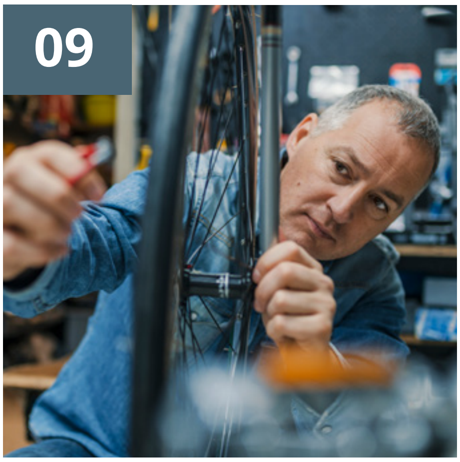
E C Financial Services Limited
122 New London Road, Chelmsford, CM2 0RG

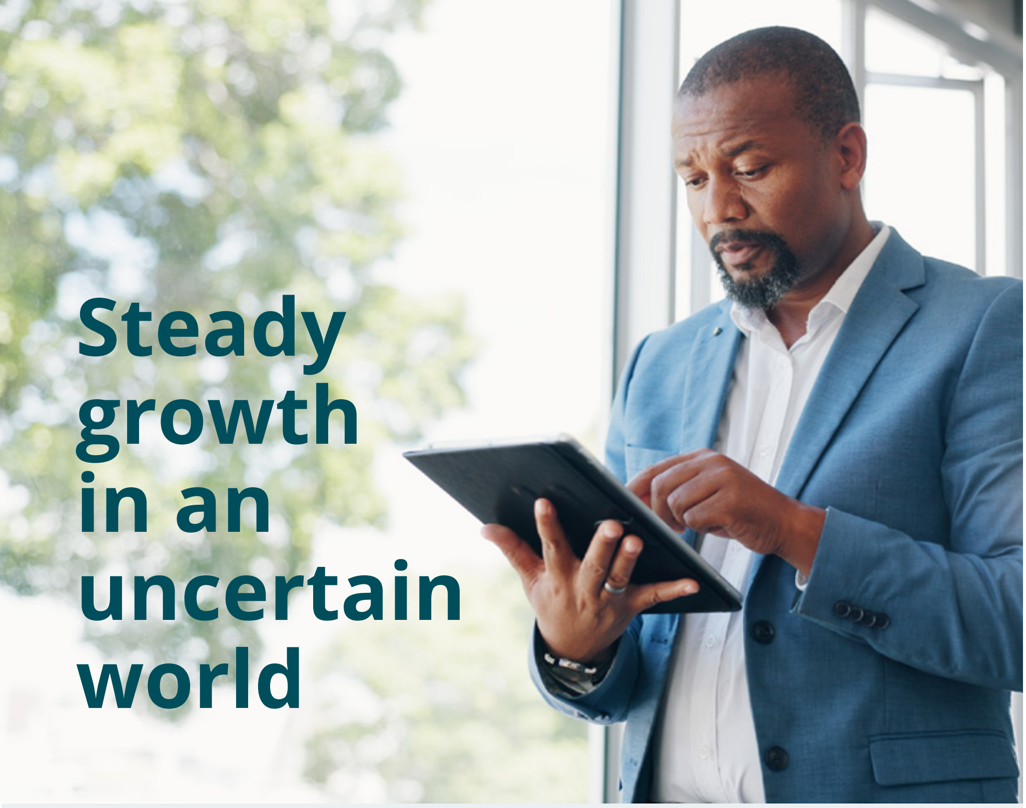
01245 294 900
advice@ecfsltd.co.uk
www.ecfsltd.co.uk

YOUR FINANCE **MATTERS**

Issue 33 Q4 Autumn 2024

INSIDE this issue





Steady growth in an uncertain world

Reassuringly for investors, the latest batch of projections from economic soothsayers continues to predict a period of steady, if unspectacular, global growth. The forecasts also highlight a number of economic concerns including *'sticky'* inflation, large budget deficits and geopolitical uncertainties, which could inevitably create some investment challenges.

Growth rates beat expectations
Economic growth figures released over the summer generally proved stronger than analysts had expected, particularly in relation to Europe and the US (in Q2). And while economic momentum is expected to soften across the second half of this year, forecasters are still predicting steady rates of growth. The latest figures from the International Monetary Fund (IMF), for instance, forecast global growth of 3.2% for the whole of 2024 with the rate rising slightly to 3.3% next year.

Inflation persistency
The IMF's musings were contained in a report entitled *'The Global Economy in a Sticky Spot,'* which highlighted two prominent near-term risks currently undermining growth prospects. Firstly, the IMF warned that *'services inflation is holding up progress on disinflation'* which could result in interest rates remaining *'higher for even longer.'* Secondly, a deterioration in public finances has left many countries in a position of fiscal vulnerability and this is *'magnifying economic policy uncertainty.'*

Geopolitical uncertainties
In what was dubbed *'the year of the election'*, geopolitical uncertainties unsurprisingly continue to be a key concern as well. Indeed, their impact on global growth prospects can only be expected to rise in the near-term as the US presidential election looms ever closer. Continuing geopolitical conflicts and the rise in geoeconomic competition is also creating ongoing challenges for the global economy.

Elements at play
Economic resilience has flowed through to central bank monetary policy as global institutions have largely adopted a cautious approach. Slower but still positive growth, lower inflation and interest rate reductions are a positive combination for investors.

Whatever uncertainties do lie ahead, one investment fundamental remains constant: long-term investors are best served by holding a well-diversified, multi-asset portfolio based on sound financial planning principles and thorough research. We'll help ensure your portfolio remains well-balanced and with the right mix of assets; we're always focused on finding investment opportunities.

Uptick in IHT receipts – what lies ahead?

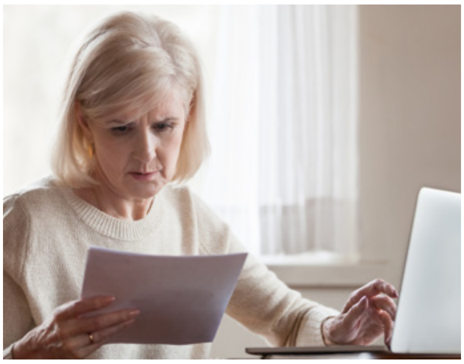
Data[1] has shown that Inheritance Tax (IHT) receipts have continued their ascent, with £2.8bn received in the April to July period this year. This figure is a substantial £0.2bn increase on the same period in the previous tax year (2023/24).

Frozen thresholds continue to take their toll as IHT, once a tax reserved purely for the super wealthy, impacts more of us. Property values have generally risen over the last decade or so, driving record IHT levels.

> Property values have generally risen over the last decade or so, driving record IHT levels

Whether the government chooses to focus on IHT in the upcoming Autumn Budget remains to be seen. Calls for simplification of the tax have been rife for years. With such high receipts the Chancellor may choose to make the tax work even harder for the Treasury. Whatever the future holds for IHT we will keep you informed of developments and work with you and your family to pass wealth down the generations as efficiently as possible, developing a strategy to help secure your beneficiaries' financial future.

[1]HMRC, 2024



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. The Financial Conduct Authority (FCA) does not regulate Will writing, tax and trust advice and certain forms of estate planning.

Navigating a multi-retirement reality

Over the years, a number of notable trends, such as increased longevity and individuals taking on greater responsibility for their pension provision, have clearly altered the retirement landscape significantly. Now, new trends look set to further change the face of retirement, adding complexity to the retirement planning process and making early planning ever more essential.

Multi-retirement households
One of the new trends relates to families with more than one generation retired at the same time. A key impact of this trend will be the extra strain placed on families' finances leaving many households needing to reassess retirement plans to navigate a multi-retirement reality.

Age gap relationships
Further complications also arise when there is an age gap in a relationship, as this means each partner will generally be looking at a different retirement timescale. Such a situation also heightens the need to plan at a family level, as it will typically mean other surrounding generations are at different life stages too, potentially adding greater complexity to family structures.

Open and honest
Discussing and planning for retirement has always clearly been vital but growth in multi-retirement families and age gap relationships makes this even more important. Open and honest conversations relating to retirement expectations need to take place between partners and with family, and key decisions over expected retirement timings and which family members will require financial support need to be discussed and agreed.

The future can be bright
While these trends will certainly change the face of retirement for many families, one thing that won't change is our support. If you have any concerns about retirement, get in touch and we'll help you create a plan to ensure a bright financial future for both you and your family.

In the news

Equity fund inflows on the up

Statistics[2] show that, during the first half of 2024, net inflows to equity funds were over £11.3bn, the best six-month recording for equity funds according to global fund network Calastone's ten-year record. Of the most positive inflows, North America and global funds recorded £7.8bn and £7.2bn respectively, with emerging market and European funds also recording inflows, offset by outflows for income funds and UK-focused funds. Head of Global Markets at Calastone, Edward Glyn, commented, *"Hopes for cheaper money after the painful rate squeeze of the last two-and-a-half years are the clear driver of record flows into equity funds so far this year."*

Dividends – most sectors deliver growth

During Q2, UK dividends reached new highs, primarily supported by one-off special dividends and banking sector payouts[3]. Totalling £36.7bn in the quarter, dividends increased by 11.2% on a headline basis. With 16 out of 21 sectors experiencing higher payouts, growth was *'broad based,'* and the median dividend increase was 5.4% year-on-year.

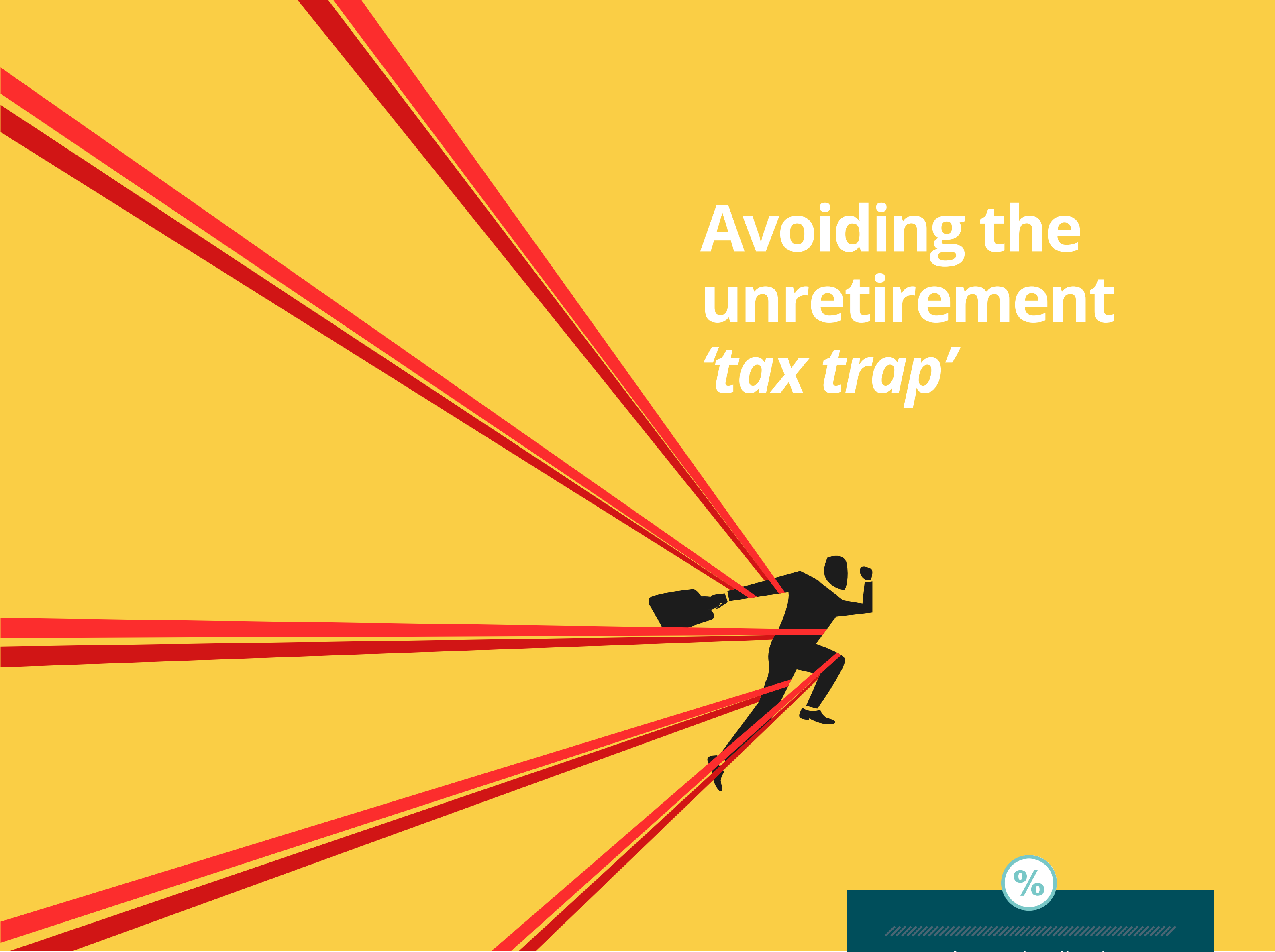
Numbers paying Dividend Tax doubles

The number of people paying Dividend Tax is expected to double from 1.8 million in 2021/22 to nearly 3.6 million in the current 2024/25 tax year, boosting Treasury coffers by an estimated £18bn[4]. The data indicates one fifth of all higher rate taxpayers will pay the tax, the average bill being £5,379, increasing to £32,578 for additional rate taxpayers.

[2]Calastone, 2024, [3]Computershare Dividend Monitor, 2024, [4]FOI AJ Bell, 2024

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.

Avoiding the unretirement *'tax trap'*



Research[5] suggests a significant minority of over-55s either have or are planning to unretire. Worryingly, though, a majority in this group have not checked the tax implications associated with such a decision, leaving many potentially at risk of falling foul of the unretirement *'tax trap.'*

...six out of ten over 55s who are either working or plan to work in retirement had no plans to seek financial advice

The great unretirement continues
According to the research, more than a quarter of people aged 55 and over plan to continue with some form of paid work after retiring, with respondents citing a variety of reasons for doing so. For some, a desire to generate additional income to pay for luxuries was a key driving force, while others felt it would keep their brains active or give them a better sense of purpose.

Unknown tax implications
However, the survey also revealed that almost two thirds of those that have or are planning to unretire had not checked the potential tax implications of doing so; additionally, six out of ten over 55s who are either working or plan to work in retirement had no plans to seek financial advice.

Minimising the tax burden
Clearly, anyone undertaking paid work in retirement needs to fully understand the tax implications, which include a possible increase in tax liability if extra earnings take someone's income above the personal tax threshold or pushes them into a higher tax bracket. They also need to consider how any potential liabilities could be mitigated, for example by maximising the use of tax reliefs and allowances.

%

Unknown implications

Almost two thirds of those that have or are planning to unretire had not checked the potential tax implications of doing so

On an even keel
If you are currently working in retirement or plan to do so, we can provide you with personalised advice tailored to your unique set of circumstances that will help structure your finances in the most tax-efficient manner and ensure you avoid falling into the unretirement *'tax trap.'*

[5]Wesleyan, 2024

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.

Women take the lead opening JISAs

Have you opened a JISA for your child? If so, it's a great financial priority to support long-term savings goals for the children in your family. Research has highlighted that women have led the way on opening JISAs every year since 2019, when the data was first analysed.

Despite the gender pay gap, women have surpassed their male counterparts by over 9% when opening these products. Analysis[6] of the investment trends in the last five years shows the number of JISAs women have opened is up 128%, compared with an uptick of 101% by men. One fifth of UK women have said their highest priority future financial goal is saving for their child or grandchild, with 15% of men ranking this a priority for them.

The analysis also shows *'new JISA sales were up in every region of the UK, since 2019, with northern regions of the UK largely leading the charge.'* It was Scotland that led the way, with an increase of 225% in the last 5 years, followed by the East Midlands and North West, seeing increases of 153% and 117% respectively. However, the amount being saved has reduced over the period, likely due to the pandemic, and cost-of-living pressures more recently.

Commenting on the data, Scottish Friendly's, Jill Mackay, said *"It's positive to see that parents and guardians are prioritising saving for children as part of their long-term financial goals... Being able to set aside a lot of money may not be an option with day-to-day financial demands as they are. But starting as soon as possible and just putting a little away into a stocks and shares JISA could build to be a substantial amount over time."*

[6]Scottish Friendly, 2024

Why should you care about correlation

If you want your investment portfolio to strike a good balance between risk and return, it's worth knowing how correlation can impact your investments.

If two different investments are perfectly correlated, their value will rise and fall by the same amount, at the same time. Investing in highly correlated assets can increase your losses, because when one investment falls in value (except for a reason peculiar to it), the others may well do likewise.

Avoiding correlation is crucial for building a well-diversified portfolio. If all your investments move in the same direction, your portfolio is more vulnerable. Owning a variety of investments that move differently can help limit risk and protect your overall portfolio's value.

> Investing in highly correlated assets can increase your losses

Is your portfolio more correlated than you think?

You might be surprised at how closely correlated some of your investments are. This is because many large funds hold similar holdings, which can lead to increased correlation and reduced diversification benefits. Even if you own a globally diversified fund, you might not be as diversified as you think, as allocation to holdings can be closely aligned.

This has become a concern recently, as the performance of the 'Magnificent Seven' technology stocks (Apple, Microsoft, Amazon, Alphabet (Google), Meta (Facebook), Nvidia and Tesla, has seen them dominate global portfolios. Should these companies all start to underperform, it could have a substantial impact on overall investment returns.

So, for a truly diversified portfolio, owning a range of investments with low or no correlation, where one investment isn't virtually certain to move in the same direction as another, is ideal.

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.

How to align wealth and purpose

Purpose has lately become a buzzword for investors and companies. Whether *'mission-oriented'* investing excites you or makes you want to run for the hills, aligning your wealth with your values and interests can bring rich rewards.

Give and grow
Historically, wealthy people wanting to make a difference have done so through philanthropy. In response to major challenges from climate change to poverty, some billionaires have devoted large chunks of their wealth to finding and funding worthy causes.

Many wealthy families are motivated simply by a desire to make a positive difference in the world. However, doing good does not always mean compromising returns; with the rise of impact investing, more people are combining the pursuit of financial returns with societal benefit.

Investing for world peace
The rise to prominence of environmental, social and governance (ESG) investing brought opportunities to make money while having a positive impact.

'Investing for Global Impact,' a report released by Barclays, found that 68% of ultra-high-net-worth private investors with an average $730m in assets felt that philanthropy and impact investing should be used in tandem to generate impact.

Indeed, some 58% of respondents said they are already seeking to coordinate their portfolios into tackling common aims and themes across both[7].

What's your impact?
The modern purpose-driven investor has abundant ways to make a difference. Wealthy investors cite a responsibility to make the world better as one reason for choosing impactful investing.

With a clear-minded strategy that considers wealth holistically, investors can look to pursue opportunities and build a family legacy. A deeply personal process, the challenge is to balance a wide breadth of factors from what the world needs, to your own circumstances and motivations. For you, your family and society, it can prove enormously enriching.

[7]Barclays, 2023

HNWIs on the rise – and their needs are changing

A new report[8] suggests the wealth of *'high-net-worth-individuals'* (HNWIs) – grew by 4.7% in 2023, with the HNWI population increasing by 5.1% to 22.8 million globally.

What's behind the increase?
Global economic uncertainty, higher interest rates and rising political tensions led to significant declines in HNWI wealth (3.6%) and population (3.3%) in 2022. However, the economic picture improved in 2023, as global equity markets recovered, and investors focused on the prospect of interest rate cuts.

CapGemini confirmed, *'Despite ongoing interest rate uncertainty and rising bond yields, equities surged along with the tech market, fuelled by enthusiasm for generative artificial intelligence (AI) and its potential impact on the economy.'* North America led the recovery, with significant HNWI wealth and population increases. Asia-Pacific also saw growth, while Europe experienced more modest gains.

What are their priorities?
As the HNWI population becomes younger, investment priorities have also shifted from defensive investing towards generating longer-term wealth. Value-added services, such as tax planning and intergenerational transfer are increasingly sought after.

What influences their decisions?
Over 64% of HNWIs polled said emotional or cogitative biases influenced their decision making. This includes seeking information from sources that aligned with their views, seizing opportunities without due consideration, holding onto underperforming investments for too long, and playing safe, missing out on potential opportunities.

These biases are particularly impactful during personal life events such as marriage, divorce or retirement, as well as times of broader economic turbulence, such as volatile market conditions and geopolitical uncertainty.

The findings confirm HNWIs need access to good quality, highly personalised financial advice now more than ever. Not only can we help to create bespoke strategies to suit individual and family needs, we can also overcome biases in favour of longer-term financial plans.

[8]CapGemini, 2024

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.

Finding midlife balance

Midlife can be demanding. Having moved onto – and, perhaps, up – the housing ladder, started a family and settled down, you would think you might have earned an easy ride.

Yet midlife demands on your time and money can make you feel you are being pulled in a hundred different directions. Between supporting your family and saving for your retirement, there are many pressures on your life and finances… before even getting to spend your hard-earned gains on the things you want!

The good news: it's possible to strike a balance between spending and saving.

Sort your savings
A clear savings strategy is the bedrock of financial freedom. When the costs start mounting, go back to basics and put spare money towards your future. Consider a stocks and shares ISA for long-term goals. And don't forget to have an account you can access instantly for emergencies.

Have a plan
To enjoy your spending to the full, it's a good idea to plan ahead. This is especially true with your retirement; know (and start acting towards) your plans as early as possible. Think too about taking out protection to ensure your financial security (and that of your loved ones) isn't thrown off course by illness or death.

Spend (wisely)
When you're squirrelling cash into your pension and feel like every outgoing is a bill, it's important to take a breath and remember: *'life is for living.'* That isn't an invitation to be reckless; it's about finding a balance between future financial security and enjoying your life now.

If you want to take your family on a memorable summer holiday, don't deny yourself. Instead, cut back on the things that bring less joy. Ask yourself how much that extra streaming subscription would really enrich your life.

In other news

Money worries outweigh study concerns for almost half of students

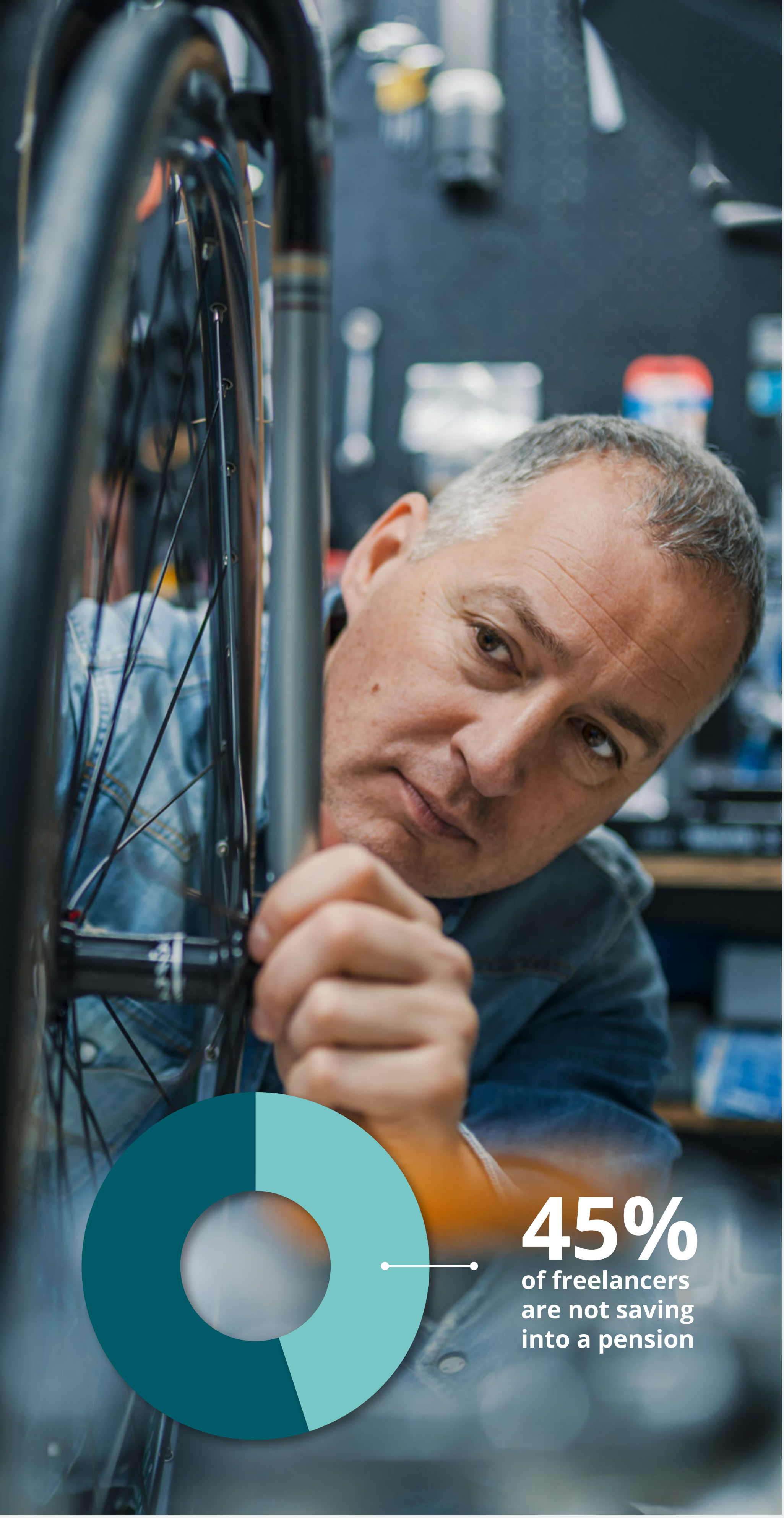
Have you got a child at university? If so, it's likely, according to a new study[9], that they'll be more worried about the cost of living (a top-rated concern for 47% of students), than their academic studies (26%). Other main concerns of university students in the UK are listed as personal health and wellbeing (10%), next steps following university (9%) and career development (8%).

Loud budgeting – good for your savings?

The viral financial trend *'loud budgeting'*, where people are increasingly open about what they do and don't want to spend their money on, is enabling people to set boundaries with friends and family. Research[10] has shown that Gen Z (aged between 18 and 27) are most comfortable loud budgeting, with 61% happy to have these conversations with friends and 71% with family. Meanwhile 49% of those aged 35 to 54 and 50% of those aged 55+ feel comfortable talking about finances with friends, with 61% of 35 to 54-year-olds and 69% of over-55s at ease discussing financial constraints with family.

[9]UNiDAYS, 2024,
[10]Standard Life, 2024

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.



Self-employed? Remember your pension

Over one million individuals have entered self-employment since 2020[11], so it is important to ensure you are still planning for retirement by making regular pension contributions.

A growing sector
In 2023, there were 4.2 million people in the UK's solo self-employed sector – 3% higher than the previous year. Overall, the solo self-employed contributed £331bn to the UK economy, up from £278bn in 2022. But, concerningly, 45% of freelancers are not saving into a pension[12].

Make it a priority
We know it can be easy to forget about your pension, seeing as employed people are auto-enrolled into a pension scheme by their workplace, but if you are freelance it is your responsibility. The sooner you start saving for retirement, the more you can grow your investment and benefit from tax relief on contributions (within limits). Putting it off only means that you will need to save more in a shorter amount of time if you want a comfortable retirement.

Contribute regularly
Decide on a minimum monthly contribution that feels manageable for you. Your income may fluctuate from month to month – that's why you can put more money into your pot when you're doing well.

Seek advice
One benefit of being self-employed is that you have more freedom when it comes to choosing your pension. We can help you plan ahead.

[11]IPSE, 2024, [12]IPSE, 2023

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.

Don't just plan – protect your money

Are you confident you have all the relevant cover in place to protect your finances? Having a financial plan should go hand-in-hand with a conversation about insurance.

The statistics
We may not like to think about death, but the reality is it is inevitable; however, data has revealed that only 29% of UK adults have some form of life insurance[13]. Meanwhile, just 13% have critical illness cover[14]. Even fewer (6%) have income protection, despite one in 13 working people having a long-term sickness[15]. These figures highlight that a concerning number of Brits risk leaving themselves and their loved ones vulnerable during life's toughest moments.

Writing life insurance policies into trust
Writing your life insurance policy into trust is a tax-efficient way of protecting and preserving your wealth for future generations. This arrangement makes your trustees the legal owners of your policy, so the proceeds will not be considered as part of your estate when you die. Not only does this mean that under current rules the payout will not be subject to Inheritance Tax, but your beneficiaries should receive the money swiftly as it will not have to go through probate.

We can advise on the best cover for you and your circumstances.

[13]FCA, 2023, [14]Health Foundation, 2024, [15]ONS, 2023

Which pension personality are you?

A recent study[16] has identified several distinct pension personality types, each with its own strengths and challenges. Which one resonates with you?

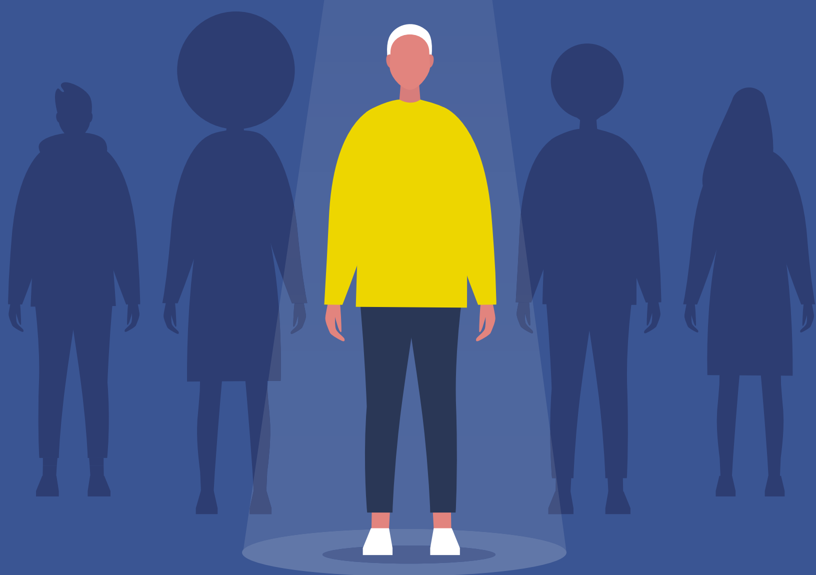
Procrastination Pete and Paula are the most common type, often overwhelmed by the complexities of pensions. This group is likely to make poor decisions, such as hastily withdrawing a 25% tax-free lump sum without a clear plan – potentially costing them thousands in future income.

Buy-to-Let Brian and Barbara prefer the perceived security of property, though they often underestimate the costs and risks involved. Meanwhile, Spend-It Simon and Sally focus on enjoying life now, potentially jeopardising their long-term financial security by dipping into their pensions early.

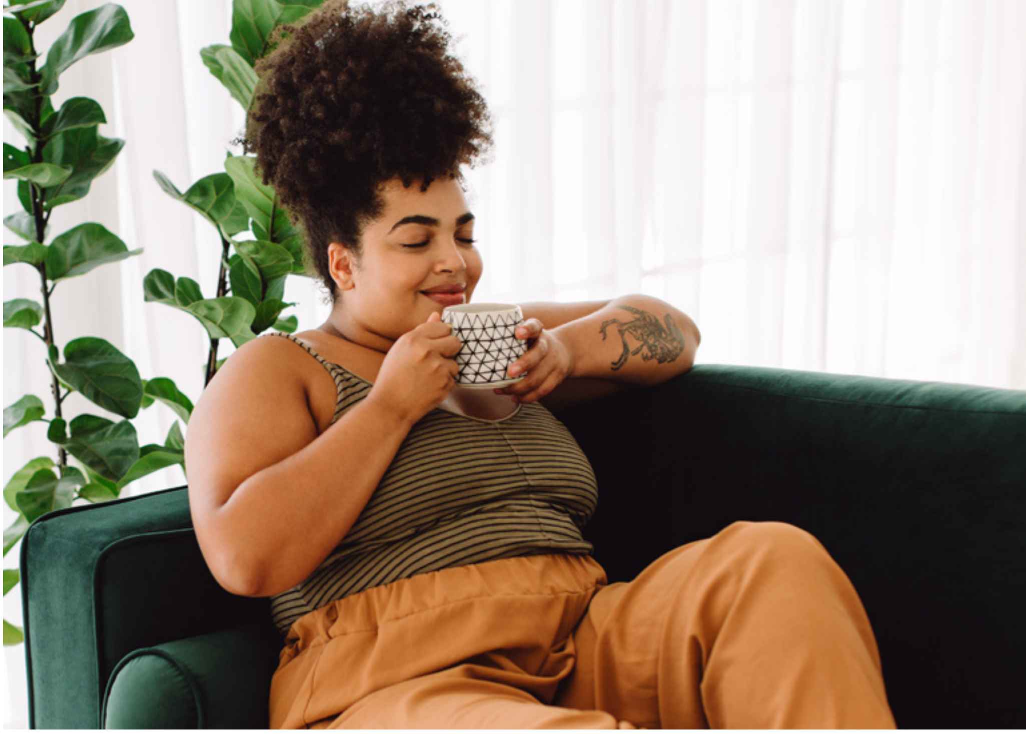
Winding-Down William and Wendy are easing into retirement, supplementing reduced work hours with pension withdrawals, while Help-Me Harry and Helen are determined to get it right by seeking financial advice.

Whatever pension personality you relate to, everyone prepares for retirement differently, with attitudes ranging from denial to detailed planning. The great news is that we're the strategic planning type, ever responsive and flexible to your changing circumstances and market conditions. So, however you're approaching retirement, you know that you can count on us.

[16]People's Partnership, 2024



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.



Get into the savings habit to enhance your wellbeing

A report from UK Savings Week shows that having a savings habit improves wellbeing.

Savers on the lowest incomes were found to benefit the most from regularly putting money aside, with 53% of this group reporting that they are satisfied with their life. However, only 40% of low-income non-savers could say the same[17].

Interestingly, low-income savers had similar satisfaction levels to those on much higher incomes who were not regularly saving. This highlights that, no matter how much money you are saving, it is an important action which boosts wellbeing – it helps savers to feel positive about the future and feel financially protected against unexpected events.

Andrew Gall, Head of Savings at the Building Societies Association, commented, *"The UK Savings Week campaign encourages organisations to promote the benefits of having and actively managing savings. Its overarching aim is to help individuals build their financial resilience and make their savings work as hard as possible for them."*

[17]UK Savings Week, 2024

A third of Gen X think they will never retire

Recently released research[18] suggests a significant proportion of working age people are no longer planning a traditional 'hard stop' retirement, with 45 to 54-year-olds most likely to feel they will continue working beyond pensionable age.

Work work work
According to the survey, more than a fifth of working age adults think it unlikely they will ever completely retire, with those across the 25 to 54-year-old age bracket most likely to hold this view. This was particularly true for Gen X respondents, with almost a third of 45 to 54-year-olds saying they expect to carry on working. There was also a notable gender disparity, with only a third of women thinking they would completely retire compared to almost half of their male counterparts.

Retirement uncertainty
Financial considerations are inevitably a factor for many, particularly those in their 40s and 50s. The so-called sandwich generation can find themselves caring for both elderly parents and children, as well as having to provide for their own needs. Additionally, this group falls between the generations that benefitted from final salary pensions and younger ones reaping the full rewards of auto-enrolment. For Gen Xs, retirement can therefore appear close enough to consider yet too distant to have any certainty over.

Control your future
These findings undoubtedly highlight a shift in attitudes, with the concept of a *'hard stop'* retirement increasingly being consigned to history. This could also partly reflect the fact that today's workers can exert a higher degree of control over their retirement plans, with savers enjoying greater freedom over when and how to use pension savings, including the ability to set funds aside to help loved ones. So, if you want to take control of your financial future, get in touch and we'll help you consider the full picture and plan a retirement that's just right for you.

[18]Aviva, 2024

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.

Autumn retirement round-up

Several retirement reports have hit the headlines recently with a consistent message: if you want a comfortable retirement, you should plan early and be flexible.

Could a phased retirement approach work for you?
Research from Standard Life[19] suggests a *'gradual transition'* into retirement could be one of the best ways to boost your pension pot. It suggests that continuing to work part-time or taking on freelance projects can help to maintain a steady income stream as your pension continues to grow. In fact, the company's analysis demonstrates that working three days a week from age 66 to 70 could add an extra £97,000 to a pension pot. This approach also means the opportunity to explore new interests or volunteer work before fully committing to retirement.

More Britons facing a retirement shortfall
Unfortunately, the retirement picture isn't entirely rosy. According to Scottish Widows' annual retirement report[20], a significant portion of the population (38%, up from 35% last year) are not saving enough for a comfortable retirement. The report also found 54% of UK retirees expect to work an extra seven years on average, while 27% who have made retirement plans don't feel they will ever be able to afford them. This shortfall is being worsened by rising living costs and stagnant wage growth.

Flexibility is key
One recurring theme in most retirement research is the need for flexibility. Having options in how you access and manage your pension can be crucial. Whether it's phasing your retirement or adjusting your income based on the prevailing market conditions, being flexible in your approach and income needs could help you adapt to life's uncertainties.

Don't leave retirement planning too late
While it's concerning to hear of people having retirement regrets, it's important not to ignore the issue and instead do something about it when you can. As we enter autumn, now might be the ideal time to refresh your retirement plan and make sure you feel on track and well-prepared for the years ahead. Retirement is a time to thrive, not count the pennies.

[19]Standard Life, 2024, [20]Scottish Widows, 2024

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.