up where appropriate.

We have recommended topping up to several clients last year where the value of the future State Pension benefit and its increases far outweighs the capital required to top up, based on normal longevity.

It is also important to confirm to a client when State Pension benefits will be available, managing expectations as to whether this valuable income (currently around £9,339 pa at the standard maximum) starts at age 66, 67 or, for the younger of us, even later. This may add into the individual's evolution of their financial planning in terms of the timing of their retirement.

As a reminder, there are a few quirks with the State Pension, noting that currently it is paid every four weeks, so there are effectively 13 payments in a calendar year, and that it is paid gross, but is taxable. This usually means that it consumes most of an individual's tax-free income allowance (which is £12,570 gross in this tax year), thereby increasing any income tax take on other pensions and income in payment.

Any uplift in the State Pension income is calculated in the autumn and applied in April of the following year.

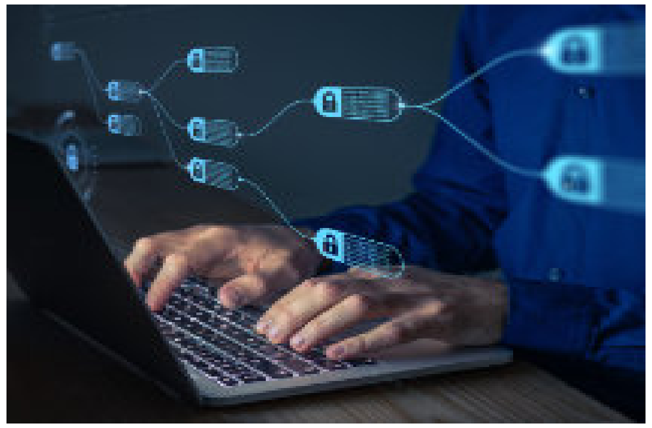
Despite the negative headlines from last year, let's not forget that the State Pension remains a valuable benefit and if you have not checked your position recently, then this can be achieved online at the government's website:

www.gov.uk/check-state-pension

Keeping a watchful eye on your overall pension planning, either as an individual or with a spouse/partner, can be vital in ensuring that it meets your future household requirements (please see page 5 of this newsletter for more details on how much income you might actually need when you retire).

Taking good financial advice across the age range can be very valuable in managing expectations and allowing you to make changes where needed to reach your financial goals within your chosen timeframe. If you would like help with your retirement planning, please do not hesitate to contact the team at Chapters Financial.

If it looks too good to be true…



I always thought that a Fiat was a spirited continental car that could be somewhat temperamental, usually as it aged. However, I saw a headline referring to 'fiat money' or currency, in the context of cryptocurrency and the government authorisation of a legal tender. To be clear, cryptocurrency is not a legal tender, and this sparked my interest. You can surmise that legal tender is subject to far greater control (and indeed regulation) than a cryptocurrency.

The number of unregulated investments (cryptocurrency or otherwise) seems to be on the rise and is, where appropriate and possible, a focus for regulators whose aim is to protect consumers. Understanding what you are investing in is not always that easy, and some investment markets and conditions (for example, when there is significant volatility) may not work in the way that an investor had anticipated. The old adage of 'if it looks too good to be true, it usually is' is invariably reasonable in this context.

The channels and formats of information distribution have also changed significantly with social media and the like, allowing vast amounts of communication with the public at a few touches of a laptop. The demographic that receives this information is usually at the younger end of the investment age range and may be swayed by influencer endorsements, as we have seen in the press in recent months (after the UK regulator has caught up with some). Ironically, the Financial Conduct Authority (the FCA) is now using influencers themselves to warn people about high-risk investments through an awareness campaign, as detailed by the BBC in mid-September 2021.

There are a few things that you might want to look out for, including the following:

- Did you make the approach to invest, or were you invited (a direct approach is sometimes a sign of a scammer)
- If you don't recognise the name of the business making the offer, check them against the FCA register https://register.fca.org.uk/s/
- If authorised, this may provide you with some protection through sources such as the Financial Services Compensation Scheme.
- Do you know whether the investment is regulated by the Financial Conduct Authority or unregulated? Do you understand what you are investing in and how much you could lose if it goes wrong?
- If the recommendation comes from an adviser, are they listed on the FCA register?

If in doubt, take advice from an authorised adviser who can help, or at least guide you as to the risks and potential scams that are sadly plentiful at the moment.

Be careful, and remember please, if it looks too good to be true, it probably is.

Chapters Financial gains Cyber Essentials certification

You may be aware that the protection of our computer systems has remained high on our agenda since we started the business in 2004. As an assessment of our current protections, we have now also achieved the Cyber Essentials certification.

Cyber Essentials is a simple but effective, Government backed scheme that checks our procedures and infrastructure to protect our business against a whole range of the most common cyber attacks.

Cyber attacks come in many shapes and sizes, but the vast majority are very basic in nature, carried out by relatively unskilled individuals. We are pleased to have achieved this certification of our existing robust protections.

And finally...

New Year's resolutions - what are your goals?

Is a New Year's resolution a tired cliché or a serious commitment? The annual YouGov poll notes that around 16% of Britons said in December 2021 that they would make a New Year's resolution for 2022, compared to 11% at the same time in 2020. That's one in seven, compared to one in nine for the new year 2021.

The YouGov poll suggests that the young are by far the most likely to make a resolution, with nearly a third of those aged between 18 and 24 doing so, compared to only 10% of those aged 55 and over.

For the third year in a row, health and fitness are top of the list of planned resolutions, with 49% of those making resolutions saying that they plan to do more exercise or improve their fitness. Another 41% are keen to improve their diet and 40% want to lose weight.

Money comes a close second to health commitments, with 39% noting that they want to try and save more in 2022.

So how many people kept their 2021 resolutions? The poll notes that 31% (around three in ten) of those who made New Year resolutions for 2021 claim to have kept all of them. Another 44% noted that they have kept at least some of their resolutions. Nearly one in five (19%) confessed to not keeping any resolutions at all for 2021.

Getting your finances in order is an excellent resolution to make and the following points are a good place to start.

- Assess your spending habits. A budgeting plan can help you identify what you are spending money on and in turn help you save more money.
- Make sure you have an emergency fund of 3-6 months' income in an easy-access savings account.
- Check your State Pension and consider topping up if available/prudent.
- Make sure your Will is up-to-date and consider putting Power of Attorney arrangements in place.
- Make sure you have life insurance in place and take the opportunity to reflect on whether any that you have established in the past is still reflective of your current financial position in protecting the family or from the effects of inheritance tax.
- Use your ISA allowance of £20,000 if you have not already done so in this financial year.
- Consider using your gift allowance of £3,000.

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.

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

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