



NEWSLETTER



Photo by Andrew Spybey@TheGuildfordian

Autumn 2023



Welcome



We hope that you had an enjoyable summer and are set for the autumn ahead. Perhaps because of the weather over the summer, we may not see a real difference.

This year's autumn may well be less hectic than the autumn of 2024, when a General Election is anticipated, if not called before, perhaps with much change ahead. It certainly feels as though mild electioneering has already started on various mainstream topics.

The anticipated ceiling on Bank of England base rate rises failed to materialise as base rates moved above 5% with the aim of quelling the ever-stubborn inflation rates we have all experienced, although these are beginning to ebb. Not great for mortgage borrowers; however, those with deposit type savings have seen the potential to gain higher returns increase significantly. I do not foresee base rates or inflation rates returning to their near-nil positions of the last decade or so, and we might find that we need to acclimatise ourselves to a new era of both rates holding at 4-5% pa over the next few years.

This economic change position has seen many of the younger generation being financially squeezed and the 'Bank of Mum and Dad / the family' has been busy helping, where they can, to alleviate money burdens.

One other related economic factor of note was that longer term gilt rates remained elevated during the spring / summer, continuing in part to keep annuity rates up to higher levels than they have been for some time.

The UK State Pension remained topical over the summer and it has been good to see the further

extension of the deadline to make voluntary National Insurance contributions to top up State Pension entitlement. You now have up until 5 April 2025 to make voluntary contributions for the tax year 2006 to 2007. Gaps for the tax year 2017 to 2018 can be made up until 5 April 2024. These top ups can offer great value if you have a shortfall in your forecast. We covered this in more detail in our last newsletter and a copy of this, along with all of our past newsletters, can be found on our website.

This year's pension rule changes with regards to the HMRC Lifetime Allowance (LTA) passed into law in mid-July. Those with pension savings over the LTA have been looking forward to the way these changes may affect them and to what needs to be considered in this tax year and the next (2024/2025), when the current tax regime (again subject to law change) will end.

If you are starting to think about your retirement in more detail, don't forget our latest book *Coming in to Land: Runway to Retirement*. If you would like a free copy, then please do contact us.

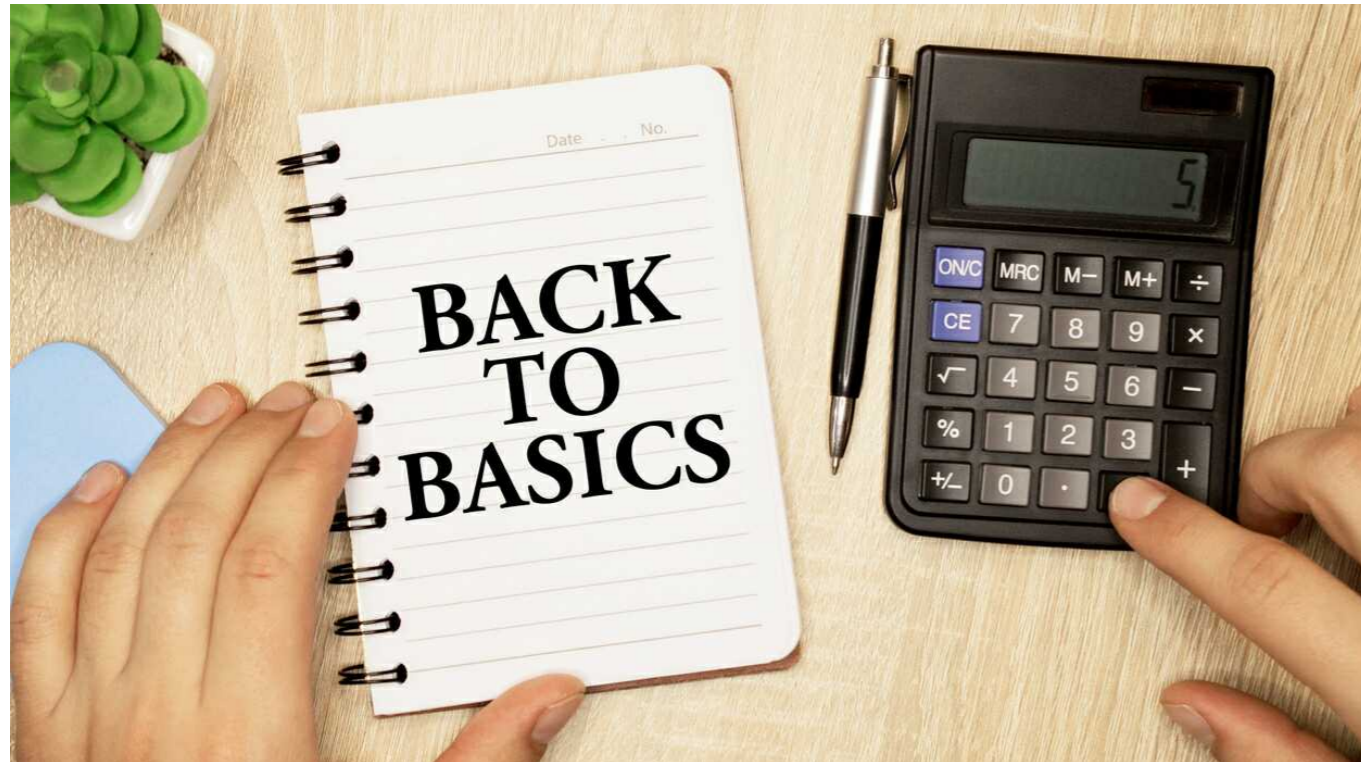
The use of tax allowances, many in their reduced formats this tax year, is ever more important if affordable and available. We provided you with a tax card in the spring and if you need any more copies or want to look at the options available to you in a review then please let us know. As we have said on many occasion with reference to allowances, use them or lose them.

If you need any points addressing with regards to your financial planning, then please let us know, and we look forward to working with you over the balance of 2023 and beyond.

Keith Churchouse



Going back to basics - day to day



It is great to share people's financial plans and planning as part of our daily work as independent financial advisers. Over nearly two decades, I have also had the opportunity to look at topical points and features that individuals might want to consider on the local radio of BBC Surrey and BBC Sussex. My latest notes feature some important 'back to basics' points, and I have detailed these below.

The world is busy, busy, busy with all things electronic in every aspect of our lives. This is the same for money transactions, and protecting yourself from scams and data breaches is an ever present and growing problem. As an example, one large UK pension fund's administrator had a data breach earlier this year which may have affected up to 470,000 people. Sadly, some members of the scheme directly affected with their personal details being harvested (or 'exfiltrated' as they call it) only found out several months after the breach occurred.

The ever-growing numbers of bank branch closures has not helped the situation.

The way we manage money in our day to day lives has changed, but the principles of good home management have not. Some thoughts to help:

- When is the last time you changed your banking and savings passwords? If not recently, then get them changed now. Set a diary note to do this once every 6 months and get your partner and other family members to do the same.
- Open a separate bank account with another provider, however small the amount deposited. You know that we advocate shopping around to get the best savings rates but having an account with a separate bank/building society means that you may have another pocket of money to access if your main account goes wrong. In these difficult economic days, it's hard to find extra cash, but if you can find ad-hoc amounts, then put them aside with another bank (hopefully now earning some interest) for a rainy day. Look out for banking charges and terms and conditions.
- Check your credit report once every 6 months / year. There are various agencies that will allow you to do this free (Experian/ Clearscore /Money Saving Expert as examples), to ensure that what you think is going on with your financials is all correct. Please do check the T&Cs for the service you plan to use.

- Check your payslip and bank account statements regularly to see if any changes occur or to see if there are any odd entries. Check out why if you find anything.
- If you are not confident with using money electronically, then keep a cheque book. Cheques still work and can be used where electronic payments might be tricky. The recipient might be confident to scan the cheque in via their bank app; many now allow up to £5,000 in a day.

These are not sophisticated changes, but things that we should be doing regularly as part of our money housekeeping. Please do update your passwords if you haven't recently.

But what about your long-term money planning?



DIY for your future money planning (life stage planning) – get the wallpaper out!

We get to meet lots of people to talk about their financial planning. Sure, there's lots of facts and figures about where they are financially, but many have not really thought about what they

really want to do looking forward. This might be approaching a life junction, such as retirement, but it is applicable to all life stages, such as a career change, or a divorce.

Often, we also find that any future plan may not have been shared with a partner. Our answer...get the wallpaper out!

Take a length of wallpaper, perhaps 3-4 metres long. Lay it blank side up and draw a line down the middle. Divide the line into time zones to suit, such as 3-5 years, to a future point that again suits.

Give a marker pen to each partner and each adds to their side details of what they expect and want. Life issues can be noted and detailed visually, such as:

- Planned retirement date
- Children leaving home
- When a mortgage ends
- When the state pension starts for you
- Expected promotion
- When the sale of a house / business will come up

Add to your 'life-diagram' over an hour or so, and then roll it up and put it away. Re-visit a few times to see how the life plan changes. Great feedback received on this one and many previously unexpressed plans and aspirations can be revealed.

There is no individual advice in these points but they might provide a guide or a healthy 'nudge', and reminder of topics to be considered.

Guildford Fringe Festival celebrates its 10th Birthday

Chapters Financial was delighted to once again be a sponsor of the Guildford Fringe Festival which had a very successful season this summer. Originally set up in 2013, it is Guildford's largest independent multi-arts festival featuring comedy, poetry, music, theatre, visual arts and many other events.

Taking place in the summer each year, the Fringe Festival attracts producers, acts and artists to Guildford to preview the work that they are taking up to the Edinburgh Fringe.



What would you do with tax free cash?



Amounts of cash can appear throughout a lifetime, in large and small chunks. Sometimes these can be planned for, such as retirement, some usually cannot, such as an inheritance. What is true of both is that it is sensible to plan what to do with the funds.

Any financial planning for cash might depend on your age at receipt. If you are in your younger years, these funds might be used for education or university costs, and in the next stage, perhaps for a first home purchase, maybe using the Lifetime ISA (LISA) facility to boost your funds where appropriate.

The middle years might simply see the funds being used to make ends meet. The 'squeezed middle' as it is often termed, perhaps with a holiday or two and some additional mortgage or other debt repayment as examples.

Once you reach over the age of 55, the source of funds available can change, and pension funds can be accessed, if needed and perhaps planned for. This can bring a different slant to any financial planning because these are your own funds and, with normal longevity, you might need your pension funds to last another 30 years. We have looked at the issues and emotions of planning for retirement in our book 'Coming in to Land: Runway to Retirement', further details of which can be found on Amazon.

Drawing pension benefits, such as tax-free cash and/or taxable income can be an emotive time. You may well have spent decades in the accumulation phase, to reach a point where you access funds and start to drawdown value, perhaps in the formation of a drawdown or annuity arrangement. Getting good advice at this junction we believe is vital and more detail on the options can be found in our retirement options schedule which you can find on our website www.chaptersfinancial.com.

There might be some obvious targets for tax free cash such as:

- Paying off a mortgage
- A capital expense, such as a car purchase or house repairs and improvements
- Investing to provide the potential for additional income and capital growth
- Holidays
- Gifting to the children and dependants (the bank of Mum and Dad!)
- Achieving your dreams

As you might expect, this list could be endless, and it might be a combination of ideas and plans, perhaps sharing the objectives with any partner / spouse. However, the key point is that accessing cash does need planning to make sure it achieves your objectives now and into the future. It might take some time to plot out your needs; however, taking suitable advice to look at your needs at this junction is usually vital.

The Gender Pensions Gap



Statistics released by the Department for Work and Pensions (DWP) in early June 2023 illustrate that although the successful introduction of pensions automatic enrolment a decade or so ago has helped more women to save into a pension, the UK still faces a significant gender gap between men and women in private pension values.

The gender pensions gap measures the difference in the amount of private pension value held by men and women at or around normal pension age, which is currently age 55.

DWP figures show that, based on the most recent data (2018-2020), the gap between male and female private pension wealth is around 35% for all women at age 55, although there is a smaller gap of 32% among people who are auto-enrolled.

The DWP notes that the gap of 35% has narrowed from 42% in 2006-2008, and this is in significant part due to automatic enrolment bringing millions of women into pension participation for the first time.

However, the wealth gap persists, particularly for women aged between 45 and 49, who have only around half the pension of men in the same age group. The gap is smallest for those in their thirties (10%).

The pension provider Royal London cites working part-time, caring responsibilities, and menopause as significant contributors to the gender pensions gap. These factors are of course in addition to the significant effects on pension savings of the gender pay gap.

It is at first glance encouraging that the gender pensions gap is smallest for those who are younger – this does indicate that more parity between men and women in their pension savings is on its way for younger generations.

However, this may be cold comfort as research from the Institute for Fiscal Studies suggests that nine out of 10 workers are not saving enough for a comfortable retirement. The era of traditional final salary pensions has largely come to an end, aside from in the public sector, and most private sector workers are saving into defined contribution arrangements. Furthermore, many are contributing the minimum required under auto-enrolment rules, which is unlikely to be enough to provide a decent pension.

Whether you are male or female, it's really important to review how much you save into your pension, particularly whilst you're young. Pensions require two things – money and time – and even if you haven't got much to put away, investment growth over time might help to boost your pension pot.

In addition, do check your State Pension entitlement to ensure that this is on track. For those who have taken career breaks to raise children, it may be possible to top up missed years, if you did not receive Child Benefit and the associated National Insurance credits for a child under 12.

Before you top up, though, make sure this will add value – talk to an appropriate adviser to ensure that this will boost your pension and offer value in your own circumstances.

We know that State Pension ages are rising, and likely to rise further in the future. Therefore, the need to make your own pension provision is not going to diminish any time soon.



Photo by Andrew Spybey@TheGuildfordian

Consumer Duty and why financial qualifications matter



As we touched upon in our last newsletter, the Financial Conduct Authority (FCA) launched its new Consumer Duty initiative right at the end of July. One of its first updates on the same day was to ensure that, following much criticism, banks and building societies passed on quickly Bank of England base rate increases to savers. This is to improve consumer outcomes, the overall objective of Consumer Duty, for all those providing financial products, services and advice to the public across the UK.

As part of the requirement for Consumer Duty, we have undertaken a thorough assessment of

all aspects of our financial planning to ensure that the consumer receives fair value throughout the product or service journey.

The work we have achieved on this project over the last year has been positive and we have been able to identify some changes that have now been implemented to enhance our services looking forward. I am pleased to say that there were not many points identified for change; however, it is always good to find room for improvement.

One aspect of the FCA initiative is to ensure that any financial advice service offered is focused on the correct target market. Many readers will know that the advice team at Chapters Financial is qualified to some of the highest levels in the areas of pensions, investment and financial planning. The Certified Financial Planner™ qualification held by both Keith Churchouse and Vicky Fulcher is recognised both nationally and internationally. Our qualifications cover a broad spectrum of advice areas, including the planning of long-term care, a topic that has seen an uplift in enquiries this year.

We continue to maintain our learning through continuous professional development and are committed to maintaining high advice standards to ensure that our clients receive the service and advice that they need, initially, at review, and for their long-term financial planning.

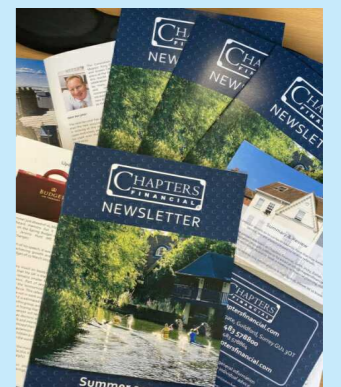
Meet Andrew Spybey – The Guildfordian

Many of you have commented on the quality of the local photography that has appeared in this newsletter since 2021. The person behind the lens is Andrew Spybey, a Guildford resident (and Chapters Financial client) of more than 20 years, who shares his shots on social media under the pseudonym "The Guildfordian". Andrew always stresses that he has no particular training or experience as a photographer, he simply enjoys capturing scenes – often spontaneous or previously unseen – whilst out and about with his iPhone.

With an intense, thirty-year career in corporate communications behind him, Andrew says his photographic efforts enable him to explore his creative side while continuing to discover more about the town he calls home.

A form of visual therapy, perhaps?

Discover more at www.theguildfordian.com or on social media @TheGuildfordian



‘Please, sir, I want some more’ - remaining competitive as an employer



In speaking to local businesses and SMEs, the issues of keeping a steady team, attracting new recruits, and maintaining morale have been significant over the last year. Poaching of staff with offers of bigger salaries and benefits is a constant threat (and reality), and business owners are ever vigilant of their competitiveness when it comes to employee packages.

Cost of living 'bonuses' are not uncommon with one-off payments, usually across the payroll, to shield team members from the effects of inflation which remains stubbornly high. Mortgage costs are also a significant issue when fixed rates end and there is some pressure for homeowners to shop around for higher incomes to make ends meet. Some employers feel that this is not their problem, until an exodus of staff occurs.

What can a business owner/director do to help when looking at an employee package of benefits, and perhaps more importantly, when was the last time you reviewed this to check you remain competitive with your peers? Perhaps now might be a good idea, because your employees might be doing the same, and coming back to ask for more.

As an employer, you are likely to be offering a pension scheme and employer contributions on a mandatory basis through auto-enrolment. Some employers also offer employees the

choice as to whether any bonus is paid as a taxable payment or additional contribution to the employer's workplace pension.

There are varying types of group protection plans that are attractive to employees and cost effective for an employer. This includes death-in-service cover, income protection cover, and sometimes dependant pensions cover. These are not P11D benefits, unlike private medical insurance (PMI), which is also attractive to employees. Each offers a differing type of protection, and usually feature in an employee handbook, and probably the employment contract, as part of the terms and conditions of employment.

Working with an employer's accountant to look at the tax efficiency of any employee benefit has proved effective, and they may also highlight other tax efficient options to offer, such as the cycle to work scheme. Reminding team members of the benefits that they have through an employer has also been a timely and effective strategy to encourage staff retention.

Considering and reviewing current employee contracts and terms remains a vital part of retaining good team members for the future of the business. If you would like to know more, or wish to consider the protection and pension options a stage further, then please let us know.

And finally...

Start early to understand money management



Any readers of our newsletter, or visitors to our website, will know that we talk a lot about money; its flow, its accumulation, and the opportunities and admittedly sometimes difficulties it presents.

Learning about money is an evolutionary process, and starting early is never a bad thing. There are many good arguments for children to learn about money management and we certainly advocate this. However, it's usually easier to understand when money is tangible, i.e., when you've got some cash, and this is where pocket money might appear on the agenda.

A recent 2022-2023 UK survey by NatWest for its 'Rooster Money' programme shares the latest update that parents, and perhaps even grandparents, might want to consider if they offer a weekly gift to their younger generations.

What are some of the statistics from the survey?

- Average weekly pocket money in the UK: £6.42 per week
- The rate rises as children get older, with 16-year-olds averaging £12.75 per week, just around double the average.

- The youngest children in the study (age 6) receive on average £3.94 per week.
- Many earn their pocket money throughout the week by helping with household chores.
- Most common day to receive pocket money: Friday
- Most common top-up to pocket money: birthday, at an average of £47.01
- Average increase in pocket money over the last year: 10.69%, just ahead of inflation.
- Youngsters show their philanthropic side, regularly donating to various good causes, ranging from animal welfare to disasters and emergency.

There are many other findings in the report and more can be found at www.roostermoney.com.

Remember that children can have their own savings accounts, National Savings & Investments Premium Bonds, pensions and Junior ISAs to save into. Many use these options to start the process of accumulating wealth at an early age (usually with the extensive help of parents and grandparents).

Please do get in contact if you would like to look at these opportunities a stage further.

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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