The complimentary client newsletter of:

Thompson Jenner Financial Services Ltd

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Your Window on

Wealth

WINTER 2022

The latest addition to the team, Kim Landberger, joined us from LV where she worked in various customer service roles for over four years having previously been with one of the High Street Banks. She will enhance our customer services offering and streamline our systems in light of the ever growing number of clients we have.

Thompson Jenner Financial Services... strength in numbers

For almost 20 years Thompson Jenner Financial Services have been offering independent financial advice to a broad range of clients across Devon and the South West. In that time the team has steadily grown, with our most recent addition being Kim Landberger, a Business Support Assistant. We now have a team of six with three independent advisers and three support staff, plus the benefit of the Thompson Jenner LLP accountants, support staff, reception and marketing.

The end of 2020 saw Julie Martyn retire after being with the business for 18 years, and was instrumental in setting up our systems and processes. In November 2020 we were delighted to appoint a level 4 qualified paraplanner, Gemma Rich, who has been able to enhance our research and review processes to allow the advisers to help clients more efficiently. Gemma brought with her 10 years of experience as a paraplanner, as well as previous experience as a mortgage adviser and introduced many new ideas and processes to further streamline the business.

Stephen Walker joined us as an experienced adviser at the beginning of 2021 bringing with him a number of new clients as well as a wealth of experience of nearly 20 years in the industry. In the past he has worked extensively with members of occupational pension schemes and has excellent knowledge of how defined benefit schemes operate.

We were delighted to celebrate Laura Hinton passing her level 4 Diploma in Regulated Financial Planning, last year. Laura joined us as a trainee adviser in 2019. Having secured her diploma and registration as an independent financial adviser, she quickly moved on to obtain her mortgage advice qualification. Laura has a strong background in protection and is a valuable asset to the team.

In addition, Neil Sear continues as Director of the firm, and Liz Stoyle reaches her 15 year milestone with us as a customer service administrator later in the year. We have continued to thrive through the many changes to working practices thrown at us by the pandemic, and now combine working from home and the office in line with the ever changing guidelines. As a result, we are now able to hold virtual, online meetings with clients and provide them access to their information, and share confidential documents though their Personal Finance Portals.

Thompson Jenner Financial Services provide truly independent advice and have a wide range of clients including private individuals and families, owner managed businesses and trustees. We treat every client as an individual and prepare a personalised report based on a detailed analysis of you and your family's current financial arrangements and needs. We will help you make plans to achieve your dreams and aspirations, alongside considering the requirements and commitments you have now and will have in the future.

IN THE NEWS

What's on your playlist this year?

Over the years, several studies have proven that investors can enter emotional relationships with the stocks in which they invest. Research has reinforced the concept that equity prices are not only driven by analysis of a company's prospects but also by external factors which can directly impact investor mood. For example, correlation has been found between improved stock market performance on sunny days or poor performance after a country loses a crucial football match.

One recent study introduces a novel measure of investor sentiment, which it suggests captures actual sentiment rather than shocks to sentiment[2]. A significant correlation has been determined across 40 national stock markets between weekly equity returns and the emotional content of that week's top 200 songs on Spotify. The findings suggest that stock markets perform better when a country is listening to happier songs!

'In our main findings, we document a positive and significant relation between music sentiment and contemporaneous market returns, controlling for world market returns, seasonality's (sic) and macroeconomic variables. Music sentiment also predicts increases in net mutual fund flows and absolute sentiment precedes a rise in stock market volatility. Our study provides evidence that the actual sentiment of a country's citizens significantly affects asset prices.'

Whatever's on your playlist in 2022, you can rely on us to take the emotion out of your investment decisions.

Global attitude to risk variance

Affluent to ultra-high-net-worth UK investors are more conservative than their international counterparts, according to new research[3]. Over half (54%) of UK respondents rated themselves as conservative in their approach to risk, with the lowest percentage of any nation surveyed (10%) saying they take an aggressive approach. In stark contrast, almost half of Chinese respondents rated themselves aggressive in their approach to risk, with just 19% conservative. Possibly reinforcing the lower risk, long-term mindset, the main reason for two-thirds (66%) of UK respondents for investing and saving is for their retirement, with 35% citing future healthcare costs and entrepreneurial activities (17%).

Leave the relief

Recent data analysis[4] has highlighted that over 1.5 million of the UK's highest earners failed to claim an estimated £810m in tax relief in the 2018/19 tax year, totalling around £2.5bn between 2016/17 and 2018/19. Higher rate taxpayers benefit from 40% tax relief, yet eight in ten didn't use their Self-Assessment tax return to claim it; similarly, over half (53%) of additional rate taxpayers failed to claim the 45% tax relief for which they are eligible.

[2]The London Business School, 2021, [3]Avaloq, 2021, [4]Pension Bee, 2021

Investor income boosted by 'special dividends'

UK dividends climbed to £34.9bn in Q3 2021, an 89% year-on-year rise, according to the latest UK Dividend Monitor[5]. Sizeable one-off special dividends were partially responsible for the increase, a trend expected to be evident in Q4 too; however, the underlying total in Q3, excluding specials, leapt up 52.6% to £27.7bn. In context, this large year-on-year rebound is set against a pandemic-hit Q3 2020, in which dividends halved.

Ian Stokes, Managing Director of Corporate Markets at Link, commented on the data, *"The good news is that we have consistently seen companies deliver more in dividends than we thought likely at the beginning of the year… Companies were progressively less impacted by each lockdown and many of them took action to bolster their balance sheets during 2020… Dividend firepower is now much stronger as a result."*

In reference to the prevalence of special dividends, he continued, *"The boom in special dividends reflects how some companies are making catch-up payments, some are capitalising on very strong demand, and others are seizing the moment to sell assets at a time of high prices and numerous cash-rich potential buyers."*

Although this is good news for income investors, dividend growth may be driven by sectors which might not do as well in the future, which is why it's important to diversify across different sectors.

[5]Link Group, 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.

Consider all the variables

From many people's perspectives, the Autumn Budget may have left a feeling that nothing much had changed in the world of personal financial planning, as there were no major changes announced to Income Tax, Capital Gains Tax, Inheritance Tax or pensions. However, the key consideration is how outside factors such as higher inflation could affect your finances and what steps you should take before the end of the tax year to make the most of any allowances and exemptions.

Inheritance Tax (IHT)
Official figures from HM Revenue and Customs (HMRC) for April to September 2021 show that IHT receipts totalled £3.1bn, £0.7bn higher than the same period in 2020. With the nil rate band and residence nil rate band now frozen until April 2026 at £325,000 and £175,000 respectively, the importance of effective estate planning shouldn't be overlooked.

Individual Savings Accounts (ISAs)
The annual ISA limit has now been frozen at £20,000 for five years. If the allowance had increased with inflation each year since 2017, it would stand at £21,440 today, sheltering an additional £1,440 from the taxman. JISAs celebrated their tenth birthday in November – the allowance remains at £9,000.

Dividend Tax
The government revealed in September that it would increase Dividend Tax by 1.25 percentage points from 6 April 2022 to help fund health and social care. This means investors will have to pay more on any income from shares held outside ISAs and above the £2,000 Dividend Allowance.

Pensions
The Lifetime Allowance remains at £1,073,100 and the Annual Allowance remains at £40,000. As these allowances haven't increased with inflation, it effectively means those saving to the maximum extent possible with tax concessions can save less in real terms each year.

Variables at play
It's important to be aware of all the variables at play; inflation, interest rates, taxation and frozen allowances all affect your finances. Talk to us for help with your individual circumstances.

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Rise of the 'Late Financial Bloomers'

Research[6] suggests a new group of consumers – Late Financial Bloomers – are set to change the face of retirement.

Marriage and divorce
A series of socioeconomic factors, including later home ownership, are the main drivers behind this shift. Marriage and divorce trends are also key contributors: on average, first marriages now take place four years later than they did 20 years ago; similarly, divorce rates peak 20 years later than they did two decades previously.

Childbirth plays a role too. More women over 40 now give birth each year than those under 20, which means a growing proportion of the population will be supporting children through education later in life rather than focusing on retirement planning.

Plan ahead
Currently, Late Financial Bloomers account for just 6% of retirees, but this figure is set to rise significantly over the next 15 years. This shift towards later financial security means more people will face complex retirement journeys, thereby increasing the need to plan ahead.

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

Protect your retirement from the risk of mental decline

Retirement – that magical time when we can finally live our lifelong dreams. Increased life expectancy means that many of us can now expect a longer retirement, but this comes at a cost: the increasing prevalence of age-related cognitive decline, which could leave us vulnerable to costly financial errors.

According to the Alzheimer's Society[7], there are almost 885,000 people living with dementia in the UK, and estimates suggest that between 5% and 20% of over-65s suffer from mild cognitive impairment (MCI), a condition in which someone has minor problems with cognition, such as memory or thought process.

Protecting your finances

Planning for the possibility of cognitive decline is an essential part of preparing for retirement. Although many people still have the capacity to live independently and make decisions for themselves, MCI has been linked in scientific studies to poorer financial capacity and an increased susceptibility to scams.

Getting the timing right

Over 80% of investors surveyed[8] thought the ideal time to transfer financial control would be 'sometime after they had begun to experience some cognitive decline but before they became completely incapable.' Respondents thought there was a higher than one-in-three chance of a mistimed transfer, partly attributable to a reluctance to relinquish control, which exemplifies the need to start planning sooner rather than later, so that any future transfer takes place on your terms.

Opening up conversations

Although it may feel awkward, preparing for the possibility of cognitive decline requires careful planning, not only having legal documents in place but also starting conversations with your family and those you trust about money and your goals for the future, in advance of its possible onset. This means that everything is out in the open and close connections are more likely to notice if you begin making decisions about your money that appear to contradict your objectives.

We can assist you with planning and in starting these conversations with your family well in advance and help you better plan for the future, giving you a greater sense of ownership and control over your plans.

[7]Alzheimers Society, 2019, [8]Vanguard. 2021

Tackling pension scams head on

With pension scam losses totalling millions each year, the Financial Conduct Authority (FCA) has reaffirmed its commitment to tackling scams in order to ensure the long-term health of the pensions market.

In a speech to delegates at the Pensions and Lifetime Savings Association, the FCA's Executive Director of Markets Sarah Pritchard said steps have been taken to stop scams reaching consumers, *"We want people to be better protected from the risks of scams and know how to protect themselves against them. Our ScamSmart campaign... gives knowledge and tools to help people protect themselves from scams."*

Simple steps

We can all take simple steps to protect ourselves against potential scams. These include:

1. Make sure you check who you're dealing with
2. Don't give out personal information you wouldn't share with a stranger
3. Don't feel pressurised into making quick decisions.

Good news – new measures

New regulations came into force on 30 November 2021 to protect pension savers and stop suspicious scam transfers, as pension trustees and scheme managers received new powers to intervene. Previously pension providers were not allowed to refuse to carry out a transfer where the saver has the right to do so, even if they were suspicious, but the new regulations will enable trustees to prevent a transfer request if they see evidence of 'red flags.'

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