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CSC Financial Ltd

YOUR
FINANCE
MATTERS

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Issue 15 Q2 2020

*Spring clean your
finances for a
sense of wellbeing*

*The Great Wealth
Transfer: why it's
good to talk*

*Under the
spotlight – the
first Budget of
the decade*

**FINGER ON
THE PULSE –
INVESTING IN
UNCERTAIN TIMES**

**MAKE TIME
FOR LIFE'S
BIG DECISIONS**

**THE EBB
AND FLOW OF
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In the current climate, there is uncertainty in all of our lives with both health and financial concerns. However, while we are all understandably focusing on the here and now, it might be worth using this time to take a step back and review your long-term financial wellbeing as well. This newsletter takes a look at some of the areas you might want to consider. Of course, we are on hand to support you through any challenges ahead.



SPRING CLEAN YOUR FINANCES FOR A SENSE OF WELLBEING



A recent survey¹ asked people how they think and feel about their financial health, in an attempt to understand the connection between wealth and wellbeing.

UK's financial health

In the UK, 45% of respondents said that money is a major cause of stress; this figure increases to 66% with those who had no savings or investments to fall back on. When compared to the global average, the UK population holds fewer market-based investments and is more likely to have no savings or investments.

When questioned about financial health, 75% of UK respondents were of the opinion that this meant *'having little or no debt and being prepared for unexpected events.'*

Lack of knowledge

Amongst younger respondents, a common reason for not investing, was *'lack of knowledge'* with 49% of millennials agreeing with this, compared to 35% of Baby Boomers. Of all age groups, 34% stated that a fear of losing everything was preventing them from investing.

Financial goals

Setting realistic financial goals, as well as saving or investing towards these, can help you to feel more in control, reduce stress and improve your feelings of financial wellbeing.

It can be difficult to take the first step but talking to a trusted financial adviser can help. In fact, 75% of survey respondents, who use a financial adviser, reported having a positive sense of wellbeing.

Why not talk to us today to see if we can help to improve your financial wellbeing both now and into the future.

¹BlackRock, 2020

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The Great Wealth Transfer: why it's good to talk

Transferring wealth from one generation to the next is a difficult conversation topic, but with the baby boom generation expected to pass down a record-breaking amount of assets over the coming years, confronting this taboo has never been so important. And experts suggest that, while discussions involving money can be uncomfortable, the best approach is invariably to talk.

The next 30 years are expected to witness the largest ever intergenerational passing of wealth as Baby Boomers – the wealthiest generation in history – prepare to pass on assets to their heirs. Commentators have dubbed it the ‘Great Wealth Transfer’ with estimates² suggesting an unprecedented

£5.5tn could be set to pass between generations in the UK.

Elephant in the room

While the significance attached to the wealth transfer process is unquestionable, most families remain uncomfortable talking about money, with finance among the few remaining taboo topics. As a result, discussing money issues with their children can prove a difficult task for many parents, with conversations typically awkward or stilted. However, it is vitally important retirees involve their offspring in financial planning decisions if the wealth transfer process is ultimately to be successful.

A balancing act

The issue of inheritance unsurprisingly raises a number of concerns for parents. For instance, there is the dilemma of

wanting to help children financially while not dampening their offspring’s work ethic. In addition, parents need to balance the emotional desire to leave significant sums to heirs with the need to ensure their own financial wellbeing, particularly in an era of spiralling long-term care costs.

Start the conversation

Arguably the key inheritance challenge, though, remains ensuring your children are ready to take on financial responsibility for family assets. Encouraging their involvement in your financial planning decisions now is a particularly good way to boost their financial literacy and ensure they are ready when the time comes. So, introduce them to us and we can help you start those difficult conversations.

²Kings Court Trust, 2018

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KEY POINTS FROM THE SPRING BUDGET

The economy

- Economy predicted to grow by 1.1% in 2020-21, revised down from 1.4% forecast a year ago (this figure does not take into account the impact of COVID-19)
- Growth predicted to rebound to 1.8% in 2021-22, easing back to 1.5% in 2022-23
- Inflation forecast of 1.4% this year, increasing to 1.8% in 2021-2022



Coronavirus and public services

- £5bn emergency response fund to support the NHS and other public services in England
- All those advised to self-isolate will be entitled to Statutory Sick Pay, even if they have not presented with symptoms
- Self-employed workers who are not eligible will be able to claim contributory Employment and Support Allowance (available from day one)
- £500m hardship fund for councils in England to help the most vulnerable in their areas
- Firms with fewer than 250 staff will be refunded for sick pay payments for two weeks
- Small firms will be able to access business interruption loans
- Business rates in England will be suspended for firms in the retail, leisure and hospitality sectors with a rateable value below £51,000
- £6bn in extra NHS funding over five years to pay for staff recruitment and start of hospital upgrades

Personal taxation, wages and pensions

- Tax paid on the pensions of high earners, including NHS consultants, to be recalculated to address staffing issues
- The two tapered Annual Allowance thresholds for pensions will each be raised by £90,000
- The minimum level to which the Annual Allowance can taper down will reduce from £10,000 to £4,000 from April 2020
- Annual Capital Gains Tax exemption increased to £12,300 from 2020-21
- The Lifetime Allowance for pensions will increase in line with the Consumer Prices Index, to £1,073,100 for 2020-21
- From 11 March 2020 the Lifetime Allowance on gains eligible for Entrepreneurs' Relief reduced from £10m to £1m.

SPRING BUDGET – KNOW YOUR NUMBERS

In his first Budget delivered on 11 March, Chancellor of the Exchequer Rishi Sunak unveiled the largest boost to public investment for several generations in a bid to shore up the economy and see the country through the coronavirus outbreak.

Emergency rate cut

A dramatic Budget Day began with the Bank of England announcing an emergency half-point reduction in its base rate amid growing concerns over the economic impact of COVID-19. This returned the rate to 0.25%, its lowest ever level (on 19 March a further cut to 0.1% was announced). Later, Mr Sunak revealed updated GDP

projections which, excluding the inevitable coronavirus impact, suggested the UK economy would grow 1.1% in 2020-21, down from the previously forecast 1.4%.

Personal taxation

The Chancellor's main change with regards to personal taxation was an increase in the National Insurance threshold to £9,500, which will save most workers around £100 annually from April. However, the personal allowance at which people start paying income tax was frozen at £12,500, while the £50,000 higher-rate threshold also remains unchanged in parts of the UK where income tax is not devolved. As previously announced the new single-tier State Pension will rise from £168.60 a week to £175.20 in April, while the older

basic State Pension will increase from £129.20 to £134.25 per week.

Savings landscape

In relation to savings, the major announcement was a hefty increase in the JISA (Junior Individual Savings Account) allowance and Child Trust Fund annual subscription limit from £4,368 to £9,000 in the coming tax year. The ISA (Individual Savings Account) allowance, including the Lifetime ISA allowance if used, was left unchanged at £20,000. Another potential impact on savers concerns the reduced amount of money set to be raised via National Savings and Investments, which suggests rates at the government's savings arm may become less competitive during the coming year.

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FINGER ON THE PULSE – INVESTING IN UNCERTAIN TIMES

Global stock markets are suffering a period of volatility as a result of the COVID-19 outbreak. Although markets do not respond well to periods of uncertainty, what is certain is that volatility goes hand in hand with stock market investment; and although market movements can be concerning, experience teaches us to expect the unexpected.

Calm and collected

Investors with diversified portfolios, who stay in the market, have historically and consistently experienced steady gains over time. Even though it can be difficult to ignore market movements, it is vital to focus on the long term and remember that volatility also presents opportunities.

The worst investment strategy you can adopt is to jump in and out of the stock market, panic when prices fall and sell investments at the bottom of the market.

Weather the storm together

A well-defined investment plan, tailored to your objectives, in line with your attitude to risk, that takes into account your financial situation, can help you weather short-term market fluctuations. Market volatility is a timely reminder to keep your investments under regular review.

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Make time for life's big decisions



A recent study³ suggests many people don't have sufficient mental space to make the right choices when it comes to tackling life's difficult decisions. The good news, however, is that minor changes to the way people approach decision-making can dramatically improve their ability to make better financial choices.

Avoiding difficult decisions

The research found that the great British public typically 'don't do difficult decisions'. For instance, over four million said they don't have the mental space to tackle difficult issues, while a further 6.4 million don't have time for important life admin. Many Brits also admitted to putting little effort into key decisions: while over half said they always ensure an optimum choice of holiday destination, less than one in three adopt such a thorough approach to pension arrangements.

Decision fatigue

This tendency to 'sweat the small stuff' appears to be impacting people's financial decision-making abilities. For example, over half of respondents said they haven't made a decision on whether to buy

critical illness cover, while just under half haven't considered changing their pension arrangements. In addition, when financial decisions are being made, many don't give it their full attention, with over four in 10 sorting out finances while sat on the sofa and one in 10 doing so at work.

Tips to aid decision-making

Small behavioural changes, however, can have a big impact on people's ability to tackle difficult decisions. For instance, picking a quiet location free from distractions and a time when you can focus fully on an issue will help, as will avoiding making decisions after a tough day. Visualising the future and linking financial decisions to life ambitions can also be beneficial.

We're here to help

Don't forget we're always here to help you with life's difficult financial decisions. So, get in touch and we'll guide you through the decision-making process. With our assistance you might even find that making better financial decisions isn't actually too difficult or time consuming.

³Scottish Widows, 2019

PENSION WOES: THE TALE OF GEN X

The changing financial pressures facing members of different intergenerational groups has been a recurring theme in recent years, with the narrative usually proclaiming how younger generations have lower income, assets and prospects than their older counterparts. However, there has been relatively little consideration of the potential retirement woes facing people born between 1966 and 1980 – Generation X.

Limited time to plan

Members of Generation X have between 12 and 28 years left to work and build up a sufficient pension pot to fund their post-working years. A recent report⁴ suggests this group is at greater risk of reaching retirement with insufficient income. This partly reflects an array of changes in the labour market and pension landscape, as well as a challenging economic climate, which have combined to increase the complexity of preparing for later life.

Challenges facing Gen X

A number of specific issues have also placed Generation X at risk of reaching retirement with inadequate funds. The decline in private sector defined benefit provision means a large proportion of this group will rely on defined contribution schemes, while they are also likely to receive a lower State Pension income than their predecessors. Additionally, automatic enrolment came too late for this group to benefit fully as most were in their late thirties or over when it was introduced.

Still time for action

While it's imperative for members of Generation X to make time now to consider their pension needs, it's never too late to start saving for retirement. Diligent planning now could make all the difference to securing a comfortable future. So, if you have concerns about the adequacy of your pension, get in touch. We're here to help.

⁴Pensions Policy Institute, 2019

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LIFE INSURANCE FOR ASTRONAUTS?

The first astronauts had a problem, especially in the early days of the Apollo missions to the moon, as their lives were literally uninsurable. No insurance companies would consider insuring anyone about to embark on a potentially lethal mission.

NASA came up with an idea to arrange 'insurance covers' whereby the crew autographed a number of postal envelopes, as close to launch as possible, the assumption being that these would soar in value if the crew died on the mission, leaving sufficient funds to take care of their families.

Protection for everyone

Fortunately, it's much easier for the average person to obtain protection insurance these days, it's important to have everyday risks covered.

Once in a blue moon?

It can be difficult to think that the worst might happen, but it's best to be financially prepared for illness or death, to give you and your family valuable peace of mind.

Fortunately, it's much easier for the average person to obtain protection insurance these days, it's important to have everyday risks covered.

Dividend growth rises

Stock market investors had a bumper year for income in 2019, as UK companies paid out a record £110.5bn in dividends. Research⁵ shows that dividend growth was up 10.7% on 2018 for two main reasons: a generally weak pound and an exceptional year for 'special dividends'.

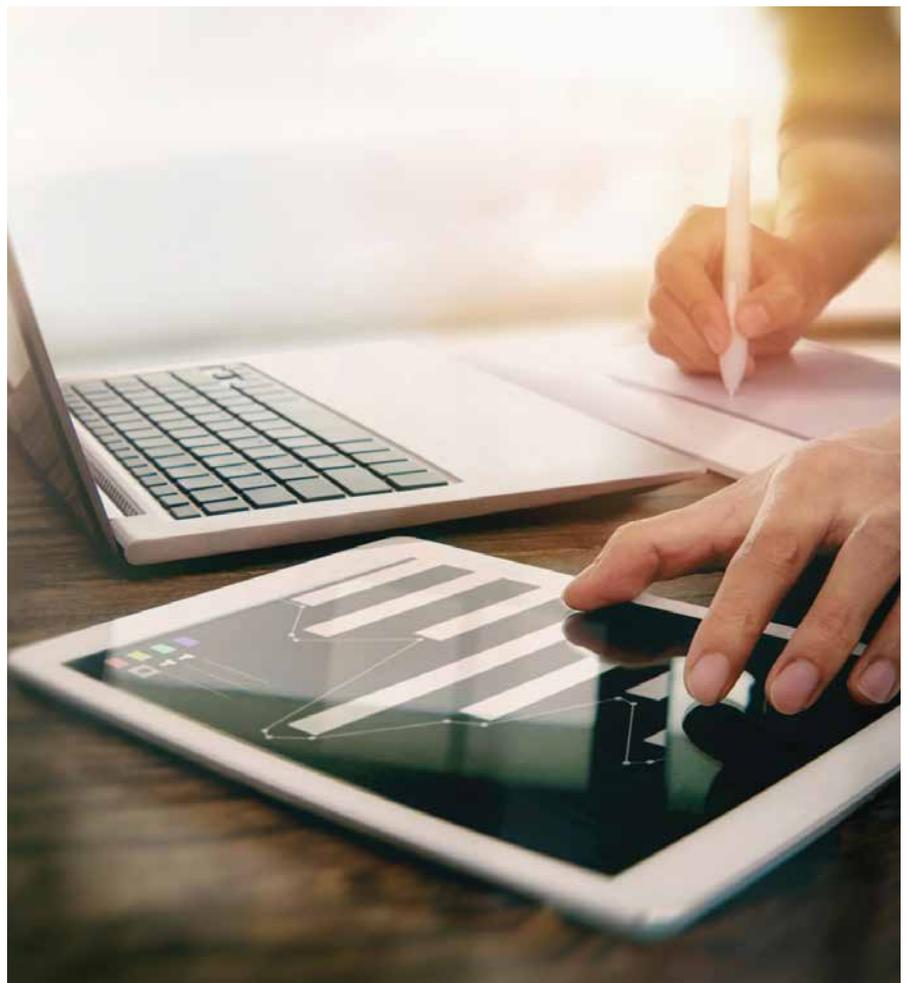
Because many UK dividends are declared in US dollars, returns were boosted by comparative sterling weakness due to Brexit uncertainty. The main contribution to the record dividend

payout, however, was the exceptionally large £12bn of 'special dividends' – particularly from the mining, banking and IT sectors.

Temper 2020 expectations

Experts warn investors against 'superficial excitement'. When 2019 performance is reviewed with currency factors and special dividends stripped out, underlying dividends rose by just 2.8%, the slowest increase since 2014. So, even before the COVID-19 outbreak, it was unlikely that 2020 would continue the record-breaking trend.

⁵Link Assets, 2019



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EARLY FINANCIAL EDUCATION GIVES CHILDREN A HEAD START

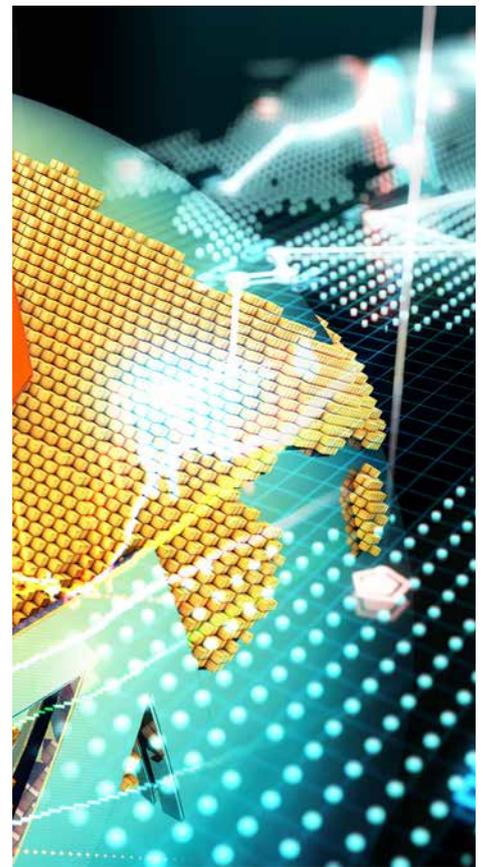
According to The Financial Capability Strategy, part of the Money & Pensions Service, children's attitudes to money are well-developed by the age of seven. In an ideal world, therefore, primary schools would be encouraging children not only to recognise the pounds and pence needed to buy their weekly Haribo rations, they should also be preparing them – through experiential learning – to open their own bank accounts at age 11.

Research confirms that children and young adults who receive a formal financial education are more likely to be money confident. They are more likely to have a bank account, understand debt, be capable of saving and generally have the skills needed to

make the most of their money in future.

A life skill that 'remains untaught'

Why, then, the organisation asks, is financial education not prioritised within the school curriculum? It says only four in 10 children and young adults currently receive financial education lessons and that educational establishments want to do more but are hampered by lack of curriculum time and financial skills and knowledge. The Financial Capability Strategy seeks to rectify this by providing resources for schools, parents, employers and individuals. Meanwhile, it's worth noting that the top family board games promoting financial literacy are: 'Cashflow 101' and the ever-popular 'Monopoly', which now has junior versions.



WHAT IS A MEGATREND?

Global megatrends are sustained, macroeconomic, transformative developments, that may alter the trajectory of the economy, business, society, cultures, and our lives, to define and shape our future world.

The implications of these trends are diverse, presenting both opportunities and risks. Megatrends don't exist in isolation. The interconnectivity of our world means trends overlap and investment themes appear. Recent research⁶ has highlighted some megatrends expected to shape our lives in the next couple of decades, these include rapid urbanisation, climate change, demographic and social change, shifts in global economic power and technological breakthroughs.

⁶PwC and BlackRock/iShares, 2020

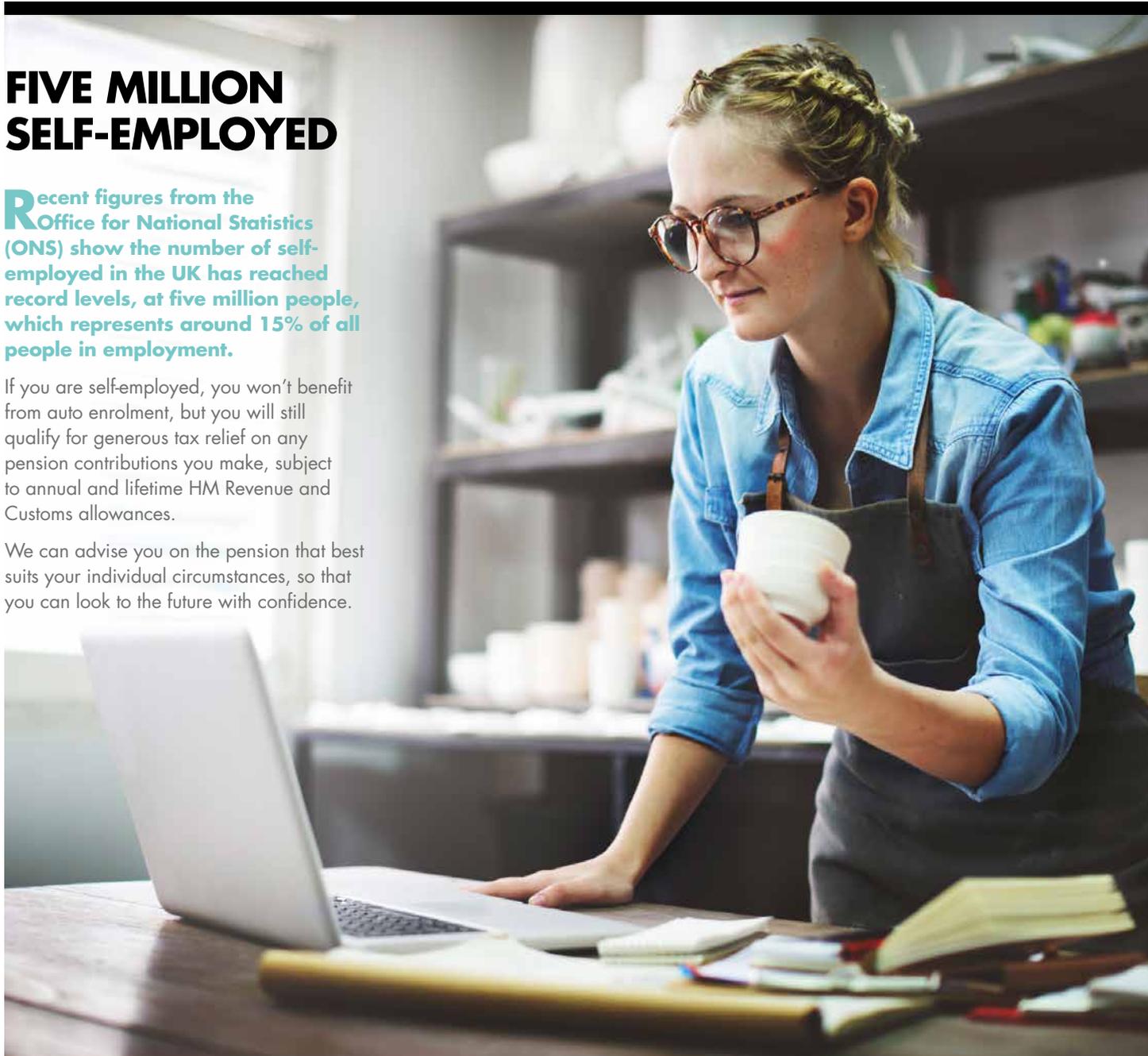
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FIVE MILLION SELF-EMPLOYED

Recent figures from the Office for National Statistics (ONS) show the number of self-employed in the UK has reached record levels, at five million people, which represents around 15% of all people in employment.

If you are self-employed, you won't benefit from auto enrolment, but you will still qualify for generous tax relief on any pension contributions you make, subject to annual and lifetime HM Revenue and Customs allowances.

We can advise you on the pension that best suits your individual circumstances, so that you can look to the future with confidence.



WHAT MAKES A PHILANTHROPIST?

It can be tricky to pin down precisely what qualifies as philanthropy. Basically, it's an active desire to promote the welfare of others, often expressed by giving generously to charities or other deserving causes. If we count dropping some of our loose change into a collection box now and then or giving £3 a month by direct debit, most of us could regard ourselves as philanthropists.

So, how important is the scale of giving? To qualify as a true philanthropist, your scale of giving probably does need to

be outstanding. At the high end of global philanthropy come billionaires such as Microsoft's Bill and Melinda Gates, whose charitable foundation aims to enhance healthcare and reduce severe poverty worldwide. On the other hand, if philanthropy is measured in terms of self-sacrifice, a small monthly donation by someone of modest means could also be deemed generous.

Between the two extremes of the spectrum, are acts of philanthropy on many levels. To assist would-be philanthropists, various UK counties have their own community foundations. Individual benefactors and

entities, inspired by the work of the great philanthropic families of the past, such as Cadbury, Rowntree and Rathbone, need to plan their benevolence carefully and take advice about its effect upon their wider financial affairs.





The ebb and flow of economic hopes

The latest batch of gross domestic product (GDP) figures shows the global economy faltered at the end of last year. While decisive policy action is providing support to growth, the economic fallout from the COVID-19 outbreak is likely to dent hopes of an imminent meaningful recovery.

2019 bows out on a low

Fourth quarter GDP data painted a bleak picture of the global economy at the turn of the year. In the UK, for instance, the economy stagnated with no growth at all, while the German economy barely registered any growth, and the French and Italian economies both shrank. Japan performed even more woefully, with the economy contracting sharply in the fourth quarter.

The US and China did perform more strongly, posting identical growth rates during the final three months of 2019 to those recorded during the preceding quarter. However, even in these two countries, the data confirmed a broader

overall trend towards decelerating growth rates.

Policy action supporting growth

The US Federal Reserve and a number of other central banks cut interest rates during the second half of last year, and this monetary stimulus has provided some support to the global economy. Policymakers are also introducing other measures designed to foster recovery; in December, for example, Japan announced a \$120bn stimulus package to shore up its ailing economy.

But COVID-19 will hamper recovery

The economic problems caused by the outbreak look set to hinder efforts to boost growth. While producing reliable estimates of the likely impact of the outbreak is extremely difficult, economists suggest China is facing a short-lived but potentially sharp economic shock. Given China's significance on the global economic stage this, as well as the continuing spread of the disease, will undoubtedly have implications for growth across the rest of the world.

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WOMEN AND PENSIONS

Data from the 15th annual Women and Retirement Report⁷ suggests an increasing proportion of women are prepared for retirement, although it also highlights a continuing disparity in levels of pension savings compared to men.

...over a third of women entrepreneurs were found to be saving nothing for retirement

Record female participation

The report shows the number of women contributing to a pension has risen by 15% in the last 15 years and concluded that 57% of women are now saving enough for retirement. In addition, the average level of savings amongst women has increased.

Retirement gender gap

Despite the undoubted progress, the gender pay gap means men are still saving far more into pensions than their female counterparts. Indeed, men typically benefit from an additional £78,000 in their pension pots at retirement, which is equivalent to 2.5 times the average UK household disposable income.

Challenges to saving

The study highlighted several groups who remain under-prepared for retirement, with lower and middle female earners amongst

the least prepared. Additionally, over a third of women entrepreneurs were found to be saving nothing for retirement.

Such worryingly low participation rates partly reflect financial pressures faced by many women. As women typically earn less than men, a larger proportion of their income will inevitably be directed towards essentials such as property or childcare costs.

We're here to help

Although an increasing proportion of the female population are now engaging with pensions, the research still suggests a worryingly high proportion of women have little or no pension provision. If you're concerned about your retirement prospects, then get in touch with us. It's never too late to get your retirement plans on track.

⁷Scottish Widows, 2019

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