The complimentary client newsletter of:

Thompson Jenner Financial Services Ltd

Thompson Jenner Financial Services Ltd

1 Colleton Crescent, Exeter, Devon EX2 4DG

Tel: 01392 258553 - Fax: 01392 412094

E-Mail: enquiries@tjfs.co.uk - Web: www.tjfs.co.uk

Your Window on

Wealth

SPRING 2022

Thompson Jenner Financial Services Celebrates 20 Years

Celebrating our 20th year is a fantastic achievement and one well worth celebrating. We would like to take this opportunity to thank all our customers with whom we have worked with throughout these 20 years – without you we wouldn't be here today! Our business has grown considerably and with your support will continue to do so for many more years to come.

At Thompson Jenner Financial Services, we strongly believe in building a long-term relationship with our clients, through mutual trust and understanding. Reaching this milestone anniversary is a testimony of this. Here is what Ruskin Wilson, the Senior Partner of Thompson Jenner LLP said about the Financial Services arm:

When we started TJFS 20 years ago, it very quickly became a key service offering for our clients, enabling them to access financial services advice in conjunction with their business, accounting and tax needs that Thompson Jenner strive to consistently provide. As TJFS have the same high level professional standards that Thompson Jenner have always adhered to, this has meant that clients get a comprehensive 'Joined up service' that ensures they get the best advice in every aspect of their finances. It has been exciting to see the business grow, and with Neil now supported by 5 staff, and plans for further growth on the horizon, we are confident that TJFS will continue to be as successful for the next 20 years!

Our journey began on 1 April 2002, when Neil Sear joined the Thompson Jenner family and started Thompson Jenner Financial Services, generally referred to as TJFS. In the early days he was assisted by the administrative team within the accountancy practice before one of the secretaries, Julie Martyn, jumped ship to join TJFS in the autumn of 2002. Julie helped to set up many of the administrative systems to allow the business to thrive, and remained with us until her retirement at the end of 2020.

Neil was then joined by a second adviser, Philip Dalley, in the Autumn of 2005 who helped the business grow despite the financial crisis of 2007/08 and the start of the pandemic in 2020. Phil remained with the business until 2020 when he left to change his career path.

Our next addition to the administrative team was Liz Stoyle who joined us in June 2007, so will soon be celebrating 15 years of loyal service. With the industry ever changing, Liz's role has changed with it, but in recent times has taken control of the company's fees and commissions system, as well as general administrative work.

With an ever growing client bank, we decided in 2019 that we could add a trainee adviser to the team and took on Laura Hinton in September of that year. She has gone on to become fully qualified and now looks after a client bank of her own.

With Philip and Julie's departure in late 2020, we needed to replace them and were joined in consecutive months either side of Christmas 2020 by Gemma Rich as a paraplanner and Stephen Walker as a third adviser. We have subsequently strengthened the administrative team with the addition of Kim Landberger in January this year. More details of all of the team can be found in the previous newsletter at the start of 2020.

Throughout the past 20 years our simple goal has been to help all of our clients make or save money and this will remain our aim for both new and existing clients.

Once again, thank you for being part of our company's success over the years.

INSIDE THIS ISSUE:

IN THE NEWS

Cautious optimism over 2022 dividend growth

A recent report[3] has revealed a dramatic rebound in UK dividends in 2021, increasing 46.1% last year to total £94.1bn. This figure was boosted by a record £16.9bn in special dividends, three times the normal level. Special dividends are non-recurring and usually larger than a typical dividend payment. For 2022, the report expects underlying growth of 5% to bring total payouts to £81bn, with banks and oil companies expected to be the main contributors. Expectations are that special dividends are likely to be much lower this year. Despite headwinds such as inflation and new COVID variants, Managing Director of Corporate Markets EMEA at Link Group Ian Stokes believes, *"The recovery in UK dividends is not complete, but the easiest part of the catch up is now behind us… As the pandemic continues, it would be easy to take a knife to our expectations for dividends for the coming year. We are, however, cautiously optimistic that most sectors can deliver growth."*

Huge numbers risking a double tax hit on their pension

Data from the Financial Conduct Authority[4] shows that the number of pension pots accessed for the first time in 2020/21 totalled 596,080; the number fully withdrawn totalled 341,404. Only 33% of consumers taking money from their pension for the first time took regulated advice. People cashing in pension pots without taking advice could be putting themselves at risk of paying more tax, and those cashing in pots in one go could pay up to 45% Income Tax on part of their withdrawal, while also losing Inheritance Tax protection.

[3]Link Group, 2022, [4]FCA, Dec 2021

Taking positive steps to achieve financial freedom

When are you thinking of retiring? With many pre-retirees reassessing their lives and priorities in the wake of the pandemic, there really is a seismic shift for many people towards achieving life balance. People need a plan to flex with their changing aspirations – it's become more about living life rather than going through the motions of the daily grind.

With earlier retirement a serious consideration for many seeking balance, a quarter of Brits who aspire to retire early feel that age 60 is the optimum time to do so[5].

Embracing a new lifestyle

What really makes you happy? If you're planning to celebrate your 60th birthday by saying 'goodbye' to working life, it's good to know that 68% of people report an increase in overall happiness as a result of retiring early, with 44% of early retirees reporting their family relationships improved and 34% citing improvements in their friendships. From a health perspective, 57% of early retiree respondents report a boost to their mental wellbeing, with 50% believing their physical wellbeing has improved.

Driving force

Nearly a third (32%) of people who retired early or plan to do so are driven by the desire *'to enjoy more freedom while still being physically fit and well enough to enjoy it.'*

Other factors driving people to pursue early retirement include financial security (26%), reassessing priorities and what's important to them in life (23%), wishing to spend more time with family (20%) and finding they are either *'tired or bored'* of working (19%). Stress is also a contributing factor that 19% of respondents are keen to eradicate.

Pause for thought

With a sizable 24% of people returning to work after retiring because they experience financial issues, careful planning is essential. Interestingly, 47% of retirees found that their finances worsened and only 22% felt they benefited financially from their decision to retire early.

Positive steps to financial freedom

People cited steps toward making early retirement achievable like paying off a mortgage (30%), saving little and often (29%), saving extra when they receive a pay rise or bonus (19%) and receiving an inheritance (14%).

We're here to reassure you that happiness doesn't need to come at a cost when retiring early. Although it's very important to be realistic, with meticulous planning and careful consideration, we can assess and develop a robust plan to align and flex with your changing requirements and priorities.

[5]Aviva, Dec 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.

Inheritance Tax reporting – in the know

Keeping up to date with tax changes can be challenging and you may have missed this one in relation to the reporting of Inheritance Tax (IHT), especially as it's not something most of us will deal with very often.

Excepted estates
The changes came in at the start of the year and apply to the estate of anyone who dies on or after 1 January 2022. Now, before you make a report to HM Revenue and Customs (HMRC) you need to check whether the estate is an 'excepted estate' to make sure you complete the right forms.

There are several reasons why an estate may now be classified as 'excepted':

- The estate has a value below the current IHT threshold (£325,000 for one person)
- Any unused threshold is being transferred from a spouse or civil partner who died first, and the estate is worth £650,000 or less
- The estate is worth less than £3m and the deceased left everything in their estate to their surviving spouse or civil partner who lives in the UK, or to a qualifying registered UK charity
- The estate has UK assets worth less than £150,000 and the deceased had permanently been living outside of the UK when they died.

A step-by-step guide
Further details on how to value an estate for IHT and report its value can be found here www.gov.uk/valuing-estate-of-someone-who-died/check-type-of-estate

Thinking of your own IHT planning
More people are having to pay IHT; HMRC figures show IHT receipts for the period April 2021 to January 2022 to be £5bn, which is a £700m increase on the same period one-year earlier[6]. IHT planning is a complicated subject, but sensible financial planning can help to reduce the amount of IHT payable and safeguard your wealth for the future.

[6]HMRC, 2022

Figures show IHT receipts for the period April 2021 to January 2022 to be £5bn, which is a £700m increase on the same period one-year earlier

Fund inflows notch up second-best year on record

Despite the pandemic, new stats from The Investment Association (IA)[7] show investors added over £43bn to funds last year, the second highest recorded. The IA details a key finding *'inflows to responsible investment funds totalled a record £16bn, up £4.3bn on 2020.'*

In December, net retail sales reached £2.3bn. Equity funds were the most popular asset class with £1bn of inflows, with 'global' remaining the best-selling sector for the seventh consecutive month.

Chief Executive of the IA Chris Cummings commented on the findings, *"Investors put their lockdown savings to work in 2021, with near record inflows to retail funds in 2021 helping investors take part in the global COVID-19 market bounce. This was particularly so in the first half of the year, when monthly inflows into funds peaked at £6.2bn at the end of the 2021 ISA season in April. While new variants of COVID-19 appeared throughout the year, every month of 2021 saw net inflows – against a backdrop of rising prices eroding the value of saving in cash."*

He continued, *"The return of significant inflation in the second half of 2021 indeed left its mark, with falling flows into bond funds, but overall investor confidence remained resilient. Growing focus on climate change in the year Glasgow hosted COP26 also helped take flows into responsible investment funds to new heights."*

[7]The Investment Association, 2022

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.

Net-Zero Asset Owner Alliance boosts efforts on climate change

With a pledge to reduce environmentally damaging emissions from portfolios by half by 2030 and to accelerate sustainable finance, the influential investor group Net-Zero Asset Owner Alliance has ramped up its commitment to tackle climate change.

The prominent investor group, comprising 70 large institutions, has pledged that member firms will aim to reduce emissions linked to their portfolios of investments by between 49% and 65% in the next eight years (to 2030), after including a broader range of carbon-intensive sectors within its target framework.

This new commitment expands previous plans targeting a reduction in portfolio emissions by between 16% and 29% across listed equities, publicly traded corporate bonds and real estate assets by 2025. The newly expanded framework now includes sectors where carbon emission reductions are more challenging to achieve due to production methods, including agriculture, chemicals, water, concrete and aluminium, along with a new asset class – infrastructure equity and debt.

Vast number of pensioners holding ISA savings in cash

An alarming set of data has come to light. Over three million pensioners are holding all of their ISA savings in cash![8]

The analysis highlighted that during the most recent year for which figures were available (2018/19), there were 5.8 million over-65s holding ISAs, valued at just over £305bn in total, the average amount held was £52,500. However, 3.4 million of these were holding an average of £25,383 exclusively in cash ISAs, with a total amount of £87bn sat in these vehicles.

With very few of these 3.4 million pensioners likely to be earning interest of more than 1%, and many considerably less, former Pensions Minister Steve Webb commented, *"Whilst holding small amounts of cash in an easy access account can be convenient, these figures show that huge amounts of money are sitting rotting in cash ISAs. Inflation is like a tax on savers. With inflation soaring, the spending power of cash savings is being savagely reduced. Many instant access cash ISAs pay little or no interest and runaway inflation will take a huge chunk out of the value of these savings."*

He continued, *"Older savers need to consider urgently whether keeping their money in these cash accounts is the best way to protect their hard-earned savings, especially when the real value of their State Pension is also being squeezed."*

[8]LCP, Freedom of Information, 2022

Pension wealth outweighs property wealth

New data from the Office for National Statistics (ONS) Wealth and Assets Survey[9] has revealed that the largest single component of household wealth is private pension holdings.

In the latest recorded period (April 2018 to March 2020) pensions represented 42% of aggregate wealth, up from 34% (2006-08), an increase in pension wealth of nearly £70k on average for UK households. This growth can be attributed to various factors including more households having private pensions due to auto-enrolment and rising longevity meaning pension savings have increased proportionally. Meanwhile, property wealth (minus mortgage debt) made up 36% of household wealth; financial wealth, or savings or investments, made up 13%; and physical wealth, such as cars and house contents, totalled 9%.

Underlying wealth per household for the latest recorded period was £302,500 at the median or midpoint level, which is up from £286,600 in the previous two years, and up by a fifth over the past 14 years, when adjusted for inflation.

Age inequalities

The data also shows median wealth was highest for households where a member was aged between 55 years and State Pension age; the figure of £553,400 being 25 times higher than for those aged 16-24 years of age. The wealthiest 10% of households held 43% of all the wealth, whereas the bottom 50% held only 9%.

[9]ONS, 2022

It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.
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. Changes in the rates of exchange may have an adverse effect on the value or price of an investment in sterling terms if it is denominated in a foreign currency. Taxation depends on individual circumstances as well as tax law and HMRC practice which can change.
The information contained within this newsletter is for information only purposes and does not constitute financial advice. The purpose of this newsletter is to provide technical and general guidance and should not be interpreted as a personal recommendation or advice.
The Financial Conduct Authority does not regulate advice on deposit accounts and some forms of tax advice.
All details are correct at time of writing – March 2022.

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.

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