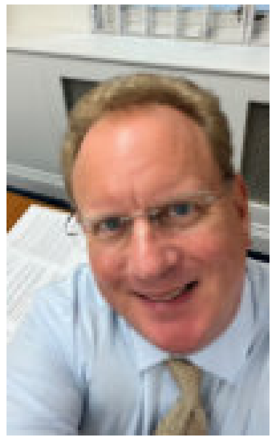
CHAPTERS FINANCIAL®

NEWSLETTER

Summer 2023

Photo by Andrew Spybey@TheGuildfordian

Welcome



The Coronation of His Majesty King Charles III and Queen Camilla took place at the beginning of this month and a great celebration was enjoyed by many. Much pomp and ceremony was witnessed during the occasion and we wish our new King and Queen well as they enjoy their reign.

New tax year

The new tax year has also started, and we hope that the new 2023/2024 tax cards were helpful in looking at the new updated, and in many cases restricted, annual tax allowances that can be used over the balance of the tax year to April 2024.

As we have confirmed in prior newsletters, reductions to some personal tax allowances may see the tax that some pay increasing. This is also the case for most businesses that have seen corporation tax rates jump from 19% to 25%. Change inevitably also brings with it some opportunities and if you would like to review your financial planning, as an individual or as a business owner, then please let us know.

The pension changes in the Budget of March 2023 particularly focused on funding limits, along with the HMRC Lifetime Allowance, and have created great interest. We are well versed in the potential positions to be taken. It is noteworthy that there is likely to be a General Election in the next 18 month period (the latest the current Parliament can run to is January 2025) and it is possible that all may change at that time.

The evolution of money

The way we use and spend money has become ever more technology focused. New bank notes will become available next year featuring the image of King Charles III, with the makers noting that cash machines must be altered first to recognise the new notes. They also noted a decline in the use of cash, in part illustrated by the loss of bank branches in our High Streets and the slow introduction of 'banking hubs'.

Increased online / digital transactions can increase the risk of scams, which consistently reach the headlines for all the wrong reasons. It is good to see that a long overdue ban on cold calls selling financial products is set to be introduced by the government, although great care will still be needed.

Consumer Duty

Regulation of UK financial services remains a constant focus in all that we achieve at Chapters Financial to maintain consumer protection and good outcomes.

The regulator, the Financial Conduct Authority (the FCA), has extended the reach of this principle with their new Consumer Duty programme applicable to most businesses and institutions from the end of July 2023. It is good to see this initiative being introduced to raise standards across all areas of investment, protection, and pensions.

As we start the approach to summer 2023, we look forward to helping further with your investment, pension and financial planning.

Keith Churchouse

Update from the Budget – March 2023

With summer just ahead of us, March now seems like a distant memory but it is still worth reflecting on the Spring Budget which saw the Chancellor, Jeremy Hunt MP, make some significant changes.

From the start of his speech, it was clear that his priority was achieving growth and some have termed the Budget of 15 March 2023 the 'back to work Budget'.

The focus was very much on boosting the UK's prosperity, noting that the UK is the only major rich economy that remains smaller than before the Covid-19 pandemic. Part of Jeremy Hunt's plan is to encourage the 'economically inactive' to return to the workforce. This refers to people of working age who are not in work and have not been seeking work, and it is estimated that there are over 7M individuals in this group, around 3.5M of whom are over 50. He is hoping that the huge changes in pensions allowances will tempt back senior professionals (such as doctors) who were wealthy enough to stop work and incentivised to do so because they had maximised their pension savings. In addition, the extension of free childcare to cover very young children is intended to encourage more parents into the workforce.

We have outlined below some of the main points announced in the Budget and whilst this is not an exhaustive list, we hope it will be helpful.

If any of the changes affect your position, particularly with regards to pension savings, then please do arrange a review.

Government debt and the state of the UK economy

- The Office for Budget Responsibility (OBR) has confirmed that because of changing international factors and other measures, the UK will not now enter a technical recession in 2023.
- The size of the economy is set to fall by around 0.2% this year. The OBR then expects growth of 1.8% in 2024, 2.5% in 2025 and 2.1% in 2026.
- Borrowing as a percentage of GDP is projected to be 92.4% in 2023/2024, rising to 93.7% in 2024/2025.
- Inflation in Q4 of 2022 was 10.7% and the OBR expects inflation (Consumer Prices Index / CPI) to fall to 2.9% by the end of 2023.

Pensions

- The HMRC Lifetime Allowance (LTA) – the total amount that an individual can accumulate in pension savings before an additional tax charge applies – is to be abolished. The LTA tax charge was removed from April 2023 and the LTA itself will be abolished from April 2024.
- However, the maximum tax-free cash that can be drawn from pensions for those without any LTA protection is retained at its current level of £268,275 and will be frozen thereafter.
- The standard Annual Allowance for pension contributions has increased from £40,000 gross pa to £60,000 gross pa from April 2023, having previously been frozen for nine years.
- The adjusted income threshold for the tapered annual allowance has increased from £240,000 to £260,000 from April 2023. The minimum level to which an individual's annual allowance can reduce has been extended from £4,000 gross to £10,000 gross.
- The Money Purchase Annual Allowance (MPAA) has been extended from £4,000 gross to £10,000 gross from April 2023. The MPAA is a restricted annual allowance which applies to those who have drawn income from a money purchase pension arrangement.

Tax and personal finances

- The capital gains tax allowance was reduced from £12,300 gross pa previously to £6,000 gross pa in the current tax year 2023/2024.
- The dividend tax allowance was reduced from £2,000 gross pa previously to £1,000 gross pa in this new tax year.
- The personal income tax allowance remains frozen at £12,570 until April 2026.
- The higher rate income tax threshold remains frozen at £50,270 until April 2026.
- The level at which additional rate income tax starts was reduced from £150,000 gross previously to £125,000 gross in this new tax year.
- The inheritance tax threshold remains frozen at £325,000 until April 2026.
- The adult ISA allowance remains unchanged at £20,000 and the JISA and Child Trust Fund allowance at £9,000 for tax year 2023/2024.
- The starting rate limit for savings income is maintained at £5,000 for 2023/2024.

Financial support schemes

- Free childcare for working parents in England has been expanded to cover one- and two-year-olds. Currently, working parents with three- and four-year-olds are eligible for 30 hours per week of free childcare. This is to be staged over time. Equivalent funding has been announced for Wales, Scotland and Northern Ireland.
- Parents on universal credit will now receive childcare funding up front, rather than having to claim it back, and the amount parents can claim has increased.
- Energy Price Guarantee extension: support for energy bills at current levels has been extended for a further three months. Typical household energy bills in Britain had been due to rise to £3,000 pa from April 2023, but will now be kept at £2,500 until the end of June. However, the £400 winter fuel payment will not be renewed.
- Further support for those out of work because of disability and long-term sickness to help them return to work without fear of losing financial support.
- Fuel duty has been frozen for another year.
- 'Returnerships' – apprenticeships for the over 50s to encourage them back into work – have been announced.

Business

- The corporation tax rise proceeded as planned, from 19% to 25% from April 2023 for companies with profits of £250,000 or more. A small profits rate of 19% applies to companies with profits of £50,000 or less and the main rate tapers between these two levels.
- The 'super-deduction' to encourage businesses to use their cash reserves and invest ended in March 2023 as expected. This allowed companies to offset 130% of investment cost in qualifying plant and machinery against their tax bill. This has been replaced with a new policy of full capital expensing for the next three years, with an intention to make it permanent as soon as this can be achieved responsibly. So every pound that a company invests in IT equipment, plant or machinery can be deducted immediately from taxable profits.
- £63M fund provided to keep public leisure centres and pools open in the face of high energy costs.
- Levelling up: 12 new investment zones, levelling up partnerships and other funding announced for regions across the UK.
- Research and development tax credits for small to medium enterprises have been increased.
- A streamlined approvals process has been announced for new medicines and medical products.
- Significant funding and support for the UK's artificial intelligence (AI) industry.

Summary

If you would like to review your existing arrangements or changes in your circumstances with the team at Chapters Financial then please let us know. Clearly there is much to consider with regards to pension planning in particular, and we are here to help.

The benefits of independent financial advice will be personal to each client

We all make choices, every day of our lives. Some vital, some important, some less so. Chapters Financial Limited has chosen to remain an independent financial adviser, free of any ties to one or more companies or marketing groups. The business is owned entirely by its directors, who remain solely responsible for the service and advice that we offer, both at the initial engagement stage and on an ongoing basis. We believe that in part, this is why most of our clients have remained with us for many years, even decades.

Any products we offer, if these are required, are chosen on their merits, be these charges, flexibility, investment fund range, a combination of these, or other features. We are not restricted in this choice, as some advisers are, to a limited range of plans that can sometimes suit the company’s terms, rather than the individual client. Be careful to check this important point before committing to an adviser, or company.

The benefits of independent financial advice will be personal to each client. Whatever the reason you value independent advice for your pension, investment, and financial planning, you know that Chapters Financial can offer you service, advice and implementation from the full market.

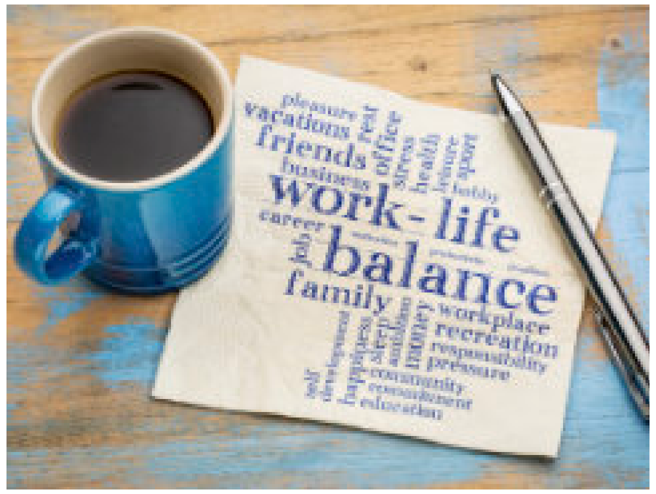
If you would like to receive independent financial advice from an independent company, then please do contact the team at Chapters Financial in central Guildford.

Meet VANQUO – the new Guildford Shakespeare Company van

Chapters Financial is delighted to to be one of the supporters of the new Guildford Shakespeare Company van. This vehicle is vital for transporting sets, props, costumes, sound and lighting and will enable the GSC to extend the reach of their schools’ tours.

The van has been nicknamed VANQUO in honour of the character Banquo from Macbeth, which is the first play to have toured in the vehicle.

Phased retirement and the cost of living - 2023



The best laid retirement plans for many certainly hit some bumps in the road over the last three or so years. First there was the pandemic, and just as we all thought we might be 'out of the woods', a war and a possible recession (both in the UK and further afield) have delayed or adjusted the exit from work, in full or in part, making it a greater challenge.

The insurance firm Legal & General (L&G) carries out significant research into retirement trends, changes and figures in the UK. L&G's most recent work has focused on the topic of phased retirement and how the cost of living may affect the plans of those who intended to move into retirement gradually. The research makes for interesting reading and certainly confirms that people are not alone in facing additional financial headwinds in recent times. The Chancellor's changes to the HMRC Lifetime Allowance rules in March 2023 also bring the issues at hand for retirement planning into further focus.

This research was carried out in mid-October and found that 3.3 million pre-retirees (34% of over-55s who are still working in some form) have started phasing into retirement by reducing their hours and responsibilities. 48% of employees aged 55 expect to take a phased approach to retirement rather than stopping completely.

The option to phase retirement, rather than ceasing abruptly on a set retirement date, has become easier over time, for example through the scrapping of the default retirement age of 65 in April 2011, and the introduction of pensions freedoms in 2016. Retirement is no longer a 'line in the sand', as the study notes.

L&G found that 37% of respondents were keen to take the phased retirement route by reducing their hours, in order to stay employed but reduce their stress. However, 44% of people noted that they are making the decision to phase retirement because they cannot afford to retire in full.

On average, L&G notes that over half of people taking a phased approach to retirement reduce their paid work by at least 15 hours every month, earning on average £9,150 less per year than before. As a result, 38% expect to have to adjust their lifestyle to accommodate the drop in income, and 17% anticipate that they may struggle with the cost of household essentials.

The benefits available from the State Pension may influence any decision to retire and it is usually important to check the value available to you in advance of reaching your State Pension age. You can do this online at www.gov.uk/check-state-pension.

Amongst those who planned to slow down at work, the increased cost of living has had an impact, with one in 10 people who had begun their phased retirement having to increase their working hours or commitments again. 40% of individuals who had planned to phase into retirement over the next five years are now concerned that living costs will not allow this to happen.

However you choose to approach the end of your working life and the beginning of your retirement, phased or full, it is important that this is carefully planned and managed.

Talk to the team at Chapters Financial well in advance for a clear understanding of your retirement options. One recommendation we would make is to start your planning as early as possible.

Photo by Andrew Spybey@TheGuildfordian

Anyone for cricket? Just one thing before you do!

Many of you will know that I am not the world's most avid sports fan. Sure, I like to keep fit, but that's about as far as it goes. Most of the winter sports calendar in the UK has reached its end and will recommence after the summer, with a few big events like the Rugby World Cup, as an example. This does not mean that the great outdoors no longer beckons, it's just different sports and pursuits that are enjoyed, usually interspersed with the rain showers that accompany the summer sun.

Invariably individual views and plans change as the temperature warms up, and if like for me, sport is not on the agenda, then the thought of enjoying holidays, sunshine and gardens where possible certainly is. It's a relief to step outside without getting cold; however, (just like a summer holiday) life still needs to be planned and paid for.

So, before you head for the cricket, or the tennis, have a think about just one thing that you could change to your advantage now in your money or financial planning that will add value over the coming months, if not longer. The list could be endless; however, a few ideas follow:

- Check your Will is up to date, reflects your current circumstances, and that someone you trust knows where it is.
- Around the age of 60+, you might also add Power of Attorney arrangements. There are two types: health and wealth. Speak to your legal adviser about what might be worthwhile.
- Make sure that your pension nomination reflects who you would want to leave your fund to if you passed away. These can usually be easily updated.
- Use your ISA allowance (up to £20,000) to ensure that funds are accruing in a tax-efficient environment.
- Check your State Pension and consider topping it up if need be. The window to top up reaching back to 2006 has been extended to July 2023, so take a prompt look at this.
- If you have some deposit savings and they are not getting a decent rate of return, then have a hunt around. There are some good instant access and short term fixed rate deposit offers available at this time, reflecting the Bank of England's continuing elevation of the base interest rate.
- Don't forget gifting to children or grandchildren of the annual gift allowance if this is something you might want to achieve to save inheritance tax.

These changes can make a real difference, and with inflation continuing to be rather stubborn, a saving made here, or a tax reduction there, can really add up.

With the summer beckoning, have a great time. However, before you do, have a think about just one thing that you could achieve to make a real difference to your financial circumstances.

The State Pension: topical and valuable

The State Pension has been in the news regularly over recent times for a number of reasons. It's something of a hot potato for political parties, as changes to this valuable benefit will directly affect the age group that tends to have the highest voter turnout. The cost burden to the government is high, forecast to be £125bn in 2023/2024 (source: OBR), so it's a significant benefit to maintain.

The State Pension is the bedrock of many retired household incomes, with the income paid being protected against inflation. From April 2023, those qualifying for a full new State Pension now receive £203.85 per week, up from £185.15. The State Pension is paid gross but is taxable.

What have been the recent issues to contend with?

The triple lock – inflation protection

One recent topic was the 'will they / won't they' speculation around whether the 'triple lock' would be reinstated. Under this system, the State Pension increases every April in line with the highest of three measures:

- Inflation (as measured by the Consumer Prices Index / CPI in the September of the previous year)
- The average increase in wages across the UK
- 2.5%

The triple lock was temporarily suspended owing to the pandemic and reinstated for the 2023/2024 tax year. This meant that the State Pension rose in April 2023 in line with the September CPI rate – 10.1% - which was the biggest ever increase to the State Pension.

State Pension age increase deferred

The current State Pension age is 67. In late March 2023, the government confirmed that a proposed rise in the State Pension age to 68 would not be brought forward...yet.

Under current plans, those born on or after 05 April 1977 will be the first section of the population to work to 68. A 2017 government review had suggested expanding this to include those born in the late 1960s.

However, a recent report found that life expectancy for retiring people is now two years lower than when the State Pension age was last reviewed, in 2017. A decision is now expected in 2026.

Check your State Pension forecast

Accruing the maximum State Pension you can is important, and this is achieved after 35 years of National Insurance contributions under the new State Pension rules, or equivalent accrual for those who have built up contributions before 06 April 2016.

We are advocates of checking an individual's State Pension as it is accrued and if you have not achieved this recently, this can be checked online. This might reveal some gaps in your National Insurance contribution (NIC) record, and it is possible to make voluntary contributions to top up your State Pension entitlement.

Topping up your State Pension – deadline extended to 31 July 2023

The original deadline of 05 April 2023, for people to make voluntary contributions for gaps in their NIC record between 2006 and 2016, has now been extended to 31 July 2023.

The surge in calls to HMRC to meet the original deadline left phone lines blocked and people unable to get through, so this extension has been given to ensure that they can still maximise their State Pension entitlement.

Before you top up, it's important to check that this will add value – do talk to an appropriate adviser to make sure additional contributions will a) boost your pension and b) offer value in your circumstances.

Much to consider

As you can see, the State Pension has been highly topical in recent times. However, this does not diminish its real value, and the importance of making sure your eventual pension is up to date.

And finally…

Missing money?

With no obvious end in sight for the the cost of living crisis and inflation still not yet under control, it is important to ensure you are making the most of all the means at your disposal.

The website Gretel.co.uk suggests that around 20 million people have unclaimed money in the UK in missing bank accounts, savings and pensions. Some of these holdings will, of course, be small, and some large but, overall, the estimate of current value unclaimed in the UK amounts to approximately £50 billion. A lot of money, I am sure you would agree.

One headline example in recent weeks has been unclaimed Child Trust Funds for those now reaching 18, with approximately 45% going unclaimed (National Audit Office investigation 2023 for April 2021).

We have outlined below some of the services that are available that can help reunite people with this missing money.

Bank Accounts and Savings

If you know the name of the bank or building society with which you held the account and that institution still exists, then it is best to start by making direct contact. However if you do not have these details, then mylostaccount.org.uk is a free service that helps you trace your lost accounts and savings.

The three tracing schemes of UK Finance, the Building Societies Association and National Savings and Investment (NS&I) have been brought together in one website to enable you to search for a lost account by completing only one application form.

Pensions

The government has a Pension Tracing Service which will allow you to find the contact details to search for a lost pension. You can find contact details for your own workplace or personal pension scheme (or someone else's if you have their permission) and you will need the name of an employer or pension provider to use this service. The service will not tell you whether you have a pension or what its value is. There is an online service or you can request contact details by phone or by post. Full details can be found at www.gov.uk/find-pension-contact-details.

Child Trust Funds

You can use HMRC's free tracing service to find an account. This can be done online, for which you will need a Government Gateway ID and password, and you must provide a national insurance number (for a child over 16) or the child's unique reference number if they are under 16. Alternatively you can request the details by post. More details can be found at www.gov.uk/child-trust-funds/find-a-child-trust-fund.

The Share Foundation, a charity working to reunite teenagers with their money, also offers a free online tracing service (and hosts webinars) for parents, teachers, and teens.

Summary

If you believe you may have a missing account or pension, it is well worth spending some time to track it down. Whilst searching, do please be careful of scam websites, or websites / companies that make a charge for these tracing services. All the services listed above are free.

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, Catherine 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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