LUXE CAPITAL

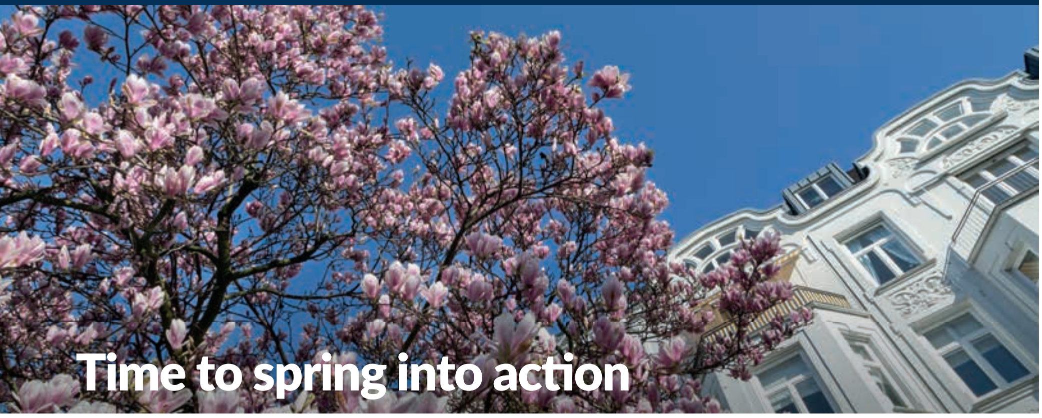
4th Floor,
Silverstream House,
45 Fitzroy Street,
Fitzrovia,
London,
W1T 6EB

020 3890 5800
admin@luxecapital.co.uk
luxecapital.co.uk

Your Window on

Money

SPRING 2022



Time to spring into action

Spring is very much a season of hope; a time to look forward and plan. While that's not always easy amid a flurry of headlines concerning the cost-of-living and immense global political tensions, it's important to look beyond short-term bouts of market volatility and ensure your financial objectives remain firmly aligned to your life goals – which may well have shifted or flexed over the last couple of years.

Investing is for everyone

At times like these, the fear of losing money can be a powerful deterrent to investing. However, in reality, most of us have been investors throughout our lives – if you own your home, for instance, you've invested in the property market; if you own jewellery you're effectively investing in precious metals. With inflation factors at play, some may consider holding too much cash as a risky move at present.

Diversification is key

While it's easy to understand potential unease in the current climate, it's also important to appreciate markets have always experienced short-term bouts of volatility. The key to managing this risk is by diversifying your assets. By holding a balanced portfolio with a mix of equities, bonds, property and cash, investors can effectively mitigate risk by ensuring 'all their eggs are not in one basket.' By building safety nets as well as opportunities for returns into your plans you will end up with an optimum mix of investment, protection and saving instruments, allocated according to your circumstances, objectives and risk tolerance.

Plan, plan, plan

Recent research[1] also vividly highlights the importance of investing in relation to retirement planning. The study found that less than 40% of the population is currently on track to receive a moderate level of income in retirement. In other words, if most people don't take action now, they face living on only the most basic standard in later years.

Regular reviews paramount

One way to ensure your financial plans stay on track is by arranging regular reviews. This will help to identify any areas of concern and ensure you avoid any untoward financial surprises at a later stage in life. With meticulous planning and careful consideration, we can assess and develop a robust plan to align and flex with your changing requirements and priorities. We'll help you spring into action and ensure you can look forward to a sound financial future.

[1]HL, 2022

Look after your life

Only a quarter of Brits have life insurance or critical insurance cover policies in place, despite two in five knowing someone who has had a serious accident or been too ill to work, a new study[2] has found.

Compared to protection for our homes (55%), cars (53%) and travel plans (20%), the take-up of insurance policies relating to our own life is surprisingly low (25%). Life insurance provides crucial peace of mind that those we leave behind won't suffer financially, while Income Protection and Critical Illness Cover are a vital defence against loss of income.

Gender puzzle

The study revealed that women are less likely to have cover than men, with 24% of female respondents having no protection policies in place. This is despite only 22% of women saying they don't think an accident or serious illness will ever stop them from working, lower than the 28% of men who think the same.

The Young Ones

Meanwhile, the youngest demographic (18 to 24) is the least insured, with 35% having no policies, compared to only 14% of those aged 55 plus. In this unpredictable life, accident or illness can strike at any time – whatever your age, it's worth thinking about how you or your loved ones would cope should the worst happen.

[2]Caspian, Aug 2021

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

INSIDE THIS ISSUE:

In the news // Back in the driving seat // What's your life admin personality type? // In your 40s? Your pension age might be changing // Hello new tax year! // Valuing financial advice // Regulator sets out plans to get more people investing

IN THE NEWS

Savers say goodbye to £34m in LISA bonuses

During the 2020/21 tax year, HMRC reclaimed £34m in Lifetime ISA (LISA) withdrawal charges[3]. Although the government reduced withdrawal charges for LISAs from 25% to 20% in 2020 (to 5 April 2021) to help those who had no choice but to access their savings during the pandemic, this figure represents a threefold increase on the previous tax year (2019/20). No doubt the decision to access these savings earmarked for home purchases and retirement, was likely to have been a difficult decision for many, knowing they would be penalised on withdrawal. There have been calls on the government to reassess the withdrawal charge. We will keep you posted with any developments.

Making ends meet in retirement

Recent research[4] has found that over a third of retirees (37%) don't think they will have enough money to last their full retirement. Nearly half of those surveyed (48%) said they plan to reduce their spending habits to support themselves in retirement, while nearly one in three (27%) expect to continue to work part time and a fifth (21%) plan to sell their property or downsize. With longevity increasing and retirement consequently lasting many more years, the need to take advice to draw up a robust financial plan has never been so important.

[3]FoI request, 2022, 2022, [4]abrdn, Sep 2021

What's your life admin personality type?

When it comes to mundane but crucial organisation tasks – what life admin personality type are you?

Do you tend to have an 'I'll do it later' approach to tasks? If you live in the moment and avoid life admin completely, tend to run late, lack motivation or structure, resulting in poor organisation – you certainly fall in the **'procrastinator'** trait set. Or perhaps you're a **'wishful thinker'**, biting off more than you can chew. Well intended and attempting completion of tasks on your to-do list but often falling short or failing to complete tasks in time.

The **'forward thinker'** operates by ordering priorities. Possessing strong time management and organisational skills, making use of to-do lists and achieving. The good news is – whatever type of personality trait applies to you, we're forward thinkers so you're in capable hands!

Back in the driving seat

Many people have used the last couple of years to make positive life changes. Three in five people have questioned what is important in life, while half feel their priorities have changed[5]. Two in five credit the pandemic with encouraging them to build more long-term savings. However, one in four now feel less comfortable about coping with unforeseen events than they did before the pandemic. Likewise, one in five feel less secure about their financial future, rising to one in four among the 35 to 44 age group.

Thirties and forties

Although 35 to 44 year olds are the largest cohort to face disruption to their retirement plans, they are also the most likely to feel compelled to save more as a result of the pandemic (54%). While 14% of the same age group fear they may have to push back their retirement date, one in ten have been able to put extra money towards their retirement because of lockdown.

Life on hold

Meanwhile, more than half of UK adults have suspended or cancelled a planned life event during the pandemic. Of those affected, 16% put off starting a new job, 13% postponed a house purchase, 12% re-considered plans to start a new business, 10% stopped trying for a baby and 10% delayed a wedding.

Take control

With 2022 hailed the '*year of the squeeze*,' with outgoings increasing due to a higher energy price cap and National Insurance contributions, and real pay stagnating because of the effects of inflation, the number of households 'just about managing' (JAM) is set to grow. We can help you make informed choices about your money and build your financial confidence and resilience. However, the pandemic has affected you, we can help refocus your goals, get your plans moving again – so you are well equipped to take control of your financial future.

[5]Aviva, Nov 2021

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

In your 40s? Your pension age might be changing

More than four in five people in their 40s are unaware that the age at which they can access their pension might be about to change, according to research from the Pensions Management Institute (PMI)[6].

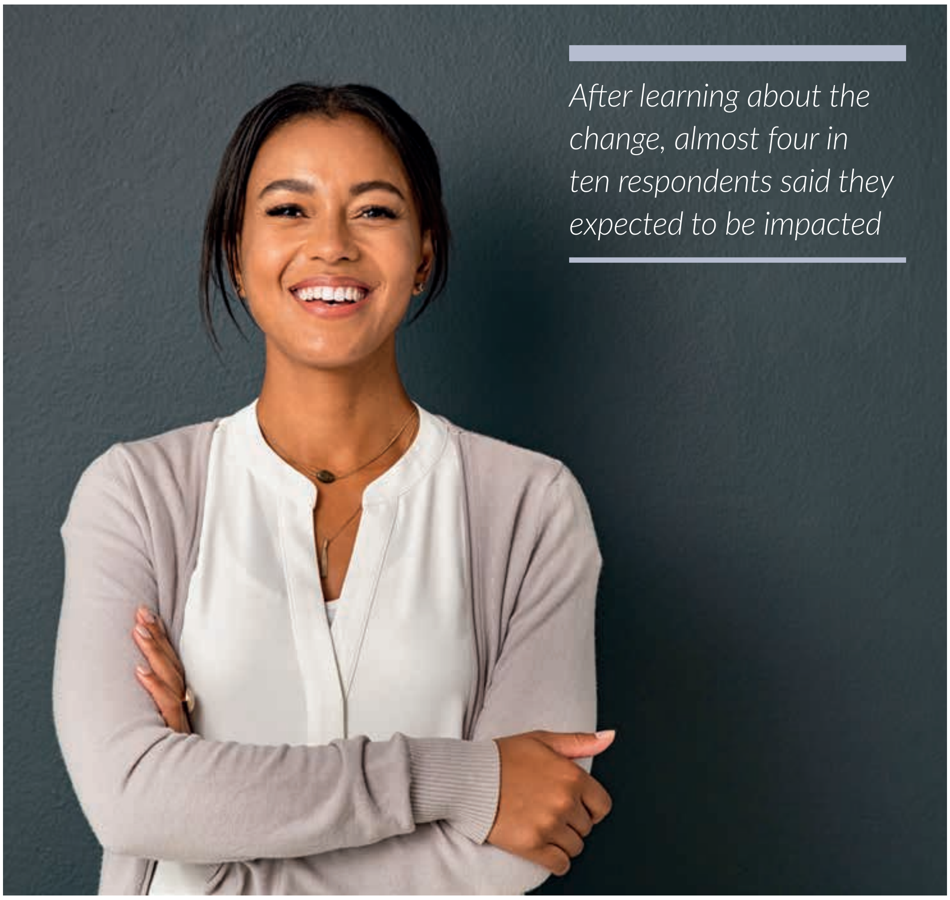
Numbers game
The normal minimum pension age (NMPA) is set to move from 55 to 57 in 2028, which will mean millions have to wait an extra two years to access their retirement funds. However, public service pension scheme members and some private sector scheme members will be exempt.

After learning about the change, almost four in ten respondents said they expected to be impacted, while a further one in four were unsure whether the change would apply to them or not.

Pensions advice
Despite the importance of proper pension planning, only 14% of respondents have discussed their retirement plans with a financial adviser, the same research found. The PMI thinks that a wider discussion about pensions is needed, given that only 4% of respondents knew the current NMPA.

PMI President Lesley Alexander called the research *"particularly worrying."* She commented, *"The failure to communicate the change to NMPA effectively is complicated by the fact that it does not apply to everyone. This means it is vital that the general public understands clearly what their retirement choices are."*

[6]PMI, 2022



After learning about the change, almost four in ten respondents said they expected to be impacted

Hello new tax year!

The days are longer, there's a sense of hope and optimism in the air, it's time to embark on a good spring clean. A great opportunity to de-clutter, organise and refresh, to bring a sense of wellbeing and contentment. This concept to tidy and organise should also extend to your finances.

While there's minimal change in the operation and structure of the taxation of UK individuals, the 'no change' element is significant. Excluding the 1.25 percentage point increase to National Insurance and Dividend Tax rates from April 2022, while we await the new Social Care Levy, the big tax freeze is on. Stemming from the Spring 2021 Budget when most major tax rates, bands and allowances were frozen until 2025 26, freezing is often regarded as a stealth tax. Estimates from the Institute for Fiscal Studies suggest by 2025 there could be five million higher rate taxpayers, a 900,000 increase[7], they summarise, *'Freezing things for a long period makes a big difference.'* By way of example, frozen allowances, growth in assets and accumulation of unspent income could see people falling into the Inheritance Tax (IHT) net.

Get your ducks in a row early in the new tax year
Effective tax planning strategies can help shield you from the chill this spring.

[7]IFS, 2021

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

Valuing financial advice

In recent times the importance of expert financial advice has become greater than ever, as people seek reassurance that their pensions, investments and protection plans are being professionally looked after during uncertain times.

How to value financial advice
Good financial outcomes are obviously important, but these can only be measured over the long term and are just one way of assessing the value that advice can provide.

The real value in taking advice is about the whole journey of financial planning so that you are provided with a consistent, valued and trusted experience; with regular reviews and adapting to changes when needed. Financial and emotional outcomes play their part in unison.

What are the benefits of working with an adviser?
Some of the benefits may not be immediately obvious, such as:

- Understanding your circumstances by listening, and helping you to identify and achieve your goals - no two clients will have the same requirements
- Making complex matters easy to understand – a seemingly straightforward financial goal could involve numerous decisions as well as having to choose from a range of different products and providers
- Ongoing support and guidance – regular reviews and contact can set your mind at rest and prevent you from making knee-jerk decisions at the wrong time
- Saving you time – doing your own research can be very time-consuming and would you know where to start?
- Giving you peace of mind – by knowing that your finances are in expert hands and that any change in your circumstances can be discussed with someone who knows you personally
- Getting financial outcomes that matter to you – by working with you over the long term.

Advice is key
In uncertain times, you can rest assured that we are here to support you with all your financial planning needs.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

Regulator sets out plans to get more people investing

The Financial Conduct Authority (FCA) has launched a new strategy to give consumers the confidence to invest, safe in the knowledge they are supported by a high-quality advice market - and to help them do so safely, with should lead to fewer people being scammed or investing in products that are too risky for their needs.

As part of the strategy the FCA is launching an awareness campaign to target people who may have invested for the first time during the pandemic, often into cryptocurrencies, mainly for the thrill of investing rather than for long-term savings goals or alignment to their needs.

The FCA is also concerned about the high numbers of people who could benefit from investment earnings but are missing out by keeping money in cash. Nearly 8.6 million people currently hold more than £10,000 of investible assets in cash. By 2025 the FCA intends to reduce by 20% the number of consumers who could benefit from investment earnings but are currently missing out. In addition, it intends to reduce the money consumers lose to investment scams (£570m in 2020-21, tripled since 2018).

Sarah Pritchard, FCA Director of Markets said, *"We want to give consumers greater confidence to invest and to help them do so safely, understanding the level of risk. The package of measures we have announced today are intended to support that – we want people to have greater confidence to invest."*

IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.