The complimentary client newsletter of:

Thompson Jenner
Financial Services

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YOUR WINDOW ON ***WEALTH*** SUMMER 2023

Thompson Jenner Financial Services – harnessing the strength of numbers

For over two decades, Thompson Jenner Financial Services has been a trusted provider of independent financial advice in Devon and the South West. With a growing team of experts, we help clients from all walks of life to achieve their financial goals and prepare for the future.

We believe in putting clients first, taking a personalised approach to financial planning, assessing each individual or family's unique circumstances and preparing a bespoke report that takes into account their current financial arrangements and future needs. The team can offer advice on a wide range of areas including savings and investments, pensions, mortgages, tax planning, and estate planning. Whatever your goals and aspirations, the team is here to help.

The firm's growing team includes experts with a broad range of expertise in financial planning. Paul Lucas and Rachel Nicholson are the latest additions to the team, bringing the team up to ten in total.

Paul Lucas is a Chartered Financial Planner and a Fellow of the PFS, with a background in tax planning and brings a wealth of expertise in retirement strategies, dealing with High Net Worth Individuals and property pension funds. Paul helps business owners plan their exit strategy to enable them to retire on their terms with simple, straightforward, intelligent advice and is passionate about simplifying the complex issues to help business owners make the right financial decisions.

Rachel Nicholson is a Financial Advisor with a background in helping individuals, with knowledge in pensions, investments, later life care planning as well as being a specialist in welfare benefits. Having spent many years in the charitable advice sector giving advice and promoting social justice on a range of issues, Rachel then went onto achieve her level 4 Financial Advice qualification in 2018/19 and is well on the way to achieving Chartered Status and becoming SOLLA accredited (Society of Later Life Advisers).

Both Rachel and Paul are committed to delivering the personalised service that Thompson Jenner Financial Services is renowned for.

Thompson Jenner Financial Services provide truly independent advice for 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. Clients best interests are at the heart of everything Thompson Jenner Financial Services does, and the team is dedicated to building long-term relationships with its clients. Contact them today and discover the benefits of working with a talented and independent financial adviser.

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IN THE NEWS

HNWIs cutting pension contributions

Research has highlighted that in an effort to alleviate daily financial pressures, including rising mortgage rates, one third of high-net-worth individuals (HNWIs) have reduced their pension contributions or intend to do so in the next six months[2]. Those with assets of £250,000 plus are more likely to have reduced their pension contributions in the last six months (14%), versus 9% across the UK population as a whole.

Those HNWIs who have already taken steps to reduce their pension payments have done so by an average of £1,246 a month, nearly £15,000 over the course of a year. Over eighty percent (84%) of HNWIs are already experiencing or expecting an increase in their mortgage rates to put a strain on their cashflow, prompting many to reduce their pension contributions.

Those with assets of £250,000 plus are more likely to have reduced their pension contributions

Interestingly, the research has also shown that the majority of HNWIs are underestimating the requirements for a comfortable retirement, believing on average that a pension pot around £580,000 will do the job, but in reality a pot of nearly £700,000 plus the full State Pension will suffice, according to the research.

[2]Saltus, 2023

Achieving real financial empowerment

Traditionally, people might have assessed their financial health by simply checking the balance on their bank account or totalling their amassed level of wealth. In recent years, however, a different measure has emerged which seeks to balance financial stability with emotional wellbeing.

Financial empowerment

This new concept places greater emphasis on goals and developing a financial plan to achieve life's aspirations; in other words, it's about people gaining control over their finances rather than their finances controlling them. Achieving genuine financial empowerment does not therefore focus simply on someone's level of wealth, but on handling that money so it has a truly positive impact on their wellbeing.

A state of mind

In many ways, financial empowerment is about understanding the emotional relationship with money by focusing on an individual's mindset as well as their finances. Taking time to strategise, by aligning spending and savings commitments with long-term goals while being prepared for life's unexpected financial challenges, can provide a logical, ordered approach that brings satisfaction and pride to our financial lives. In effect, it creates control that affords a sense of financial freedom and thereby puts us on track to a fulfilling, well-lived life and retirement.

Empowerment versus income

Analysis[3], which compares people's emotional experiences with their level of empowerment and earnings, offers further valuable insight. It found that financially empowered people had mostly positive experiences, even those in lower income brackets, while those who felt disempowered were generally less happy with their finances than their peers. This suggests that a sense of personal power rather than someone's income level is the key to achieving emotional wellbeing in their financial lives.

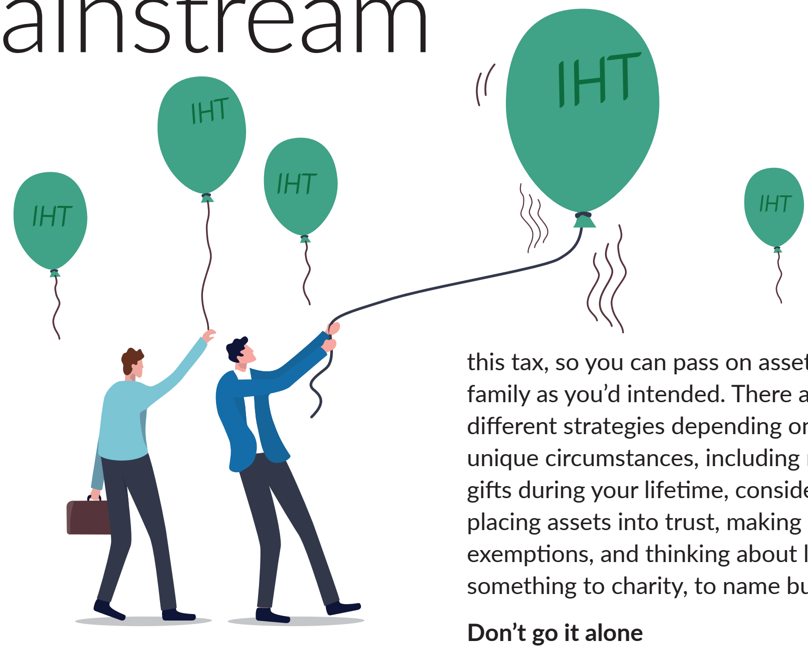
It's all in the planning

Financial empowerment effectively derives from equipping ourselves with the right tools. With the clear, transparent advice and professional support our firm provides, we can construct a well thought-out, long-term but flexible plan that will allow you to live the life you want and thereby achieve true financial empowerment.

[3]Morningstar, 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.

IHT goes mainstream



Inheritance Tax (IHT) receipts have been consistently rising, with new data from HM Revenue & Customs (HMRC) showing takings for the 2022-23 tax year totalled £7.1bn, up a massive £1bn from the previous tax year (£6.1bn 2021-22). According to HMRC, this huge uplift can be attributed in part to *'a combination of the recent rises in asset values and the government's decision to maintain the IHT nil rate band thresholds at their 2020 to 2021 levels up to and including 2025 to 2026.'*

Reported estimates from the Spring Budget detail that over the next five years, IHT is expected to bring in £38bn for the Treasury, meaning annual receipts will exceed £8bn by 2027-28, with 6.7% of deaths expected to trigger an IHT charge. This compares with 3.76% of UK deaths in 2019-20.

Record receipts have prompted suggestions that the tax has now become mainstream. Previously dubbed a tax on the wealthy, this is certainly no longer the case, as frozen thresholds and elevated house prices impact.

The good news is that through expert planning you can legitimately mitigate this tax, so you can pass on assets to your family as you'd intended. There are various different strategies depending on your unique circumstances, including making gifts during your lifetime, considering placing assets into trust, making use of exemptions, and thinking about leaving something to charity, to name but a few.

Don't go it alone

IHT is a complex tax, with reliefs and exemptions on gifts to consider and the interaction with other taxes. These days, with many more estates likely to be subject to IHT, taking expert advice could save your beneficiaries substantial amounts of tax. Get in touch.

Summer retirement round-up – developing a coherent strategy

The last few years have created an increasingly complex backdrop for retirement planning. Not only has the post-pandemic era seen attitudes to work alter significantly, but macro-economic headwinds from Russia's invasion of Ukraine and the cost-of-living crisis have created significant unhelpful market volatility. In combination, this has inevitably heightened the need for everyone to engage in retirement conversations at the earliest opportunity. Some recent research sets the backdrop for your summer retirement round-up, spotlighting key trends.

Changing face of retirement

A recent study[4] of UK employees has shown how people are re-evaluating plans for work and later life, with evidence that partial retirement may become the new norm. In total, over half of all workers said they like the idea of continuing to work through retirement. The research also highlighted a strong sense of semi-retirement positivity, with nine out of ten saying they were 'much happier' after reducing their working hours.

Low levels of confidence

Another study[5], however, has highlighted a distinct lack of confidence among 55 to 75-year-olds when it comes to financing retirement. Indeed, nearly a third said they were either not at all confident or not very confident they would enjoy a comfortable lifestyle in retirement, compared to less than one in five who felt very or extremely confident.

Mind the gap

The research also highlighted a sense of unpreparedness, with a notable divergence in anticipated levels of retirement income and expenditure. For instance, while average expected spending five years into retirement was predicted to be 92% of pre-retirement levels, average income was only expected to hit 78%; other evidence suggests this latter figure is an aspiration few pensioners are likely to achieve.

Planning is essential

These findings suggest many from the next generation of retirees will need support if their finances are to see them through retirement, and this vividly highlights the need to develop a sound strategy tailored to an individual's unique circumstances long before retirement looms. Planning ahead can address potential income requirements and offer solutions that build resilience to ensure you enjoy the retirement you deserve.

[4]Aviva, 2023, [5]The Wisdom Council, 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. The Financial Conduct Authority (FCA) does not regulate Will writing, tax and trust advice and certain forms of estate planning.

Pensions – what's changing?

During the Spring Budget the Chancellor announced several changes to pensions including increasing the Annual Allowance and the Money Purchase Annual Allowance. The changes, the most significant since pensions freedoms in 2015, have largely been met with positivity, bringing greater flexibility and opportunity.

Some higher-paid workers faced additional tax bills as a result of building sizeable pension pots or significant final salary benefits. The overhaul makes it easier for people to accumulate a larger pension pot and not be penalised by taxes, also enabling them to build larger capital sums needed to produce sufficient retirement income. Let's take a look in closer detail at some of the main changes, many of which took effect from 6 April 2023:

- The **Lifetime Allowance (LTA)** charge was removed, with the LTA (currently £1,073,100) itself expected to be formally abolished (likely to be April 2024), allowing people to save more into their pension over their lifetime without facing tax charges for exceeding it
- The standard **Annual Allowance (AA)** increased from £40,000 to £60,000 (max 100% of earnings), allowing many individuals to pay more into their pension each tax year and receive tax relief on it. Individuals are still able to carry forward any unutilised allowance from the previous three tax years. Increasing the AA will particularly benefit workers approaching retirement who may have neglected pension saving in the past, who will be able to pay more into their pension each year and receive tax relief
- The **'adjusted income'** threshold for Annual Allowance tapering increased from £240,000 to £260,000 and the minimum tapered Annual Allowance increased from £4,000 to £10,000 (meaning that individuals with annual adjusted income of £360,000 or more will have an Annual Allowance of £10,000). The tapered Annual Allowance is the reduced pension Annual Allowance that is applied to those who now have an 'adjusted income' over £260,000, for every £2 earned above the £260,000 threshold the normal Annual Allowance is reduced by £1
- The **Money Purchase Annual Allowance (MPAA)** increased from £4,000 per tax year to £10,000, to encourage those drawing a pension to continue working. This is the amount you can pay into your pension after you have accessed pension benefits, and still enjoy tax relief. The additional MPAA means anyone already using their pension but continuing to work, or looking to return to work, will be incentivised to do so as they can increase the size of their pension pot and receive tax relief.

Good for you

The changes only really impact the highest earners, those with generous company pensions and those wanting to aggressively fund their pensions later in life. The government is hoping the changes will incentivise those in certain high demand, high earning professions such as GPs and NHS consultants to postpone retirement.

Professional pension advice is essential to ensure you make the most suitable decisions with your pension and to maximise your pension provision without encountering tax issues.

A defining moment – FTSE 350 female board representation

Three years ahead of schedule, FTSE 350 companies have met the target of achieving 40% female board representation, according to the latest FTSE Women Leaders Review[6].

The report highlights *'steady progress'* in getting women leaders to the *'top table of business in the UK,'* with Nimesh Patel and Penny James, co-chairs of the Review describing the achievement as *"a defining moment and testament to the power of the voluntary approach and the collective efforts of many businesses and individuals over the last decade."*

[6]FTSE Women Leaders, 2023

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