ISSUE 38 ■ AUTUMN 2022

INFORMED

Working with professional partners

by Clayden FINANCIAL
INDEPENDENT FINANCIAL ADVISERS

RISING COST OF LIVING CRISIS

3 tips to maintain your financial wellbeing

Inflation eating your savings?

How to benefit from tax reliefs in the current financial year

Wealth vs health

More than half ignore medical advice and work despite poor health due to financial worries

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WELCOME

Welcome to our Autumn issue. It certainly has been a summer of incredible weather with record high temperatures and virtually no rainfall. Although many have welcomed the opportunity to spend time at the beach, others – particularly those with gardens – are keen to see some rain!

With the worrying and unsettling events at home and abroad, 2022 continues to be a challenging time for investors and savers, but we are confident that the medium term for risk investments continues to be positive.

You will see that the Hot Topic on the back page announces the coming together of BMO GAM (EMEA) and Columbia Threadneedle. This is a very positive development for our clients, meaning that the team behind the success of the BMO MAP range have all moved across and have reassured us of the commitment to this portfolio.

Our Belstead office continues to be very busy and we have just recruited Linda Edmontson and Jane Kenyon as administrators to help with the workload. We welcome them and wish them success in their new roles and we continue to look for quality staff to join our growing business.

Enjoy the rest of the summer.

Leigh Clayden

Linda Edmontson

Our new administrator with a passion for tennis

I began my financial services journey at Bentwaters Air Force Base in 1992 as a cashier and foreign exchange teller for Bank of America offering banking services to USAF personnel overseas.

I moved on to Abbey National in 2002 which later became Santander, where I was promoted internally to Financial Planner and studied for the CII Diploma in Regulated Financial Services.

I am very pleased to have recently joined Claydens as an administrator, where I can once again make use of the qualifications I worked so hard for.

Outside of work, my passion is tennis; whether it be playing, watching or helping to support the Wimbledon stringing service at the All England Club each year, which I have been involved with for 21 years.

I also enjoy writing, and have been a volunteer journalist for the USAF where I wrote several articles, one of which was published in the *Stars and Stripes* newspaper which is distributed worldwide to various military installations.

To relax, I love nothing more than taking long peaceful walks in the countryside with my husband Jerry and my dog Nala.

Nick and Francesca's wedding

Congratulations to Nick Wilson, who married his fiancée Francesca on 21st May at St. Peter's Church, Baylham, with the reception held on Nick's (mercifully warm and dry) farm. Francesca is a Lawyer in the Regulatory and Corporate Defence Team at Birketts in Ipswich.

The happy couple have enjoyed a cerveza and tapas-filled minimoon in Seville and look forward to their honeymoon in Bali later in the year.

Meet Jane Kenyon

Accounts administrator and Bruce Springsteen super fan

I joined Clayden Financial in December 2021 and work remotely as an accounts administrator.

My background is in banking, and I worked for Barclays Bank for 33 years in various roles starting in the branch network in South London and ending my career at the Head Office in Canary Wharf.

I had various roles and responsibilities throughout my time at Barclays, with the latter years centred around compliance and leadership. My last role was as Deputy Head of the London Credit Analysis team where I managed a team of 13 Credit Managers who were based both on and offshore.

When I left Barclays in 2013, I went to work for a firm of IFAs in London assisting their Compliance Officer with checking new business and annual review packs, and that is where I met Nick (Wilson)!

In 2015 I joined my brother-in-law's IFA company based in London as Operations Manager.

I was born in Balham, South London and lived there and in the South London area all my life until moving to Christchurch, Dorset last year, when my brother-in-law decided to retire and sell his business.

I have been a season ticket holder at Chelsea for nigh on 30 years and still go to most games since moving. I am also a big Bruce Springsteen fan. I have seen him close to 30 times and will keep on going as long as he keeps on playing!

Inflation eating your savings?

How to benefit from tax reliefs in the current financial year

As your income increases, the complexity of your finances may too. Tax-efficiency is a key consideration when investing because it can make such an enormous difference to your wealth and quality of life.

However, the type of investment and tax-efficiency you should be looking for depends firstly on whether your priority is to save a lump sum for the future or to draw an income today.

There are a number of allowances and reliefs available to UK taxpayers on their savings and investments. It is important to make use of these, as they can help to reduce your overall tax bill.

MAXIMISE YOUR ISA ALLOWANCE

If you're looking to save money on your taxes and are a UK resident one way to do so is by contributing to an Individual Savings Account (ISA). With an ISA, you can shelter up to £20,000 of your income from taxation in the 2022/23 tax year.

STOCKS & SHARES ISA

To maximise your ISA allowance in this current tax year, you could consider opening a Stocks & Shares ISA. With this you can invest a wide range of assets, including shares, corporate and government bonds, unit trusts, investment trusts, exchange-traded funds, individual stocks and shares and OEICs (Open Ended Investment Companies). Not only will your investment grow tax-efficiently, you will also benefit from the potential for capital gains.

CASH ISA

Another option is to open a Cash ISA. With a Cash ISA, you can earn interest on your savings without having to pay any tax on the interest earned. This makes it an ideal way to boost your savings while minimising your tax liability. A Cash ISA is available to anyone aged 16 or over, while an ISA invested in any combination of cash and shares is available to those over the age of 18.

LIFETIME ISA (LISA)

If you are aged between 18 and 40 and looking to save for retirement or buy your first home, you may want to consider opening a Lifetime ISA (LISA). With a LISA, you can save up to £4,000 in the current tax year, which counts towards your annual ISA allowance. The government will add a 25% bonus to savings held in a LISA, up to a maximum of £1,000 per year, and this does not count towards your ISA allowance.

You need to bear in mind that the money you put into a LISA each year forms part of your overall £20,000 ISA allowance – so if you put £4,000 in a LISA during the tax year, you'll be able to put £16,000 into other ISAs.

"INCREASING YOUR PENSION CONTRIBUTIONS IS A VERY EFFECTIVE WAY OF SAVING FOR RETIREMENT."

JUNIOR ISA (JISA)

If you have children, you may want to consider opening a Junior ISA (JISA) for them. The Junior ISA is available to UK residents aged under the age of 18 who do not have a child trust fund account (a child trust fund can be transferred into a Junior ISA to enable future subscriptions into the ISA to be made. The child trust fund can also be kept and up to £9.000 pa can be paid into it instead of the Junior ISA). Under-18s, or their parents, can put up to £9,000 in a Junior ISA each tax year. The money saved in a Junior ISA will grow tax-efficiently and can be used for a wide range of purposes, including education and training costs.

If unused, your ISA allowance cannot be carried from one tax year to the next.

CONSIDER PUTTING MORE INTO A PENSION

Under the current rules for tax year 2022/23, the maximum gross contributions that are eligible for tax relief each tax year are the lower of your gross earned income and £40,000. That includes employer and employee combined contributions. If this Annual Allowance is exceeded, a tax charge applies on the excess unless it can be covered by using carry forward. Very high earners may have a lower Annual Allowance.

Increasing your pension contributions is a very effective way of saving for retirement. By investing more into your pension, you will be able to build up a larger pot of money which can provide you with a comfortable retirement income.

MAKING THE MOST OF RETIREMENT PROSPECTS

It is also worth considering increasing your pension contributions if you have recently had a pay rise or come into some extra money. By doing this, you will ensure that you are making the most of your finances and making the most of your retirement prospects. Subject to certain rules, you can also carry forward unused annual allowances from the previous three tax years, providing scope for making further contributions.

If you earn over £100,000, making pension contributions can be highly advantageous. Your personal allowance is reduced by £1 for every £2 of income above £100,000; this means your allowance is zero if your income is £125,140 or above. However, if you make a pension contribution this comes off your income figure and so if the gross contribution is enough to reduce your total income below £125,140, you are able to offset or remove the reduction in your personal allowance.

USE YOUR CURRENT CAPITAL GAINS TAX ALLOWANCE

If you're thinking of selling an asset, such as a second home, a piece of art or shares in a company, it's important to be aware of the Capital Gains Tax (CGT) implications. CGT is tax on the profit when you sell or dispose of an asset that's increased in value.

In the tax year 2022/23, the annual tax-free allowance is £12,300, meaning you can make gains up to this amount and pay no CGT: after that, the rate is dependent on whether the gain, when added to your income, falls wholly or partly above the basic rate band or not. Losses can be offset against gains but unused allowances cannot be carried forward.

If you're married or in a registered civil partnership, you can each use your own CGT allowance. This means that a couple could potentially exempt up to £24,600 of gains from tax.

COULD YOU SAVE A SIGNIFICANT AMOUNT OF MONEY IN TAXES?

Making use of these allowances and reliefs could save you a significant amount of money in taxes every year. Speak to us to see how you can make the most of them.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE). 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, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

STOCKS AND SHARES ISAS INVEST IN CORPORATE BONDS; STOCKS AND SHARES AND OTHER ASSETS THAT FLUCTUATE IN VALUE.

Rising cost of living crisis

3 tips to maintain your financial wellbeing

The rising cost of living is one of the most pressing issues facing many families today. The price of food, energy, fuel and other necessities has risen significantly in recent months. This has made it difficult to make ends meet and has put a strain on many household budgets.

Planning for the rising cost of living can be a challenge, especially if your income isn't keeping up with inflation. As the cost of essential items continues to increase, there are a few important things to consider to maintain your financial wellbeing.

1. REVIEW SPENDING

The rising cost of living can be a real problem, especially if you're not mindful of your spending. Going through your spending with the finest tooth comb can help you find areas where you may be able to cut back, and save money in the long run. Keep an eye on your budget and make adjustments as necessary to ensure that you are aware of your outgoing costs and can adapt your spending accordingly. Being able to see exactly where your money's going will help you to pin down where you can make savings and cuts.

Ask yourself: What's coming in and going out? Can I get something cheaper? And (often the hardest of all): Do I really need that? Look at the money you have coming into your home – whether that's just you or with someone else. You need to look at every single thing that is going out and there may be more than you think!

2. EMERGENCY SAVINGS

When it comes to financial security, one of the most important things you can do is to keep emergency savings aside for when you need them. Having a nest egg that you can tap into in times of need can help you weather a storm. One method is to create a dedicated savings account that you only use for this purpose. This way, you can easily access the funds when you need them, but they remain out of reach for everyday spending.

Aim to build up enough to cover between three to six months' expenses, or as much as you can afford. The best thing to do is make room for your savings in your budget as one of your outgoings. By doing so, it'll help you see your savings as a must, rather than a must-do-later. If you can, set up an automated payment from your normal bank account straight into your savings account – that way you don't even need to think about it.

3. PENSIONS AND INVESTMENTS

As many people across the country are feeling the squeeze of a cost of living crisis, it's more important than ever to make sure your finances are in good shape. One way to do this is by making sure you don't touch your pension or investments. While it may be tempting to dip into these savings to help make ends meet in the short term, it's important to think about the long-term impact this could have on your retirement plans.

Drawing down on your pension or selling investments could leave you worse off in the long run, so it's important to consider all of your options before making any decisions. Consolidating your old pensions into one could help you cut down on management fees and give you a better picture of how your finances are looking. But before transferring your pensions it is essential to obtain professional financial advice.

DON'T FORGET YOUR LONG-TERM FINANCIAL SECURITY

It's important to think about the long term when it comes to your finances. Making short-term decisions could jeopardise your long-term financial security.

Wealth vs health

More than half ignore medical advice and work despite poor health due to financial worries

Worries about how you are going to pay your bills when you are off work due to illness or injury can make an already stressful situation worse. So much so that many people are finding themselves in the very difficult position of having to put the need to earn money over their health by continuing to go to work, even when advised not to by a doctor.

Worse still, financial concerns mean some are avoiding seeing their GP altogether, even when concerned they may have a serious illness. According to new research[1] money worries see six in ten people going to work when they are ill, with one in three ignoring their doctor's advice due to financial concerns, even when they are worried about serious illness.

NO FINANCIAL PROTECTION IN PLACE

Three in ten people have no financial protection if off work should they fall ill or become injured, while 27% could financially only last for a month. The findings highlight that sick and injured Britons are forcing themselves back into work, despite doctors' advice, due to having no financial protection in place.

NEGATIVE IMPACT ON MENTAL WELLBEING

Money worries can have a negative impact on people's mental wellbeing, with nearly two-thirds (64%) of those surveyed saying they fret about how they would cope financially if they needed to take four weeks or more off work due to poor health.

The research also highlights that while nearly half (49%) say they would benefit from a policy that would cover their income if off work for an extended period, just 27% actually have income protection cover in place, with 32% unaware of what such a policy is.

SICK AND ON A REDUCED INCOME

Three in ten (30%) surveyed have nothing in place to support them financially should they be ill or injured, while 29% would rely on Statutory Sick Pay, which at £99.35 per week for up to 28 weeks (tax year 2022/23), pays much less than many people need to cover the cost of living, which continues to rise.

If on long-term sick pay and on a reduced income, many would use their existing savings (45%), make reduced payments (33%), borrow money from family or friends (25%), or use a credit card or loan (15%). However, during the pandemic a third (34%) of people had already dipped into their savings, meaning they may now have less to fall back on.

LONGER-TERM FINANCIAL IMPACTS

As a result of this situation, more than half (55%) admit they could only survive for three months, while more than a quarter (27%) would struggle after just one month. The additional financial pressures of being off sick for four weeks or more could push people to prioritise their household expenditure. The top five things that the people surveyed prioritise include utilities (67%), mortgage/rent (65%), food (56%), insurance i.e. car/home/pet (15%) and internet/broadband (13%).

As well as the immediate impact of long-term sickness, many people are also concerned about the longer-term financial impacts, with almost half (49%) of those surveyed saying they worry about the impact on their ability to get credit in future. This is particularly an issue for the self-employed, where 43% worry about losing customers and just over a third (36%) worry that their business would have to fold.

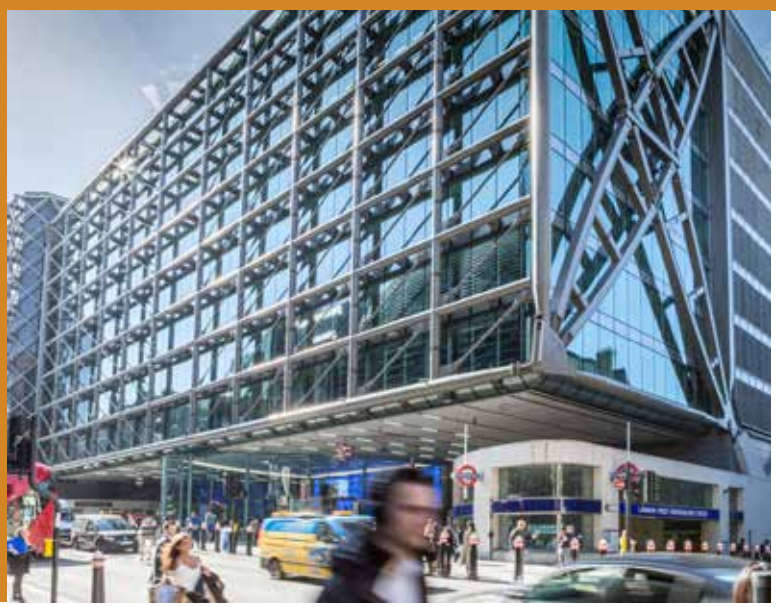
TIME TO DISCUSS INSURANCE THAT WORKS WHILE YOU CAN'T?

Consider how you'd cover your usual monthly costs if you were ill or injured and couldn't work for a while. Would you be able to carry on paying the bills using Statutory Sick Pay or your savings? If not, it's worth thinking about insurance. **To find out more, please contact us.**

Source data:

[1] Survey conducted by Censuswide for Nationwide between 10–14 February of 2,003 people who are self-employed or employed but receive Statutory Sick Pay when off work through illness or injury.

Hot Topic



Columbia Threadneedle completes acquisition of BMO's EMEA Global Asset management business

As you know, we are always cognisant of Merger and Acquisition (M&A) activity in the marketplace and have, over the years, become accustomed to rebrands, take-overs and mergers that the companies we do business with undertake. The most significant over the last twelve months, from our perspective, was the announcement from Columbia Threadneedle of their intention to acquire BMO's EMEA asset management business in April 2021. Seven months later, in November of the same year, the acquisition was formally confirmed to us.

Having done business with Columbia Threadneedle in the past, we are aware of their capabilities and strengths. On completion of the acquisition of BMO's EMEA asset management business, Columbia Threadneedle, part of Ameriprise Financial, added £97bn to their assets under management to bring total AUM to c£530bn.

CAPABILITY BASED ON CREATING VALUE THROUGH RESEARCH INTENSITY

As part of our wider due diligence on this merger, our directors met with Rob Thorpe, Head of Sales at BMO, to understand what, if any, changes there would be to the BMO suite of funds, specifically, the Universal MAP Range that we use. Our questions, which were focused on investment process, research and style were answered to our complete satisfaction. In June, Leigh, Martin and Ashley conducted a meeting with the fund manager Keith Balmer of the Universal MAP team from Columbia Threadneedle as part of our wider client reporting and due diligence process.

It has become clear to us that the acquisition of BMO's EMEA business by Columbia Threadneedle will combine the 'best of both' BMO and Columbia Threadneedle and our clients will benefit from their complementary strengths to create world class Solutions (Multi Asset) and Responsible Investment capability based on bringing value through research intensity. Perhaps this is best summed up by Nick Ring, the Chief Executive Officer at Columbia Threadneedle, who said in November:

'This strategically important acquisition accelerates our growth in the EMEA region and secures our position as a significant global asset manager. Our established strengths in core asset classes and our strong, long-term performance track record are complemented by key strategic capabilities that improve our ability to meet the evolving needs of our clients.

'Our combined team of more than 2,500 people share a client-centric culture, a collaborative and research-based investment approach, and a long-held commitment to responsible investment principles. Together, we look forward to embracing our role as active investors to drive change, deliver client outcomes and continue to make our own contribution to a sustainable future.

VERY BEST INVESTMENT SOLUTIONS FOR OUR CLIENTS

'As we've begun to work together, we're excited by the opportunity to combine our considerable resources and bring greater depth and breadth to our client offering.'

At this stage, at Claydens, we look forward to working closely with Columbia Threadneedle and their fund management teams and will, as always, continue to seek the very best investment solutions for our clients.

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