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PERSONAL FINANCIAL MANAGEMENT

MoneyMatters

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PROTECTION CONFIDENCE

Phased retirement Is it right for YOU?

• Lifestyle Protection • Creating Wealth • Tax Rules

Anglo International Group Limited – Independent Financial Advisers
The Investment & Mortgage Centre, 170 Epsom Road, Guildford, Surrey GU1 2RP
T: 0800 193 1066 F: 01483 566 005 E: info@angloifa.com

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Should you remortgage now or wait?

With millions of people facing mortgage dilemmas, we take a closer look at what you need to know about remortgaging and what you can do.

1.4 million mortgage borrowers will be coming to the end of fixed rate deals by the end of the year, this could set them back an average of £250 a month more.

Most of these are on deals around 2% and will be facing a new deal which could be as much as 6%. It means they will either be paying more for years or reverting to a sky-high standard variable rate (SVR) while they wait for rates to fall.

WHAT CAN YOU DO?

Those who need to remortgage this year will be facing higher interest rates, which will cause havoc on their finances. There's a risk that they spend their savings to make ends meet or run up short-term debts.

If your fixed mortgage is expiring, you face the question of whether you should remortgage now, or join those reverting to the SVR and waiting for fixed rates to fall. This is widely expected over the coming months and could save substantially on mortgage payments.

However, this is a gamble, as rates are forecast to keep rising in the short term, so those SVRs will get more expensive. Variable rate mortgages are already at their highest in over a decade, with some topping 7%, and things could get even worse.

If you wait around for too long at this rate, you could end up spending so much over the months that you wipe out any savings from fixed mortgage rates dropping.

Your decision on when to fix will depend on how important certainty is to you. But also how much of a gamble you're prepared to take with your finances. opportunity to mitigate tax has been drastically reduced.

This article isn't personal advice. If you're not sure if an investment is right for you, ask for advice. Your home may be repossessed if you do not keep up repayments on a mortgage or other loans secured on it.

The State Pension increase What it means for YOU

The government has confirmed plans to increase the State Pension in line with inflation in April 2023. So, how much more you could get?

The State Pension normally increases in line with the triple lock. This means it increases by the highest of either wage growth, inflation (CPI), or 2.5% each year.

Chancellor Jeremy Hunt confirmed plans to increase the State Pension in line with inflation in November 2022. This means pensioners are in line for a 10.1% increase in April 2023, the biggest-ever increase in the State Pension.

This is a big relief for pensioners, who have been particularly inflation vulnerable to the pressures of high inflation in recent months.

HOW MUCH STATE PENSION WILL I RECEIVE?

The State Pension amount you'll get depends on whether you qualify for the basic State Pension or the new State Pension and how many 'qualifying years' of National Insurance (NI) contributions you have paid. It will also depend on whether or not you contracted out of the additional State Pension.

To check how much you are currently going to receive, ask for a State Pension statement.

WILL THE STATE PENSION AGE KEEP RISING?

At present, the State Pension age is 66 and it's due to rise to 68 by 2046. But recent reports suggest the government wants to introduce this rise potentially as early as 2034. This rise could affect people aged 54 or younger today. However, the reason behind such an increase is longer life expectancy which is now in some doubt. It is still not known if these changes will take place, but the government must publish any changes to the State Pension age by 7 May 2023.

WHAT IS THE NEW STATE PENSION AMOUNT FROM APRIL 2023?

Inflation reached 10.1% in September 2022, meaning State Pension income will rise by this amount from April 2023.

The full new State Pension will rise from £185.15 per week to £203.85, meaning most people will receive £972 per year.

For anyone entitled to the full basic State Pension, their weekly payments are set to increase from £141.85 to £156.20 from April.

CAN I GET MORE STATE PENSION INCOME?

Yes, by delaying when you claim your State Pension if you don't need the income immediately. For example, if you're planning to work past the State Pension age.

If you do, the government will increase the amount you receive for every year you delay taking an income.

MAKE ADDITIONAL VOLUNTARY NATIONAL INSURANCE CONTRIBUTIONS

You could also consider filling any gaps in your NI record, if eligible. You need a minimum of 35 qualifying years of NI contributions to be eligible for the full new State Pension income.

PENSION CREDITS

The chancellor also confirmed that pension credit would also increase by 10.1% in April 2023. So, anyone over the State Pension age, and whose earnings are less than £201 (£307 for a couple) a week, could be eligible for pension credit.

This income-related benefit allowance is tax-free. The amount of pension credit you'll get depends on your personal circumstances.

WHERE CAN I GET HELP & ADVICE?

Pension planning is an important decision. It's important to understand your options and check the option you pick is right for your circumstances. Take professional financial advice or seek guidance if you're unsure.

The government provides a free and impartial service to help you understand your retirement options called Pension Wise.

IS THE STATE PENSION ENOUGH TO LIVE OFF?

It's very unlikely the State Pension will be enough to live off on its own without additional income.

Even with the new State Pension increase to £10,600 effective from April 2023, people will still be around £2,200 below the 'minimum' living standard for a single person suggested by industry experts. This difference increases to £26,700 for a single person looking to achieve a 'comfortable' living standard.

The government suspended the pension triple lock last year, now they have replaced it, proving that the government often changes pension rules at any time. This highlights the importance of saving into a workplace or private pension, alongside anything the state offers.

Realistically retirement could last 30 years or even longer, so you need to make sure your money will last as long as your retirement.

Once you put money into a pension, you can't usually access it until age 55 (rising to 57 from 2028).

PROTECTION CONFIDENCE

There has been so much to worry about over the past few years and this has shown how important it is to have a sensible plan in place for securing your family's finances. If anything, it has shown that none of us knows what lies around the corner. There is probably no better time for reviewing your protection and putting your estate plan in place, as this will help you move forward with confidence knowing that your financial situation is taken care of. So, what are some of the main considerations:

ILLNESS AND DEATH

Should the worst happen then it is important to make sure that you have proper protection in place. Unfortunately, there is not a protection solution that covers everything in one go, therefore receiving professional advice is very important when considering the right insurance products for you and your family. Insuring your finances remain secure if illness or death happens unexpectedly, will give peace of mind to you and your loved ones during already difficult times.

Life Insurance

A life insurance policy is probably the most essential type of protection to have in place. It will pay you a lump sum if you die during the policy, which will help your family pay any debts, also maintaining their lifestyle or cover other expenses that fall due on a regular basis.

Critical Illness

Critical illness insurance provides valuable financial protection when and if you are diagnosed with a specified serious illness during the policy period. This type of insurance policy pays out a tax-free lump sum if you are diagnosed with an eligible condition, as listed in the policy. The benefit of such a policy is that it will allow you to recover from your illness without having to worry about bills and debts.

Income protection

Income protection is another type of insurance worth considering when developing your financial plan. This insurance policy covers provides regular payments when and if you become ill or injured and are unable to work. This could help you pay your regular bills, such as mortgage payments or rent, while you recover.

Write or review your will

Ensuring your final wishes are met and carried out after you pass away is very important. It ensures that your estate and money along with any other assets go to those beneficiaries and causes you care about.

Another very important point about an up-to-date Will is that it provides you with the opportunity to appoint guardians for any children you have, so they can be looked after by people you know and trust. If you don't have a Will in place when death occurs, then the rules of intestacy will be applied to distribute your assets and possessions according to legal guidelines.

In many cases, such rules of intestacy don't always align with what you wanted. Therefore, it is important to obtain professional advice on how best to proceed with making a professional Will. This will ensure your wishes are recorded and respected. With sound professional advice and guidance, writing or reviewing your Will provides peace of mind that comes with having your affairs in order.

Prepare an estate plan

Preparing an estate plan can bring clarity to the financial futures of your children and grandchildren. Many people wrongly believe that estate planning is only for the wealthy. In fact, due to rising house prices and the freezing of the Inheritance Tax (IHT) nil-rate band until April 2028, IHT now brings many more people into its clutches than before. With careful planning, there are various ways in which you can minimise this tax burden, ranging from making lifetime gifts to utilising pensions and trusts.

To get the most out of these options, it's best to seek professional financial advice. We can help guide you as you build a comprehensive estate plan tailored specifically to your needs, to ensure that your family is well-protected and their financial futures are secured.

The Financial Conduct Authority does not regulate Will writing, tax planning, or estate planning.

Back seat investing

It can be very tempting to actively monitor and manage your investments, but could taking a back seat lead to better outcomes?

The best investors know it's not about timing the market but time in the market that counts. Daily movements mean it's tempting to try and guess when the market is at a high to sell, and when to buy at a low. However, it's impossible to predict market movements consistently and with this strategy missing out on a handful of the best-performing days could cost you.

Research from Schroders found that if you had invested £1,000 in 1986 in the FTSE 250 and left that investment alone, you could have £43,595 by 2021. On average, the annual return would be 11.4%, but on the flip side, if you had tinkered and made changes to your portfolio and missed just 30 of the best-performing days of the 35 years, then the average annual return falls drops to only 7%.

Periods of volatility go hand in glove with investing.

Volatility in the market can make it tempting to buy and sell on a regular basis. However, it's part of investing and learning to ride out the ups and downs could make you a better investor.

Good investors do their homework and doing your research is important. If you understand which investments are right for you and your goals, you can create a portfolio that has a long-term view. You should then have the faith in your portfolio so you can take a back-seat approach, even during those turbulent times.

Working alongside a professional financial adviser can give you the comfort you seek to get through the peaks and troughs of investing.

While markets have historically delivered returns over the long term, you should remember returns cannot be guaranteed. You should understand if investing is right for you and what is an appropriate level of risk. Please contact us if you have any questions.

5 INVESTMENT TIPS TO CONSIDER DURING MARKET VOLATILITY

1. Try not to check your portfolio too often

Checking your investment performance too regularly, especially during periods of volatility, can make it far more tempting to try and time the market. Having quick easy access to the information on your mobile or tablet means it's all too easy to get caught in a cycle of checking and worrying about your portfolio's performance every day or week.

By not checking so often, it could help you stick to your long-term plan.

2. Balance the sensationalism

It's the media's job to sensationalise with headlines about share prices plunging overnight or soaring in one particular area. It can make you uncertain and feel like you should be doing something about it to get the most out of your investments.

Remember, market movements are a normal part of investing, and headlines always sensationalise this. As a result, the movement in your portfolio may not be the same as the media reports. Try to ignore the media noise and focus on your long term goals.

3. Don't rush when making investment decisions

There will be times when it's necessary to modify your investment portfolio. However, you should never rush decisions as you need to carefully consider and reflect on your own financial circumstances and goals. While it may feel that time is of the essence, take your time. Giving yourself more time to review all your options could mean you make better investment decisions.

4. Review your investment performance over a long time frame

It can be nerve-racking when you see your investment portfolio's value. Yet, over your full investment time frame, you will probably have performed well.

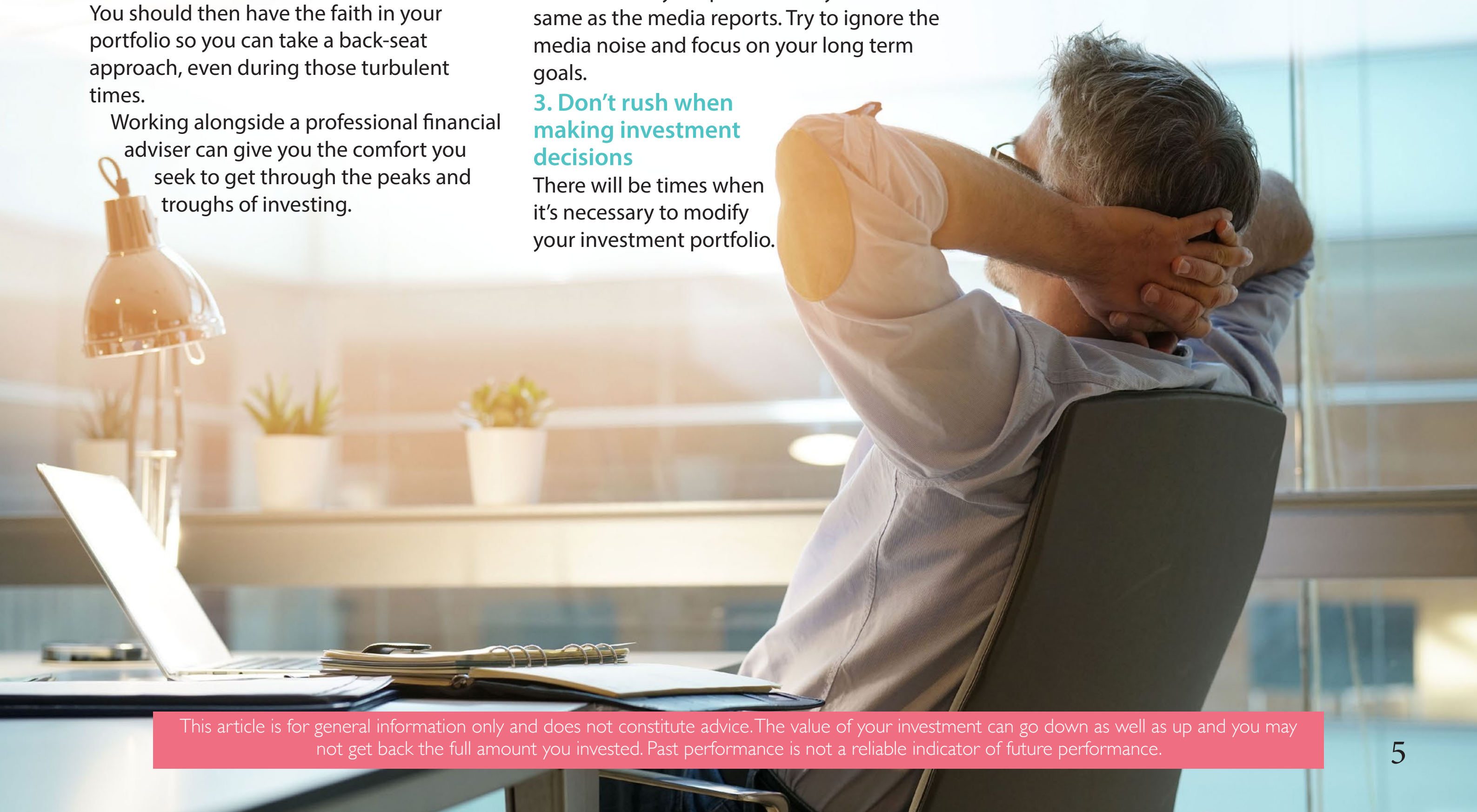
Always review how much your portfolio has grown since you first started investing to get the big picture. Reviewing long-term trends can put short-term market movements into perspective.

5. Losses are only realised when you sell

When you see your investments fall it can be stomach-churning. However, remember, they are only paper losses unless you sell the assets. Historically, markets recover even after severe periods of downturn, like the banking crisis of 2008.

DO YOU NEED HELP BUILDING YOUR OWN INVESTMENT PORTFOLIO?

Working with a professional financial adviser could help you build a strong portfolio you have confidence in, so you feel comfortable taking a hands-off approach. Please contact us to talk about your investments.



Interest rates inflation and

Having had more than a decade of record low-interest rates, 2022 saw the turn, with rapidly rising interest rates as the Bank of England (BoE) moved to reduce soaring inflation.

Many experts expect inflation to ease during 2023, but many people are now wondering what the impact will be on their cash position as interest rates increase. With interest rates rising yet again in February 2023 by another 0.5%, the question many are asking is when will rates 'normalise' and what does this mean for our long-term finances?

Cash position and long-term finances often are money yet to earn but more worrying is what this means for our savings, debts and retirement decisions.

MAKING YOUR CASH WORK

People know that saving money is the only way to make ends meet. When times are tough, it can be a chance to build a safety net of cash. In September 2022, UK savers tucked away an estimated extra £8.9bn, which was over the previous six months' average of £5.3bn. This was within deposits and NS&I (National Savings & Investments) accounts.

It is thought that 20% of people leave at least some of this money in their current accounts with 50% putting it into an easy-access account and the rest leaving it with the same bank as their current account.

Your money isn't doing much for you when it just sits in a high street savings account, where it could be earning 0.5% interest or less, especially when there are better rates on offer everywhere else. Meanwhile, the cash you don't need for at least a year could be in a higher-interest savings account making better sense for your finances.

It's generally thought that when you are employed you should have three to six months' worth of income to hand for essential expenses in an easy-access account for emergencies. When you are retired, this increases to one to three years' worth.

NAVIGATING DEBT

Inflation means prices and costs increase; this often results in people taking on more debt. We borrowed £800 million more in consumer credit in October 2022, including £400 million on credit cards. With even more interest rate increases on the horizon, pushing up people's credit card repayments may see more people reduce their spending, especially if the prospect of a recession looms.

Inflation knows no boundaries because it increases any personal borrowing even where wealthier people who have more access to credit than those who are less well-off, could run into trouble.

It is thought that just over 10% of the highest-earning households are resilient when it comes to future debt repayments compared to almost 64% of the lowest-earning households. While they can manage their repayments now, any prospect of upcoming recession or employment losses could put people into troubled territory.

ANNUITIES

Whilst interest rate increases help savers they also help the return on annuities. An annuity is a retirement insurance product that allows you to exchange some, or all, of your pension savings for a regular income that's guaranteed to be paid for the rest of your life. The amount of regular payment you get will depend on the size of the pension you exchange, your age, health and the options you choose (for example if you decide to link it to inflation) as well as the rates available at the time you buy your annuity policy.

, annuities, your savings

The recent increasing interest rates have revived the annuity market with rates rising rapidly during 2022.

With the ever-strong possibility of future interest rate rises during 2023 the support for annuities will become even bigger with more people looking for a guaranteed income within their overall retirement income plan.

Some people may like to gamble with the prospect of increasing rates and delay buying an annuity as they don't want to buy the policy at a rate that could increase further. But, it's worth remembering that you don't have to annuitise all of your pension at once, you could do some now and some later.

Buying a few smaller annuities throughout retirement allows you to possibly benefit from higher rates as time goes by. You could also get a further uplift if you develop a condition that qualifies you for an enhanced annuity.

There are a good number of annuity insurance providers available to you and it's vital you shop around to get the best rate and policy for your needs.

Also remember you are under no obligation to buy an annuity with a quote, but the quote will only be valid for a limited period of time and rates will go up and down in the future.

A good strategy is to compare quotes from four or five of the UK's leading annuity providers. Their quotes will show you exactly how much income you could get each year based on the annuity options you choose.

This article isn't personal advice. ISA, pension, and tax rules can change and any benefits depend on your circumstances. If you're not sure what's right for your circumstances, ask for financial advice. Unlike the security of cash, investments can fall and rise in value so you get back less than you invest. Remember, Scottish tax bands and rates of tax are different.

IS INFLATION EXPECTED TO FALL AND WHEN?

Timing is everything and here are the three reasons why the Bank of England (BoE) expects inflation in the UK to fall from the middle of 2023:

1 Energy prices won't continue to rise so quickly; in fact, we are already seeing a change of direction. The government has introduced a scheme that caps energy bills for households and businesses for six months, but this finishes at the end of March 2023 with the chancellor suggesting no further assistance is necessary.

2 The BoE believes the price of imported goods will not rise as fast as previously seen. This is because China has relaxed its Covid lockdown policy and some of the production difficulties worldwide businesses have faced are starting to ease.

3 Due to monetary tightening the BoE expects a falling demand for goods and services in the UK. This should mean prices of many goods will not rise as fast as they have done in the past year or so.

Source: Bank of England, November 2022.

"It is thought that just over 10% of the highest-earning households are resilient when it comes to future debt repayments compared to almost 64% of the lowest-earning households"

How to reduce tax on your savings

It does sound strange but your savings are taxed, but you do have a personal savings allowance (PSA) which depends on your tax band. This is the total amount of interest you can earn across all of your savings accounts without paying tax.

At present, basic-rate taxpayers receive the first £1,000 of savings interest tax-free. Higher-rate taxpayers have an interest allowance of £500 each year and additional-rate taxpayers pay tax on all their interest.

THE EFFECT OF INTEREST RATE RISES

Recent and continuous Bank of England base rate increases have caused an increase in savings interest rates across the saving providers.

In 2022, on average one-year fixed-term rates have increased from 0.31% to 3.54%, in addition even average instant access rates have also seen similar rises from 0.11% to 1.51%.

People have been taking the opportunity of better returns and have been pouring money into fixed-term products over the last year.

Those savers who can find the best rates could be earning over ten times more interest this year than in previous years and are now more than likely going to exceed their PSA. But higher savings rates could lead to higher income.

MILLIONS COULD BE PULLED INTO HIGHER INCOME TAX BRACKETS

The pandemic expenditure and recovery, coupled with mega-high inflation has put enormous pressure on government finances.

With the economy under increasing pressure, the government announced in the 2022 autumn statement that the personal allowance, pension allowances and some income tax bands would be frozen until April 2028. The additional-rate tax band will also reduce from £150,000 to £125,140 from April 2023, this means that professionals will not only lose their personal allowance increases but pay higher tax much sooner.

Inflation also means the wages of UK workers are likely to rise. This pincer movement of frozen tax brackets with increasing pay creates a two-fronted tax effect, pushing many into higher tax brackets. In fact, as many as four million people could end up being pulled into the higher-rate tax band over the years to 2028.

That would mean millions of new higher-rate taxpayers could see their PSA halved, with those who are pulled into the additional-rate tax band seeing their PSA removed completely.

IS A CASH ISA THE ANSWER?

The benefit is simple, in that all interest earned within a Cash ISA is free from UK income tax. As interest rates fell to very low levels in past years ISAs fell out of favour but more recently and by November 2022 the average variable rate Cash ISA was almost nine times than it was a year earlier, and ISAs are back in favour.

Having cash for any unforeseen eventuality is important so you might want to consider a Stocks and Shares ISA, which is more flexible and is for money you're not planning to spend in the next five years.

A Stocks and Shares ISA, invests your money, giving it the potential to grow by more than sitting in cash over the long term. But the risk is that, unlike cash, the value of investments can rise and fall. This means you could get back less than you put in.

You can put in up to £20,000 in the 2022/23 tax year across all ISAs, but remember you can only put money into one of each type of ISA per tax year. Tax rules can change, and the benefits depend on your personal circumstances.

Personal Savings Allowance for the 2022/23 tax year

TAX BAND	TAXABLE INCOME (EXCLUDING SAVINGS)	PERSONAL SAVINGS ALLOWANCE
Basic-rate taxpayer	£12,571 to £50,270	£1,000
Higher-rate taxpayer	£50,271 to £150,000	£500
Additional-rate taxpayer	Over £150,000	No personal savings allowance

Online share dealing
What you need to know

In the past, if you wanted to invest in the stock market you would have to go through a stockbroker or a financial adviser. Fast forward to today and now investors can use many DIY investing platforms to trade from the comfort of their own homes with a laptop or a mobile phone.

So, what is online share dealing?

Online dealing platforms allow investors to buy and sell shares or funds from companies that are listed on the stock exchange. Some platforms include suggested readymade portfolios tailored to low, medium or high-risk appetites. It's worth noting that a ready-made portfolio may not always provide the best returns when compared to using the expertise of a financial adviser, who understands the finer points of investing.

With your online account set up, you can start searching for companies and funds that you wish to invest in. You can then select the quantity or value of the shares you want to buy. You can hold any shares you purchase within the platform, so you do not need to retain any sales certificates.

Is online share dealing right for everyone?

Online trading is simple for experienced investors who can manage the risks involved when going it alone. With this approach, you won't have to pay any charges to a broker, but for investors who are new or less experienced there are a host of areas that need careful consideration:

- Online trading platforms do not offer advice or assess your personal attitude to risk, the decisions are all yours, which can lead to problems if you don't fully understand how the stock market operates.
- The value of your investment can go up or down, and you could get back less than you invested. Understanding the potential risk and return is an essential step before you start, along with what the worst-case scenario might be for your finances.
- Both rapid buying and selling online can be dangerous, especially as an undisciplined investor can allow fear or emotion into the decision-making process. A DIY investor might sell at the wrong time or start investing with a portfolio that is poorly aligned. Investors should also be aware of charges when choosing online share platforms and review the combination of price and service. It's also wise to review the total admin fees and dealing charges that apply too. A low admin fee might look good, but costs in dealing charges could soar if you buy and sell many times.

Is it expensive to buy and sell?

As mentioned, one advantage is that you are not paying a broker, but if you use an online platform, you will still have to pay charges when buying, holding, and selling shares.

Some charge a flat fee and others charge a percentage of your holdings. There will also be trading charges when you buy and sell shares. When purchasing UK shares you should expect to pay 0.5% stamp duty and an extra £1 on transactions above £10,000. Additionally, there may be an exit fee if you want to transfer to a different provider.

The benefits of financial advice

Speaking to a professional financial adviser who can help recommend which investments are appropriate for you, makes a lot of sense.

A financial adviser can help assess your attitude when it comes to risk and help you select a portfolio that is right for you.

Professional financial advisers know the importance of staying invested over time by taking advantage of upward trends in the markets.

Many investment platforms now offer ready-made portfolios, an adviser can offer a more precise tailored investment approach that is compatible with your requirements.

A diversified portfolio is generally a good option because as one investment goes through a bad patch, there should be others that are doing well. A typical portfolio might consist of a mix of different assets, including shares, bonds and cash. A financial adviser is well-placed to help you manage the risks associated with investing by building a well-diversified portfolio so your investments are always working hard for you year in

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested. Due to the high-risk nature of these products, they may not be suitable for everyone.

Phased retirement, is it right for YOU?

What you need to know about retirement planning

It is thought that many people nearing retirement are gradually phasing into retirement and according to Legal & General figures, 34% of over 55s are already doing this.

Phased retirement could mean that you decide to reduce your working hours or days or change your role to one that has fewer responsibilities. Some are considering becoming self-employed or even setting up their own business.

Phased retirement provides a way to generate some income whilst offering more free time.

Phased retirement is growing, almost half of employees aged over 55 in full-time employment say they expect to take this approach rather than stopping work completely.

Here we look at 5 ways which could help you manage your retirement finances if you should choose a phased retirement

Managing your finances is always important, especially if your money is coming from many sources. It may result in a shortfall or even paying more tax than you should without a plan.

1 CHECK IF YOU'LL HAVE AN INCOME GAP

By reducing your working hours or changing your role, your income may reduce too, so, will you have enough income to cover your living expenses?

Recent research by Legal & General research suggested that 54% of people in phased retirement are working around 15 fewer hours each month. Which on average means they earn £9,150 less each year.

By identifying shortfalls means you can organise changes in your lifestyle to reduce your expenses while you're phasing into retirement.

2 COLLATE YOUR TOTAL INCOME THROUGH THE TAX YEAR

When income comes from multiple sources, it can be a problem keeping track for tax purposes.

If you take too much from your pension you could move into a higher tax bracket, therefore, it could make sense to spread these withdrawals over two tax periods/ years.

If you receive money from other sources, which could be taxed, like dividends or profits from asset disposal, there are other annual allowances you could make use of each tax year to reduce your liability. Please contact us to talk about which allowances you should make part of your financial plan.

3 CONSIDER DEFERRING YOUR STATE PENSION

Should you choose phased retirement and still decide to continue working past the State Pension Age, you may want to consider deferring claiming it.

Your State Pension is included when calculating your Income Tax. If your total income exceeds the Personal Allowance, which is £12,570 for the 2022/23 tax year, you may be liable to pay Income Tax.
So, if claiming your State Pension means you could move into or up the income tax bands, it could be wise to delay it.

When deferring your State Pension, the new amount you will receive when you claim it increases by 1% for every nine weeks you defer. This works out at just under 5.8% if you defer for a year. The downside is, should you die early your overall State Pension could be less over the years generally.

4 ONLY DRAW WHAT YOU NEED AND STAY INVESTED

Pension flexibility means you can increase or decrease the withdrawals to suit yourself, but be aware of taking out more than necessary.

A pension is a tax-efficient way to save because it's often invested, which means it has the potential to grow, even when you're retired. While investment returns cannot be guaranteed, they could help your savings grow with inflation.

Pensions are free from Capital Gains Tax, but after accessing your 25% tax-free lump sum, you may need to pay Income Tax when you make a withdrawal on the balance.

This is why keeping your pension invested for as long as possible usually makes sense from a tax perspective.

5 GET EXPERT FINANCIAL ADVICE

Being in control of your retirement and finances can ensure security throughout your retirement, especially when you want to reduce your working hours and start to begin phasing into retirement.

Your professional financial adviser will work with you to create a plan that aligns with your goals. They will also explore ways that may identify steps to reduce your tax liability and help your money stretch further.

This article is for general information only and does not constitute advice.
A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The value of your investments (and any income from them) can go down as well as up, which would have an impact on the level of pension benefits available.
Your pension income could also be affected by the interest rates at the time you take your benefits. The tax implications of pension withdrawals will be based on your individual circumstances. Levels, bases of and reliefs from taxation may change in subsequent Finance Acts.

The difference between the FTSE indices?

As the FTSE 100 hit a new all-time high in February 2023, we take a closer look at the key differences between the main FTSE indices.

The FTSE 100 hit a new all-time high of 8104.35 on 10 February 2023, passing its previous record of 7877.45 back in May 2018.

UK investors have had a tough time recently with Brexit negotiations, then market falls and dividend cancellations during the pandemic. Now they are dealing with recent high inflation, energy supply issues and the ongoing conflict in Ukraine.

With the FTSE 100 climbing and investors looking for new UK opportunities, it is a good time to review and take a closer look at the main UK stock market indices and how they've performed.

FTSE 100

The FTSE 100 is probably the most well-known to UK investors. It measures the performance of the 100 largest companies traded on the London Stock Exchange (LSE). It's by far the most widely used UK stock market indicator, featuring big names like BP, Aviva, Lloyds Bank, and Legal & General to name a few.

Lots of these companies don't only carry out business or sell their products and services in the UK. They are known worldwide too, meaning they can be impacted by currency fluctuations, global policies and events, particularly in the US and Europe.

With dividends reinvested, the FTSE 100 has grown 297.36%* in the last 20 years. With an initial investment of £10,000, it would have grown into £39,736.

Whilst these numbers give you an idea of how the index has performed over time, they don't take account of investment charges. You normally track an index through investments like index funds or exchange-traded funds, the cost of using these means performance is unlikely to be identical to the index.

FTSE 250

The FTSE 250 is made up of the next biggest 250 companies after the FTSE 100, these are medium-sized companies. These are thought to have more growth potential as they are usually seen to be younger and more innovative. But this can come with greater risks as they can be more volatile.

Companies in the FTSE 250 tend to be more UK focused than those in the FTSE 100, as they typically carry out more of their business in the UK than abroad.

With dividends reinvested, the FTSE 250 has grown 649.7%* in the last 20 years. With an initial investment of £10,000, it would have grown into £74,970. Remember, although these numbers might look impressive, this market is more volatile and can experience more significant setbacks when the UK economy is less attractive.

FTSE ALL-SHARE

The FTSE All-Share is made up of the FTSE 100, FTSE 250 and FTSE Small Cap. The FTSE All-Share index includes large and medium-sized companies, as well as much smaller companies, being the 351st to 585th next largest companies on the LSE. The FTSE All-Share encompasses around 98% of the UK's market.

More companies don't mean diversity as it's still heavily weighted toward larger companies, like those in the FTSE 100. Bigger companies make up a more significant proportion of the index, so have more of an impact on the overall performance.

Where dividends have been reinvested, the FTSE All-Share has grown 336.08%* in the last 20 years. Meaning an initial investment of £10,000 would now be worth £43,608.

So, which one is best?

The FTSE 250 offers investors something different from the FTSE 100 and All-Share. As the FTSE 100 and All-Share offer good opportunities for investors to diversify across a broad range of shares, they offer you something which is similar.

As both indices are mainly made up of the same large companies, historically performance between them is not that different.

Just because they are different indices it doesn't follow that they will behave any differently.

This article isn't personal advice. If you're not sure if an investment is right for you, ask for financial advice. Investments rise and fall in value, so you could get back less than you invest. Past performance isn't a guide to the future.

	Dec '17 - '18	Dec '18 - '19	Dec '19 - '20	Dec '20 - '21	Dec '21 - '22
FTSE 100	-8.73%	17.32%	-11.55%	18.44%	4.70%
FTSE 250	-13.25%	28.88%	-4.55%	16.90%	-17.39%
FTSE ALL-SHARE	-9.47%	19.17%	-9.82%	18.32%	0.34%

*Past performance isn't a guide to future returns. Source: *Lipper IM to 31/12/2022.*

How to prepare your finances for a recession

Recession fears may have been reduced for now, but they're not off the table. So, how do you prepare your finances?

The prospect of recession has been hovering around for a while now and although we narrowly avoided a recession at the end of last year, because the economy stood still in the last quarter, doesn't mean we are out of the danger zone for the rest of the year.

Although the Bank of England thinks we will be hit by a short shallow recession later this year the National Institute of Economic and Social Research has forecast that we'll stay out but are set for a period of stagnation instead.

LOOK ON THE BRIGHT SIDE

Whether the future turns out to be stagnation or recession, things might not be as bad as they seem.

Unemployment has risen very slightly but is still around 3.7%, and although the number of job vacancies has fallen, it is still relatively high compared to the number of unemployed people.

For homeowners, higher mortgage rates obviously bring uncertainty and challenges. People with larger mortgages will feel the effect of interest rate rises even more. However, for the millions on fixed rates that expire after the end of the year, there's better news. That's because the effect from remortgaging is likely to be far smaller.

Although rising prices have damaged our financial resilience, we are still on average better off than before the pandemic hit.

PREPARING YOUR FINANCES FOR A RECESSION

The bigger picture won't necessarily reflect your personal circumstances but stagnation or recession could affect your lifestyle. Therefore, it's worthwhile taking stock and preparing for whatever the future holds.

Check your mortgage – if you're due to remortgage this year, you face the choice of whether to remortgage now, or join those reverting to the standard variable rate (SVR) and waiting for fixed rates to fall. In both cases, it's worth knowing your options.

Check your spending – A useful way to help cover your position is to cut your costs and build some flexibility into your budget. A budget calculator is a useful tool for this exercise.

Build your emergency fund – As a general rule of thumb, it is a good idea to have three to six months' worth of essential costs held in a competitive easy access savings account. However, if you are retired, you should have more like one to three years' worth.

Any spare or additional money you need over the next five years should be sheltered in savings. There are lots of good competitive rates on savings right now, so it is worth shopping around for a better rate than on the high street.

Create an employment Plan B – This is a preparation plan if you were to lose your job. By updating your CV and working on your networks, both in the real world and on social media sites, will have you readily prepared to take action to get back on your feet. That way if the worst should happen you can try to get back on the employment wheel as quickly as possible.

It may be the case that we'll escape a recession and survive stagnation and that you won't need to fall back on any of this. But it's far better to build in protection that you don't end up needing, than needing protection you haven't prepared for.

This article isn't personal advice. If you're not sure if a course of action is right for you, ask for professional financial advice.

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