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Your Window on

# Money

SPRING 2021



## New investors spring into action

**With interest rates plummeting to record lows, savers are discovering that cash is not always king. This is encouraging a new band of investors to dip their toes in the investment market.**

While some families have suffered financially during the pandemic, many have saved significant sums due to a reduction in spending on non-essential items. Official data<sup>1</sup> shows the UK household savings ratio soared from 9.5% in the first three months of 2020 to a record 27.4% in the second quarter and has remained historically high since.

### Save or invest?

Bank of England data shows £125bn was squirrelled into savings accounts last year and that figure is expected to rise substantially during the first half of 2021. As a result, many people have seen their savings balances grow at a time when ultra-low deposit rates offer little in the way of return, prompting many to consider alternatives to holding cash and take their first tentative steps into the investment market.

### The value of advice

With so many funds available, the investment process can appear daunting and new investors often find it difficult knowing where to start. The key is to formulate a sound investment plan with sensible goals and to seek advice.

A study seeking to quantify the value of financial advice, found that people have better financial outcomes when they have an ongoing relationship with an adviser. *Those who reported receiving advice at both time points in our analysis had nearly 50% higher average pension wealth than those only advised at the start.* Benefits were greater for less-affluent investors, with a 'just getting by' group enjoying a 24% (£35,054) boost to their pension wealth across the 10-year study period<sup>2</sup>.

### Marathon not a sprint

Before investing, it's important to establish a savings safety net and commit to investing over the long term, meaning at least 5, preferably 10 years. Historically, although investing in equities has delivered better returns than cash, there is inevitably a risk the value of investments can fall; we therefore need to establish your risk tolerance before recommending any investments.

Whether you're thinking about your pension, establishing an investment portfolio, a stocks and shares Individual Savings Account (ISA), or perhaps a Junior Individual Savings Account (JISA) for under-18s in the family; if you're looking to make your money work harder this spring but need help getting started, we can help you begin your investment journey.

<sup>1</sup>UK Parliament, 2021, <sup>2</sup>ILC, 2019

## Why it pays to update your pension expression of wishes

An expression of wishes tells your pension provider who you would like the beneficiaries of your pension to be in the event of your death. Multiple beneficiaries can be named, and you can state how much of your pension you want each to receive.

However, while many people complete an expression of wishes when they first open a pension, it's easy to forget to update it as circumstances change or mistakenly believe this isn't necessary as long you have a Will.

### Consequences of not updating an expression of wishes

The best way to ensure your wishes are followed is to keep your expression of wishes up to date. If you don't, there's a risk your money may not end up where you wanted it to. Pension providers will normally pay out according to their clients' wishes, but they have the flexibility to choose different beneficiaries if deemed appropriate.

Not updating your expression of wishes could therefore make the process of settling the death benefits more difficult and drawn out for potential beneficiaries at an already painful time.

### How we can help

We can help with all aspects of your pension planning, so don't hesitate to get in touch if you'd like further assistance updating your pension expression of wishes.

**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.**

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# Scottish Budget Update

**On 28 January 2021, Scottish Cabinet Secretary for Finance, Kate Forbes, set out the government's proposed spending and tax plans for 2021/22. Speaking almost a year after Scotland's first COVID-19 case was identified, she told MSPs that the "pandemic has shaken our society and economy to the core."**

Ms Forbes stated that the Budget would address "three key priorities" for Scotland's future, these being:

- Creating jobs and supporting a sustainable recovery
- Responding to the health pandemic
- Tackling inequalities.

She added that certain assumptions had been made when drawing up the Budget, due to the fact that the UK Budget was not taking place until March.

## The economy and business

To support businesses and economic recovery from the coronavirus crisis, the Finance Secretary announced measures including:

- Total investment of £1.1bn in jobs and skills support
- The launch of a five year £100m Green Jobs Fund and commitment to establish a Green Jobs Workforce Academy
- Doubling of the Local Authority Discretionary Fund to £60m



## Personal taxation

The Finance Secretary told MSPs that now was the time for "stability, certainty and targeted support" so there would be no changes to Income Tax rates. The thresholds for each tax band would, however, increase in line with inflation, as follows:

- Starter rate of 19% payable on earnings over £12,570, up to £14,667
- Basic rate of 20% to be charged on earnings over £14,667, up to £25,296
- Intermediate rate of 21% to be paid on earnings from £25,296, up to £43,662
- Higher rate of 41% on earnings over £43,662, up to £150,000
- Top rate of 46% on earnings over £150,000.

Meanwhile, the cut to Land and Buildings Transaction Tax (LBTT) for homebuyers, which was announced during the first lockdown, is due to end on 1 April. The Scottish Government has been under pressure to extend the tax 'holiday' after Chancellor Rishi Sunak announced that the equivalent scheme in England is to be extended until the end of June, but at the time of writing, this has not occurred.

## COVID-19 and healthcare

Ms Forbes expressed gratitude for the dedication of Scotland's health workers throughout the pandemic, saying "When the history of this pandemic is written, our NHS and social care staff will be recognised as the

*undisputed heroes they are. I'm sure I speak for everyone in this chamber – everyone in this country in fact – when I offer them our heartfelt thanks."*

In recognition of the ongoing severity of the pandemic, Ms Forbes announced:

- £869m to support Scotland's response to COVID-19,
- £1.9bn for primary care
- £143.5m in funding to tackle alcohol and drugs issues – a £50m increase
- £1.1bn spending on mental health services – a £139m increase

## Tackling inequality

Education, the Finance Secretary stated, is the best way of addressing inequality and she announced:

- £2.7bn across education and skills, including £1.9bn for universities and colleges
- Support for Gaelic education to remain steady at £25.2m
- £39.8m for the early learning and childcare (ELC) programme.

## Transport, infrastructure and connectivity

Aiming to reduce Scotland's reliance on cars and to offer a more environmentally sustainable form of mass transport, a £1.6bn investment in the country's bus and rail services was announced, in addition to the following:

- Increase in spending on motorway and trunk roads from £748.9m to £825.9m
- £10.5m for the National Islands Plan, which is designed to tackle depopulation and improve transport links
- £102.7m for digital connectivity, up from £63.4m.

## Closing Comments

In closing her Budget speech, Ms Forbes said, "Now, with large-scale vaccination, focused firstly on the most vulnerable, there is some light at the end of the tunnel. This Budget seeks to build on that hope, and by focusing on how we continue to protect, recover, rebuild and renew our country, it seeks to make that light at the end of the tunnel shine that bit brighter."

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# Planning to retire in 2021?



**Whether you had always been planning to retire this year, or COVID-19 has forced your hand, it's never too late to get organised.**

We believe that retirement is something to be looked forward to after a lifetime of hard work – so don't let it be overshadowed by financial concerns. We can help you quantify your finances and get straight, ready for an enjoyable retirement.

Even if you're not planning to retire this year, it's important to engage with your finances – don't just sweep them under the carpet and hope that things will work out.

## **Don't know where to begin?**

Here are some pointers to get started with; we'll be on hand to help with these.

### > **Get a State Pension forecast**

Visit [www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension) to find out how much State Pension you'll be entitled to and when you can receive it

### > **Check what's in your pension pot...**

Calculating the value of your pension pot(s) is essential to start planning your finances in retirement

### > **...including any 'lost' pension pots**

You may have lost track of a pension over the years, perhaps as you moved between jobs and workplace pension schemes. We can help you track down lost pensions and potentially provide a welcome boost to your retirement income

### > **Quantify your savings, investments and debt**

Calculating the value of your savings and investments, and quantifying any outstanding debt, will help provide a holistic understanding of your overall financial circumstances

### > **What will you need in retirement?**

We can help you calculate your income requirement in retirement, by thinking about the lifestyle you want, your living costs and other potential expenses

### > **Watch out for scams**

Don't risk losing your lifetime savings to scammers. Pension fraud is on the rise – so make sure you know how to spot the signs

### > **Take advice**

In this period of uncertainty, financial advice has never been more important. We can help you make those big retirement decisions easier by guiding you through your available options, taking into account the tax implications and giving you the confidence that you're making the right choices for your future.

## **Millions keeping ill health a secret**

**According to a recent survey<sup>3</sup>, seven million people (13% of the population) are keeping mental health issues secret from their loved ones, while just under four million (7%) are hiding a physical health problem.**

As well as causing symptoms such as anxiety (34%), guilt (29%) and difficulties sleeping (25%), keeping secrets from our families can also have serious long-term implications.

### **Protecting against the unexpected**

Keeping family members in the dark about important health issues could be painful and shocking if you died or became seriously ill. What's more, they

could find themselves facing financial hardship at an extremely difficult time.

Even if you are insured, for example via a life insurance or critical illness policy, your claim may be rejected if, like with your family, you also hide your condition from your insurer.

### **A listening ear**

In these difficult times, a problem shared is a problem halved. Don't keep things to yourself – talk to us, we can help you put sufficient protection in place to safeguard you and your family against unexpected life events.

<sup>3</sup>Life Search, 2020

## 'Side hustles' become a lockdown staple

If you've seen your income drop during the pandemic, have you considered taking up a side hustle? The term is an Americanism that is slowly making its way into common usage here in the UK. It refers to the practice of taking up a second job alongside your main job.

### A nation of side hustlers?

A poll of 2,000 adults<sup>4</sup> published in October 2020 found that a third of respondents

expected to face an average shortfall of £239 going into the festive season, with the result that 20% had started a side hustle to increase their income. What's more, 55% of them said they expected to continue into the New Year.

Common ways to earn extra money include selling old clothes, DVDs and tech, doing odd jobs like DIY, lawnmowing or cleaning, and making and selling baked goods or crafts.

### Tax implications

Don't forget that side hustling could have tax implications, e.g. changing your Income Tax band. You also need to remember to set aside tax on your side hustle earnings, as you'll need to declare and pay this within specified timescales.

<sup>4</sup>musicMagpie, 2020

## The financial basics you wish you'd learnt at school

### A survey of British employees reveals that a significant proportion of working adults wish they'd been taught more about basic financial topics at school.

According to research<sup>5</sup>, the number one topic UK adults wish they'd learned more about at school is pensions: 40% of respondents to a survey said that learning about pensions at school would have encouraged them to take their own pension more seriously as a young adult.

### Would these skills have helped you?

Other popular financial topics British workers wish they'd learned about at school include:

- Basic money management (e.g. budgeting) – 28%
- Saving methods – 28%
- General investment knowledge – 27%
- Understanding interest rates – 23%
- Mortgages and how to apply for them – 21%

The vast majority of the respondents (68%) felt they would have benefited from this type

of general, everyday financial know-how at a younger age.

### You're not alone

If you feel a little at sea with the financial basics, you're certainly not alone – and yet many people are needlessly ashamed of their lack of financial understanding. A more recent study<sup>6</sup> revealed that 55% of adults struggle to open up about money, with nearly one in five (18%) citing shame or embarrassment as the primary reason. We're here to tell you that nobody is expected to know everything about their finances.

### Financial advice is key

If you're concerned about your finances or need help with basic financial topics, we aren't here to judge. We're on hand with simple, jargon-free advice that will provide you with the confidence and understanding you need to take control of your finances once and for all.

<sup>5</sup>Portafina, 2019, <sup>6</sup>Money and Pensions Service, 2020

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**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.**

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**may not necessarily be repeated. If you withdraw from an investment in the early years, you may not get back the full amount you invested. 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.**

## Dividing your finances on divorce

**The past year has sadly put huge strain on many relationships, with couples locked down together for months on end whilst trying to work remotely and home school their children, bringing relationships to breaking point. This brings financial challenges.**

### Separating your finances

When a couple divorce, they need to decide how to fairly divide financial assets such as their home, money in current and savings accounts, investments and pensions. For example, they may be entitled to a share in the sale of their property, or a portion of their ex-spouse's pension. They may also have to make decisions about the value of maintenance payments required to maintain their and their children's lifestyle.

Currently, however, the heightened stress and reduced financial circumstances caused by the pandemic may make coming to an agreement more difficult. If a couple is unable to agree, they may still be able to settle out of court by hiring a trained mediator or collaborative lawyer. If not, they may have to ask a court to decide.

### Talk it through

We can help couples divide their assets tax-efficiently and guide individuals through how to best invest the proceeds of a settlement. We can also help set up comprehensive protection cover and help people manage their post-divorce expenditure.

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

