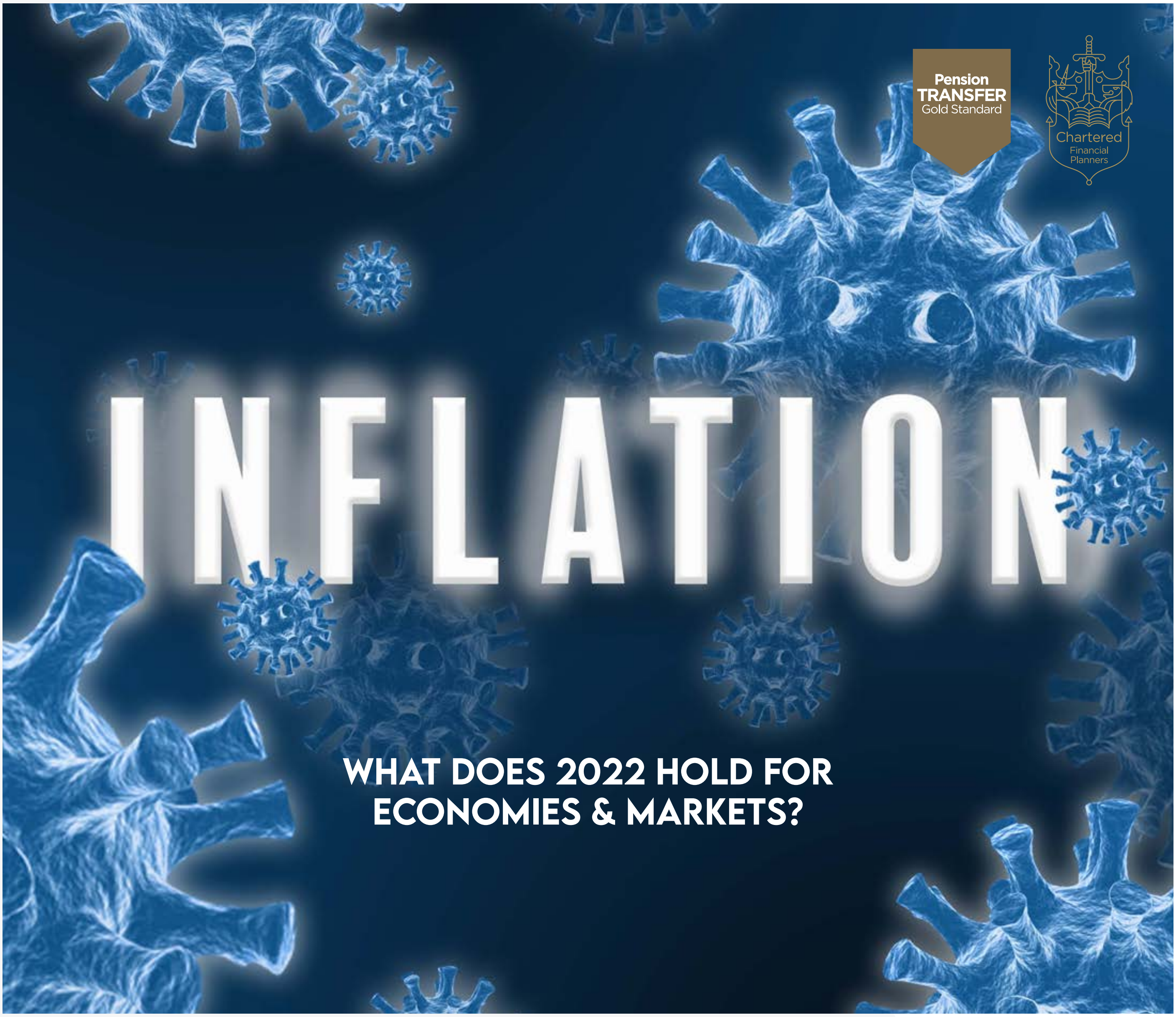
INSIGHT

ISSUE 23

A WEALTH OF ADVICE



IS IT TIME TO LOOK FOR ALTERNATIVES TO YOUR CASH ISA?

MAKING SURE YOUR PENSION ASSETS GO TO THE RIGHT PEOPLE

TAXPAYERS PAY OUT MILLIONS MORE IN INHERITANCE TAX

ArmstrongWatson®
Financial Planning & Wealth Management

INSIDE THIS ISSUE

ArmstrongWatson®
Accountants, Business & Financial Advisers

ARMSTRONGWATSON

@AW_WEALTH

ARMSTRONG WATSON

WELCOME

Welcome to our first edition of Insight for 2022. We hope you all had a much better Christmas & New Year with family and friends compared to last year.

It has been encouraging to see some cautious leaps towards normality over the past three months, with home and work life steadily returning to some semblance of what we previously took for granted. Whilst there is no doubt we will continue to be challenged by coronavirus for some time come, as we have seen with the latest Omicron strain, there is much more of a sense of optimism than when looking back to this time last year.

We are now the other side of the Autumn 2021 budget and all of it's related impacts. It will be interesting to see how the Chancellor continues to react as we move further through 2022.

If there are any topics you would like us to cover in a future edition of Insight please get in touch, meanwhile, in this issue our articles include:

Year End Tax Planning – There continue to be rumours about cuts to tax reliefs and allowances in a number of areas that would affect you financial and tax planning. The Chancellor could be looking at ways to raise more revenue to balance the books.

Tax Payers pay out Millions more in Inheritance Tax - The latest figures from HMRC show that tax payers have paid £600m more in Inheritance Tax (IHT) than a year ago. This could indicate many families are not aware of IHT and how to avoid this tax.

The Triple Lock has become the Double Lock – What does it mean for pensioners? - The pandemic has affected everyone, and now pensioners with the promised "State Pension Triple Lock" being suspended to help save The Government money. Find out how it will affect those who receive the State Pension in terms of their income received.

What lies ahead for economies and investment market in 2022? - Richard Cole, Fund Manager – Future money – looks ahead to 2022 and gives his thoughts on what will be the biggest stories affecting economies and m=investment markets. No prizes for guessing COVID-19 and inflation featuring heavily!

We hope you enjoy this issue of our magazine. If you would prefer to download a digital copy or subscribe to new issues electronically, please visit www.armstrongwatson.info/Insight

PAUL DICKSON

CHIEF EXECUTIVE AND MANAGING PARTNER ARMSTRONG WATSON

WHAT DOES 2022 HOLD FOR ECONOMIES & MARKETS?

To Reflect and Consider

Two years have now passed since the onset of the pandemic and it remains the dominant factor for much of society. This has largely been the case in investment markets too, with a wide array of market driving events ultimately derived from covid. Yet, it has not been exclusively the case and while it is possible that 2022 is another year ruled by coronavirus, there are plenty of emerging topics which could draw attention elsewhere. At this point, therefore, it is appropriate to reflect on the experiences of the year just gone and to consider what may be ahead.

> "LOOKING FORWARD THEREFORE, CAUTION MUST BE MAINTAINED, BUT FOR A WELL-DIVERSIFIED PORTFOLIO WHICH IS MANAGED WITH A LONGER TERM PERSPECTIVE, 2022 LOOKS LIKELY TO BE A TIME FOR CONTINUED RECOVERY."

A Changeable Mood

2021 was a year where confidence levels repeatedly swung from pessimism to optimism and back again. A lingering lockdown to start the year, but the promise of the vaccination rollout. The emergence of the Delta variant, but continuation of financial support packages such as furlough. The speed of the Omicron wave, but the indication of milder illness.

Equity Outperformance

A difficult year to pick trends therefore. Yet, despite this topsy turvy nature, investors in balanced portfolios are likely to have experienced a positive time. While bond markets fell by small amounts, as rising inflation reduced the appeal of their fixed returns, equity markets overall delivered a strong performance. The UK and the US led the gains with the FTSE 100 delivering over 18% for the calendar year (with dividends included), while the American S&P 500 returned nearly 30%. While 2021 may have been another difficult year for society as a whole, for many investors, that discomfort may not have extended to their portfolios.

Looking Ahead

What can investors look forward to in 2022, then? While this question is hard to answer as there will be plenty of unforeseen events that dominate headlines, there are a number of known stories which are likely to affect markets over the coming year.

Covid

Covid, of course, will be one of those. As the Omicron variant has shown, the emergence of a new variant has the potential to create further disruption regardless of vaccination levels and this is likely to remain a risk over the immediate future, at least. If any future variants are found to only cause mild illness, then the economy can continue to move on, yet if a highly contagious and severe form does develop then setbacks are likely.

Inflation

Inflation is a key question for the global economy currently and is expected to be so for much of the year. At the end of 2021, UK inflation, as measured by the Consumer Prices Index (CPI), was at 5.1%, the highest level in a decade and well above the 2% target. Much of the current surge can be attributed to temporary, pandemic related, factors such as elevated car prices and housing costs. This is likely to continue for a number of months yet, but it is expected to fall later in the year. Nonetheless, even if inflation does come down it is likely to remain above target as more persistent price pressures take hold, such as low unemployment leading to higher wages. Central banks, therefore, will be forced to act. The Bank of England raised interest rates for the first time of the pandemic in December and more rises are likely to come this year.

Politics

Political considerations are never far from the attention of markets and the current time is no exception. While we are beyond the most fractious period of Brexit negotiations and the US Presidential election, these topics have not disappeared. Brexit discussions continue over the Northern Ireland protocol and Joe Biden will soon have to have to face the prospect of mid-term elections, while he struggles with a still heavily partisan landscape. Each of these have the potential to bring greater volatility to investment markets. Furthermore, there is the potential for conflict in both the Ukraine and Taiwan as Russia and China both appear to escalate tensions. Clearly, major conflicts here would hurt investors' optimism.

Market Environment

What does this mean for markets? Well if a new severe covid variant arrives, or if sustained military conflict erupts, then equity markets are likely to be challenged. Yet, in the absence of the above, it appears that a positive economic situation will create a favourable background for investment.

Changing of the Guard

The raising of interest rates must be navigated, however, and one area in which this may play out is UK vs US equities. For a number of years, US equities have outperformed our domestic market as the high number of fast growing technology companies there have flourished, in part thanks to low interest rates. Yet, should a sustained rise in rates occur those stocks positively linked to higher rates, such as banks or other cyclical firms, will likely benefit. The UK has high exposure here and so should this scenario develop, the trend of US outperformance, which has occurred for much of the past decade, would face a worthy challenge.

The Year Ahead

As we examine the year ahead there are a number of potential flashpoints which could hit confidence, yet with economic growth rates high, inflation manageable and unemployment low there are strong positive signs as well. A positive backdrop then, but with the potential for challenges. Looking forward therefore, caution must be maintained, but for a well-diversified portfolio which is managed with a longer term perspective, 2022 looks likely to be a time for continued recovery.

RICHARD COLE
FUND MANAGER – FUTURE MONEY LTD

PREPARING FOR YOUR YEAR-END FINANCIAL PLANNING

As 5 April 2022 creeps ever closer, if you haven't already, it is always good to try and get ahead with your year-end financial planning.

In the last year's Budget, the Chancellor froze a number of key allowances, including the income tax personal allowances, the capital gains tax annual exempt amount, the Pension Lifetime Allowance (LTA), and the Inheritance Tax (IHT) thresholds, until the 5th April 2026.

In the latest Autumn Statement, this also subsequently confirmed that previously mooted changes, by some commentators and observers, in respect of Pension and IHT related allowances, didn't happen.

JAMES MARLOW
REGIONAL FINANCIAL PLANNING MANAGER – LEEDS

IT IS ALWAYS GOOD TO TRY AND GET AHEAD WITH YOUR YEAR-END FINANCIAL PLANNING.

With all that backdrop in mind, your year-end financial planning checklist would be well advised to include the following:

Pensions

Tax relief is continually coming under increasing scrutiny. A flat rate of tax relief for all pension contributions has long been argued over which, if adopted, would affect those in the higher tax band and above. Now may therefore be a good time to review and make use of any unused allowances. Carry forward allows you to make use of any annual allowance that you might not have used during the three previous tax years, provided that you were a member of a registered pension scheme during the relevant time period. Check if you have any unused pension annual allowance from 2018/19, when the maximum annual allowance (before tapering) was £40,000. You have until the end of the current tax year to mop up this past allowance or lose it completely. Remember, you must use up this year's allowance first and then use any unused annual allowance from the earliest year first and can only use it once.

Unsurprisingly, the calculations can quickly become complex, so getting advice is crucial if maximising "today's" pension tax relief is important to you. Visit our pension pages to see how we can help you achieve the retirement you want **https://www.armstrongwatson.co.uk/services/pensions-and-retirement-planning**

Income Planning

There are many areas that could be considered here, however, if your income is above £50,000 and you have or live with someone with children, you could be subject to the High Income Child Benefit Charge. Bringing your taxable income down – by making a pension contribution or charitable gift for example – could reduce or even eliminate that charge. There are similar opportunities above the £100,000 threshold when the phasing out of the personal allowance begins and also at the additional tax threshold for those earning £150,000 and over.

Capital Gains Tax

Capital Gains Tax (CGT) is another area that could be subject to some future changes. In July 2020 the Chancellor asked the Office of Tax Simplification (OTS) to undertake a broad review of CGT. The first report emerged in November, however, rather than make specific recommendations, the OTS offered several alternative suggestions, leaving it up to the Government to decide which of these best meets its priorities moving forward.

One OTS proposal put to the Chancellor back then was a potential reversion to the regime which existed until 2008. Back then, CGT was levied at full income tax rates, which, if reintroduced, would now mean rates of up to 45% rather than the current maximum of 20% (28% for non-exempt residential property and carried interest).

The OTS report suggested the CGT annual exempt amount should also be significantly reduced from the current £12,300.

Obviously, it currently remains unknown what changes, if any, the Chancellor will make in his next Budget. All we do know for certain is that these matters continue to be under consideration.

Inheritance tax (IHT)

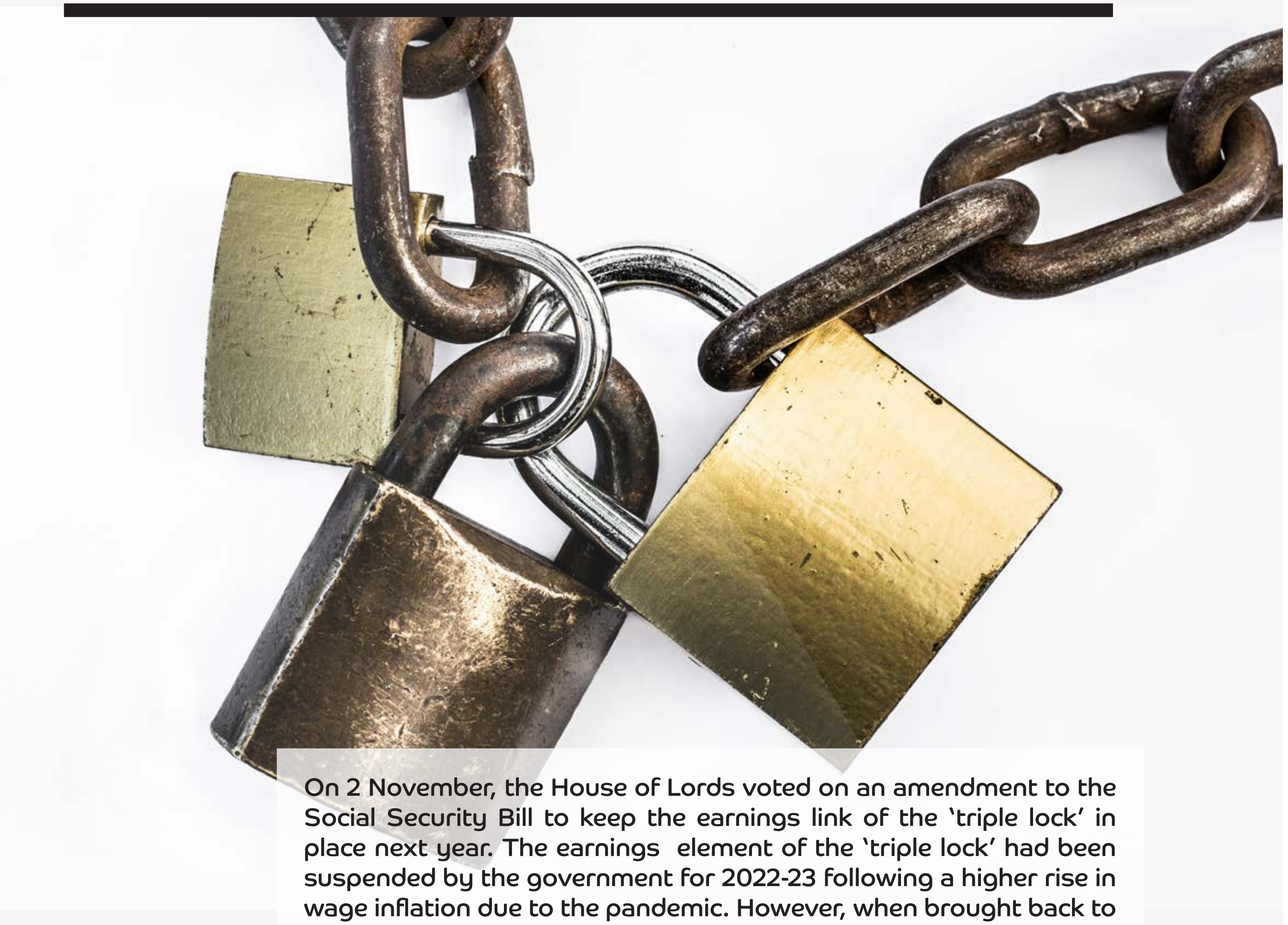
A separate OTS simplification review has been considering the area of IHT. The £175,000 family home allowance — which is on top of the £325,000 threshold to give protection to those bequeathing properties to a direct descendant — will stay frozen until at least 2026. Some reliefs and exemptions could be under threat, such as those that apply to business assets and large regular gifts out of income. Currently, you have a £3,000 annual gift exemption, individual gifts of up to £250 and regular gifts out of disposable income as well as the ability to make any larger lifetime gifts.

The rules though around IHT can be complex, and the amount of tax, and even the overall rate that will be paid, will depend on how your finances are structured during your lifetime, how you dispose of your assets and to whom you leave them. Seeking independent tax and financial advice can help you pass your assets to the people you want to benefit and potentially mitigate some or all of the IHT liability.

Armstrong Watson have both Financial Planning and Tax Consultancy expertise in place "all under one roof". This allows to provide a both a bespoke and joined up service for our clients when and where specific needs arise. We always ensure we have a full understanding of your circumstances and objectives before providing any advice. Both Financial and Tax planning is subject to individual circumstances and all the options and allowances mentioned are not suitable for everyone.

Please note, some of the areas such as making pension contributions are provided by our Financial Planning Consultants, whereas, other areas such as capital gains tax advice are services offered by our Tax Consultants within this article. Advice on IHT issues could be provided by a mixture of the two services.

THE TRIPLE LOCK HAS BECOME THE DOUBLE LOCK – WHAT DOES IT MEAN FOR PENSIONERS?



On 2 November, the House of Lords voted on an amendment to the Social Security Bill to keep the earnings link of the 'triple lock' in place next year. The earnings element of the 'triple lock' had been suspended by the government for 2022-23 following a higher rise in wage inflation due to the pandemic. However, when brought back to the House of Commons MP's rejected the move by 300 votes to 229.

The 'triple lock' ensured that state pension benefits rise by the highest measure of price inflation, earnings growth or 2.5%. Linking it to earnings growth could therefore have seen a rise of 8%. As a result of the suspension of the 'triple lock' the state pension will rise by 3.1% per cent next April. Interestingly the inflation rate is already forecast to average 4% next year, so how will this lower increase in the stage pension from April affect your finances and standard of living?

Of course, there is the real danger that the triple lock could now further be diluted depending on the state of the country's finances in the future. If this was the happen the value of the state pension could be eroded further as a result. Therefore it is more important than ever to have control of your retirement by planning as early as possible and to keep it under review as you move through different life stages. As someone moves in to their 50's for example, at this age, retirement is no longer a distant concept, and time is short if your plans aren't on track.

However, the value of the state pension should not be overlooked as this forms a critical part of a retirement income for nearly all retired households. For those entitled to the full state pension, you currently receive a sum of £179.60 a week, or just over £9,339 a year. For a retired couple, two state pensions would therefore provide the household with over £18,678 of risk free income each year. The full flat rate will rise in April by £5.55 to £185.15 per week, or around £9,630 a year.

For many this will allow them to cover a good proportion of their expenditure, with any additional income requirements usually being generated from personal pensions, investments or maybe from a rental property.

The Pensions and Lifetime Savings Association, in their Retirement Living Standards research, found that for a couple to retire on a "Moderate" standard of living (Outside of London), a household income of £30,600 a year would be needed. For a single person, or for someone who may have been widowed, this sum is £20,800 a year.

For many people the state pension will form the backbone of their retirement plans but if the value of the state pension is eroded then it is vital you have prepared in other ways such as contributing to a personal pension to build up a retirement fund. By arranging a full financial plan, that is regularly reviewed, you can be then assured that you are more likely to have the type of retirement you want to enjoy.

At Armstrong Watson our quest is to help our clients achieve prosperity, a secure future and peace of mind. We can provide a full review of your pension arrangements, with our compliments in the first instance, to help you to understand, based on your individual circumstances and arrangements, the position with regards to your current pension plans and whether this is an area you need to consider.

MARTYN POTTAGE

REGIONAL FINANCIAL PLANNING MANAGER - EAST YORKSHIRE

"IT IS MORE IMPORTANT THAN EVER TO HAVE CONTROL OF YOUR RETIREMENT BY PLANNING AS EARLY AS POSSIBLE AND TO KEEP IT UNDER REVIEW AS YOU MOVE THROUGH DIFFERENT LIFE STAGES."

TAXPAYERS PAY OUT MILLIONS MORE IN INHERITANCE TAX

The rules around IHT can be complex and the amount of tax, and even the overall rate that will be paid, will depend on how your finances are structured during your lifetime, how you dispose of your assets and to whom you leave them. Seeking independent financial advice can help you pass your assets to the people you want to ultimately benefit and could help to mitigate some or all of the IHT liability. With the right planning and support some of the IHT receipts currently payable by individuals are thereby able to be legitimately avoided or reduced.

Tax payers have paid £600m more in Inheritance Tax (IHT) than a year ago. The latest figures from HMRC show that between April and October this year, IHT receipts totalled £3.6bn compared with £3bn in the same period in 2020 – a rise of 20%.

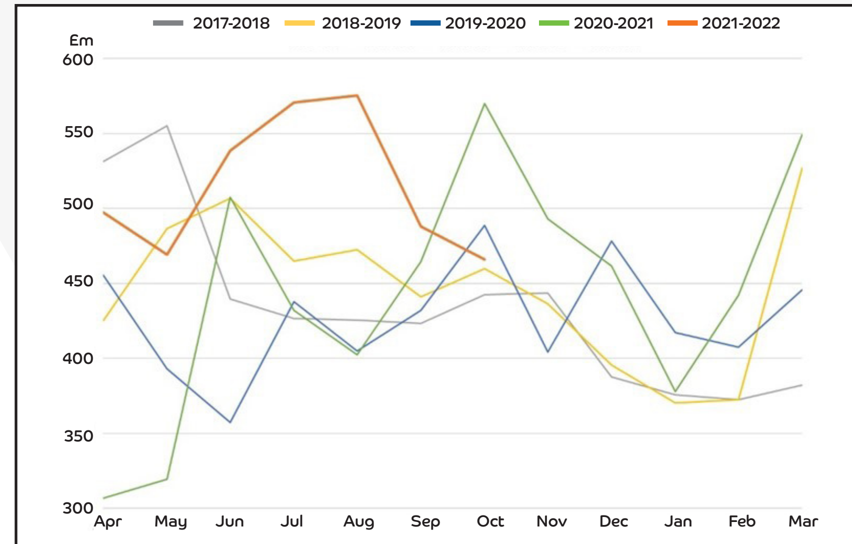
So does this indicate that many families are not aware until it too late?

Many people question why they are effectively being taxed twice on their assets, initially whilst working on their earnings throughout their life, and then potentially a second time when they die. IHT was originally introduced based on the idea of redistributing wealth for the ultimate benefit of the general public. So, rather than the rich getting richer through large inheritances, a portion of their wealth is redistributed to the public through inheritance taxation.

IHT is paid on the value of the assets that a person leaves behind when they die. It can also apply to some gifts that are made before someone dies. With rising house prices, and increasing levels of other assets including savings and investment in particular, many more estates are facing an inheritance tax bill.

In the 12 months up to September 2021, the Office for National Statistics (ONS) reported that the average UK house price increased by 11.8% to a record high of £270,000 - £28,000 more than in September 2020.

With the basic IHT threshold now frozen at £325,000 until 2026, and the average house price continuing to rise, it's therefore expected that many more people could be caught out by IHT over the coming years



Graph shows monthly receipts patterns in each financial year from 2017/2018. Source: HMRC

HMRC says that higher receipts in October 2020, November 2020 and March to August 2021 could be due to higher volumes of wealth transfers that took place during the pandemic, though it said it could not verify this until full administrative data becomes available. It also stated that lower receipts in April and May 2020 were due to an issue where HMRC was unable to accept cheques for payment of IHT due to the pandemic. This was resolved and resulted in a peak in June.

However, what is clear is that HMRC collected £5.13bn in IHT in 2019-20 and the amount collected in the future is expected to be well in excess of £6bn by 2023-24.

There are ways to legitimately avoid or reduce your family's exposure to hefty inheritance tax bills. Below are the simple things you can do:

- Making your will
- Annual exemption gifting
- £250 "small gifts" exemption
- Gifts out of normal expenditure

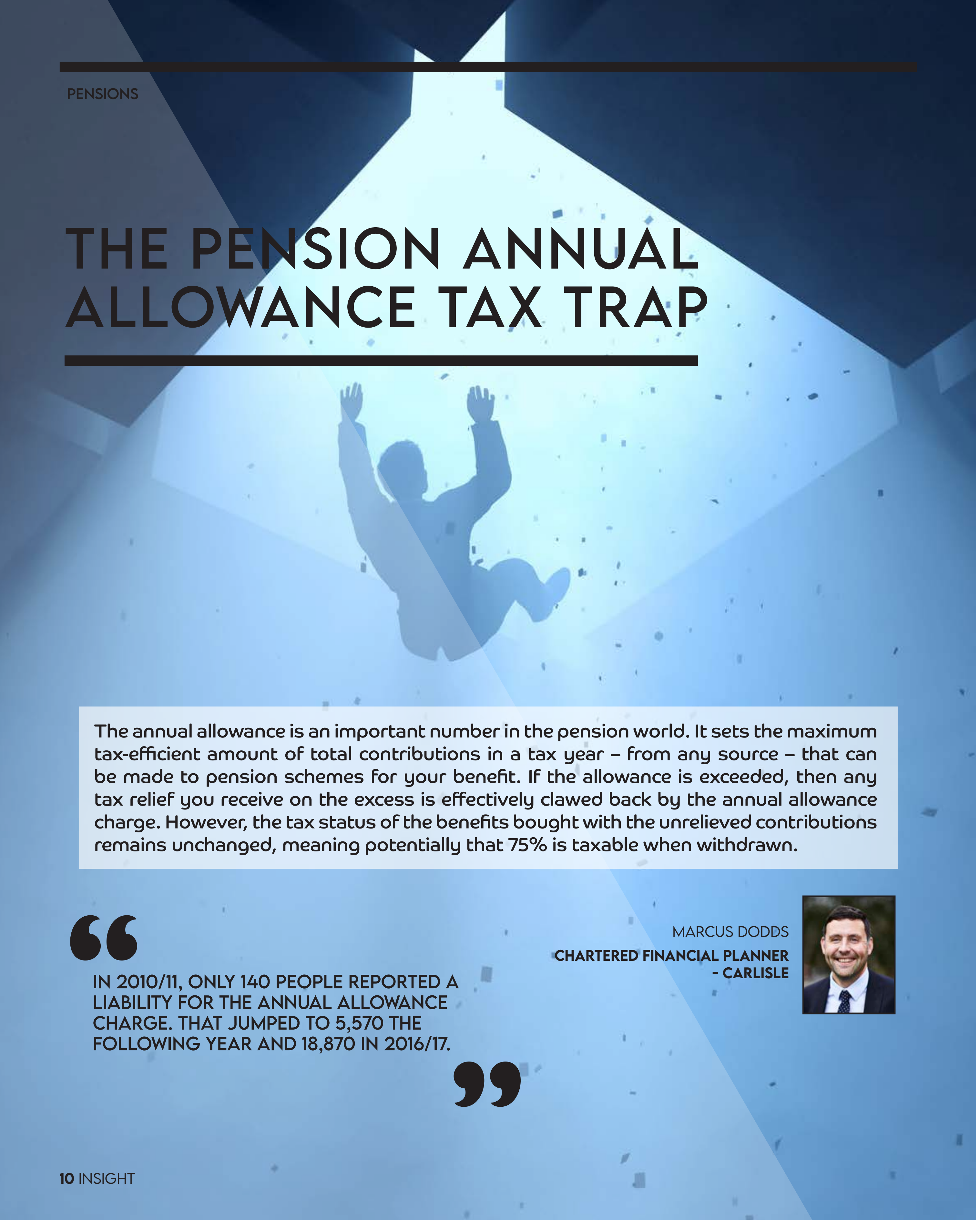
There are though also other ways to mitigate against IHT. They are making larger gifts, which are called Potentially Exempt Transfers (PETs), however, it these do require you to live for a period of time for it to become fully exempt.

Creating trusts is another way of moving money out of your estate and they do generally require more specialist advice as to the most suitable type of trust for you and your family depending on your objectives and circumstances.

In addition, since so called 'Pension Freedoms' were introduced in 2015 pensions have also become a highly tax-efficient vehicle on death as the value of your pension arrangements can be IHT free and can be passed on to your family and beneficiaries.

Finally, there are some other very specialist IHT vehicles and reliefs which could also be appropriate to consider depending on your financial position and situation.

AMANDA HEYS
FINANCIAL PLANNING CONSULTANT - KENDAL



THE PENSION ANNUAL ALLOWANCE TAX TRAP

The annual allowance is an important number in the pension world. It sets the maximum tax-efficient amount of total contributions in a tax year – from any source – that can be made to pension schemes for your benefit. If the allowance is exceeded, then any tax relief you receive on the excess is effectively clawed back by the annual allowance charge. However, the tax status of the benefits bought with the unrelieved contributions remains unchanged, meaning potentially that 75% is taxable when withdrawn.

> IN 2010/11, ONLY 140 PEOPLE REPORTED A LIABILITY FOR THE ANNUAL ALLOWANCE CHARGE. THAT JUMPED TO 5,570 THE FOLLOWING YEAR AND 18,870 IN 2016/17.

MARCUS DODDS
CHARTERED FINANCIAL PLANNER - CARLISLE

Until 2011, the annual allowance was set at a level that made it a somewhat academic topic – in 2010/11 it stood at £255,000. Then in 2011/12, it was reduced to £50,000 – a cut of about 80%. The Chancellor's aim was to lower the cost of tax relief at a time when the top rate of income tax was 50%. Three years later, from 2014/15, there was another reduction to £40,000. In 2016/17 the axe fell for a third time but on this occasion, it was more a salami-slicing than a chop. The main allowance remained at £40,000 but it became subject to a taper that could bring it down to as little as £10,000 for high-income earners. It has fallen even further to £4,000 now.

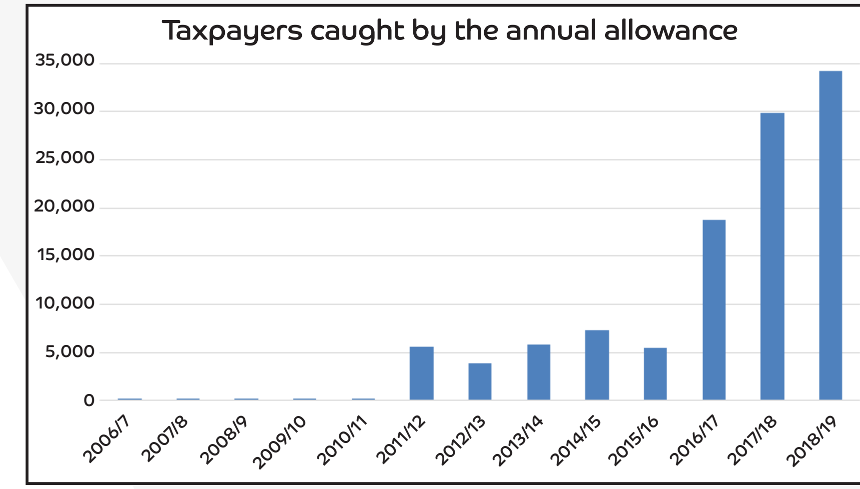
The effects of these changes are visible in the graph and show that annual allowance continues to help fill HMRC's depleted coffers.

In 2010/11, only 140 people reported a liability for the annual allowance charge on their tax returns. That jumped to 5,570 the following year and 18,870 in 2016/17. At last count – three tax years ago – more than 34,000 people were caught with total excess contributions of £817 million.

The Chancellor was forced to relax the rules for tapering in the 2020 Budget because potential tax bills were prompting NHS consultants and other senior public sector staff to take early retirement or limit their working hours. The revised tapered annual allowance applied for individuals with "threshold income" of more than £200,000 and "adjusted income" of more than £240,000.

It is important to know the change in limits when looking to work out carry forward contributions from 2020/21 onwards as the calculation of any unused annual allowance from tax years prior to this is done using the old limits.

While the change should have reduced those paying the annual allowance charge in 2020/21, the problems it causes have not disappeared.



What is measured against the annual allowance?

The pension input amounts for all of a member's pension arrangements will be tested against their annual allowance limit.

The pension input amount is dependent on the type of pension scheme:

- For a defined contribution (money purchase) scheme – all tax-relieved contributions paid by or on behalf of an individual, plus any employer contributions paid in respect of the individual.
- For a defined benefit or cash balance pension scheme – increases in the capital value of pension and tax-free cash retirement benefits (excluding death in service rights).

If you exceed the annual allowance

If you exceed the annual allowance in a particular tax year, you won't get tax relief on any contributions you paid that exceed the limit in that tax year and you will be faced with an annual allowance charge.

The amount that exceeds the annual allowance by will be added to the rest of your taxable income for the tax year and be subject to Income Tax at the rate that applies to you.

You might be able to ask your pension scheme to pay the charge from your pension. This is known as Scheme Pays and means your pension would be reduced. This is not always possible so you do need to check with your pension provider first.

As you can see the rules around the annual allowance are complicated. If you think you might be getting close to your annual allowance, or you might have exceeded it, we strongly advise you to seek advice from a regulated independent financial adviser.

At Armstrong Watson, we are Chartered Independent Financial Advisers. We can help you understand how much your annual allowance is, including any unused amounts, whether you've exceeded your annual allowance, if there may be options to reduce any potential charge and look at your options for paying any tax charge that may be due.

MAKING SURE YOUR PENSION ASSETS GO TO THE RIGHT PEOPLE

– THE IMPORTANCE OF PENSION DEATH BENEFIT NOMINATIONS

What is intergenerational financial planning and what does it really mean to a bereaved family on the death of a loved one? Why is it so important to make sure your pension assets go to the right people in the event of the death of a family member?

STUART SMITH
FINANCIAL PLANNING CONSULTANT
- WEST CUMBRIA

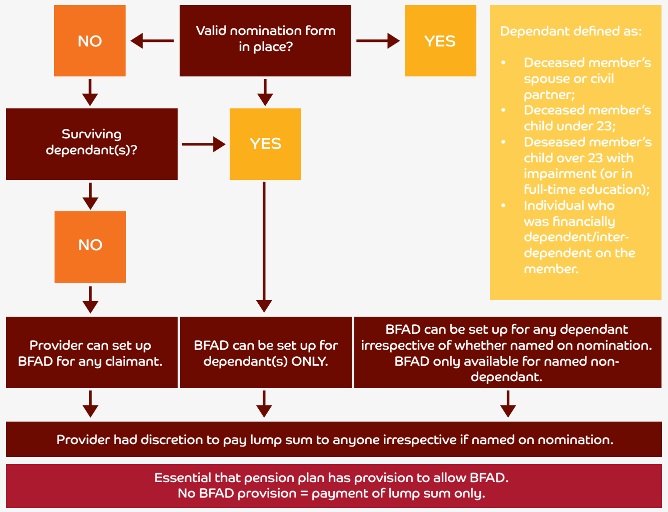
Gareth Davies, a specialist pensions development manager for Scottish Widows, has shared his personal experience to illustrate this very important issue.

His father was diagnosed with terminal cancer and passed away several weeks later. The support the family got from the many institutions and organisations they interacted with during this difficult time varied dramatically, but one positive area Gareth highlighted was the value of having a trusted independent financial adviser involved with his family. He also highlighted the importance of discussions about pension death benefits and in particular the accurate completion of nomination forms as early as possible.

Death benefits have changed. Before Pension Freedoms in 2015 only financial dependents would receive pension drawdown benefits.

April 2015 brought about a significant change in pension death benefits, in simple terms meaning that your pension benefits can be left on death to anyone.

HOW TO ASSESS PENSION DEATH BENEFIT OPTIONS REGARDING CREATION OF BENEFICIARY FLEXIBLE ACCESS DRAWDOWN (BFAD)



However, it is important to note that if a potential beneficiary is non-dependent, they must be nominated, (unless there are no dependants/nominees). The above flowchart provides a useful summary.

Nomination forms are limited in so far as they are not binding. In most instances, benefits will be paid out at the discretion of the scheme administrator/trustee. They must take into account all potential beneficiaries. The advantage of this approach is that if the trustees of the pension have discretion over who they pay death benefits to, the benefits are normally free from inheritance tax.

Drawdown beneficiaries can fall into three categories:

DEPENDANT	NOMINEE	SUCCESSOR
Spouse, child of the member under age 23, financial dependent etc.	Individual nominated by member/scheme	Individual nominated by beneficiary/scheme

It is beneficial to keep all three beneficiaries' Flexi Access Drawdown (FAD) options open on death and for all potential beneficiaries are named on the nomination form.

Gareth, like many people, comes from a blended family as his parents divorced when he was young, and his father remarried a long time ago.

As part of his father's wider financial and inheritance planning, his father's spouse was named as 100% beneficiary to his pension nomination, something the family were aware of and happy with. There was an assumption at the time that the pension provider would simply proceed on this basis, however, Gareth was surprised to be contacted by them to ask if he wished to be considered for payment of his pension benefits.

They hadn't just looked at the nomination form and proceed on this basis but had taken the time to understand his late father's wider family, even though Gareth wasn't mentioned anywhere on the pension paperwork.

This had the potential to cause a fallout had Gareth felt he should be a beneficiary, however, he went on to stress how reassured the family was to have a trusted adviser throughout his father's illness and following his death., ensuring that everyone was on the same page and understood both his wishes and the efficiencies of the planning.

Gareth said the adviser made the whole process simple and straightforward, and ensured that the important taxation benefits of retaining monies in a pension wrapper for as long as possible continued uninterrupted. Having the benefit of a trusted 'family' adviser to continue the good work after the death of the initial policyholder proved invaluable at a time of grief.

Following the introduction of Pension Freedoms the completion and regular review of pension death benefit nomination forms has never been more important. It is also equally important to ensure that, wherever possible, you are also having conversations with the potential eventual inheritors of these pension benefits.

POOR FINANCIAL WELLBEING COSTS UK EMPLOYERS £1.56BN

Research by insurance provider, Aegon, states poor financial wellbeing costs UK employers £1.56bn every year through high levels of absence and a lack of productivity when employees show up for work unwell.

It is widely acknowledged that emotional and financial wellbeing - how people feel about the control they have over their finances and their relationship with money - are connected.

Those in a poor financial situation are much more likely to experience feelings of stress and worry, causing sleepless nights, which can lead to poorer performance at work and affect relationships with colleagues. This can also result in greater levels of absenteeism, which places extra stress on other staff and the cycle goes on.

The survey found that half a million workers took time off in the last year due to their financial wellbeing – leading to 4.2 million lost days of work.

Also employees were asked what caused their low financial wellbeing, with 37% citing a lack of understanding about managing money and budgeting.

What is interesting is that money worries did not just affect low-paid workers, more than half of average earners and more than 1 in 3 top earners worry about money.

Prioritising financial wellbeing in the workplace can lead to a more engaged, supported, and efficient workforce, resulting in greater productivity. The more your employees feel happy and in control of their finances, the more productive they become, the fewer sick days they take and this improves staff retention and can also attract new staff.

In recent surveys and webinars we have carried out as a firm the most frequently asked questions by employees are:

- How do I budget my finances?
- Have I got sufficient savings for things that go wrong?
- What happens to my family home if I die?
- What happens to my income if I fall ill and cannot work?
- How much money is advisable to keep for emergencies?
- How does my employer pension scheme work?
- I have pensions from other companies. What should I do with them?
- How much money do I need to retire on?
- When can I retire?
- How long will my money last in retirement?
- How much is the State Pension?

Employers are uniquely positioned to deliver money guidance around life-changing events such as changing roles, locations, starting a family, and retirement.

Understanding employee needs and feedback through a colleague survey can offer valuable insight for an employer, helping to understand the information, and support their employees will value the most. It can help an employer to decide the type of financial wellbeing programme to run and if specialist support and guidance, for example around pension or retirement planning, is needed.

Having a workforce that is engaged, informed, supported and efficient can help increase productivity. It can also help to improve staff retention, reduce costs, and provide benefits in other ways. If employees can see their employers supporting them, they will feel more valued. By understanding these issues employers will go a long way towards building trust with their employees.

Armstrong Watson Financial Planning and Wealth Management team are experienced in providing financial education and wellbeing support to help educate and provide future financial planning advice to employees. We can deliver a range of seminars, workshops and/or webinars on topics including advising pension scheme members and providing employees with an overview of their scheme to enable them to obtain a clear understanding of how it works, their options and any risks involved.

DOMINIC GAUNT
BUSINESS DEVELOPMENT & PARTNERSHIP MANAGER

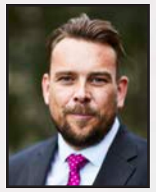
IS IT TIME TO LOOK FOR ALTERNATIVES TO YOUR CASH ISA?

Cash is traditionally seen as a safe haven offering capital security over other assets namely, shares, fixed interest, and property. However, since the financial crisis in 2008 rates have been very low, and banks have had little appetite to tempt savers because of cheap government money under quantitative easing. While mortgages and borrowing have never been cheaper, it has been a really difficult for over a decade for the those who have traditionally looked at cash for their savings.

"DO YOU REALISE JUST HOW DEVASTATING INFLATION CAN BE ON YOUR CASH SAVINGS? THE VALUE OF YOUR CASH EARNING NO OR LITTLE INTEREST COULD HALVE AS A RESULT IN LESS THAN 15 YEARS."

STEVE SHOVLIN

CHARTERED FINANCIAL PLANNING CONSULTANT - CARLISLE



According to the website Savings Champion, the best fixed rates in Cash ISA's **are significantly lower** than current inflation figures. The best fixed rates at the time of writing are as follows:

1 year	0.93%
2 year	1.17%
3 year	1.31%
4 year	1.66%

With the headline annual Consumer Prices Index (CPI) rate of inflation rising to 5.1% in the 12 months to November this is now at its highest level for over 10 years! Do you realise just how devastating inflation can be on your cash savings? The value of your cash earning no or little interest could halve as a result in less than 15 years. Whilst the Bank of England recently raised interest rates for the first time in more than 3 years, savers may welcome news of the chance of higher rates, however, savings rates are likely to continue to lag some way behind inflation.

This doesn't mean that you should just "ditch your Cash ISA". Regularly shopping around for the best rates that you need to keep in cash is really important as although it won't eliminate the damage, you can certainly reduce it.

There is also the something else to consider. That is do you need to keep your Cash ISA at all?

The personal savings allowance, introduced in 2016/17, means that basic rate taxpayers pay no tax on their first £1,000 of interest earned, using the example of a deposit account, and, for higher rate taxpayers £500 of interest is tax free. At current interest rates, it takes a considerable amount of capital to exceed even the lower threshold so taking continuing to hold a cash ISA could be of questionable value compared with an ordinary deposit. On the Savings Champion website the best 5 year fixed rate cash bond is at 2.1%.

Remember however, the ISA framework could be useful to you in other ways. Speaking with an independent financial adviser can help you make the right decision on where to put your savings.

Clearly, there will always be a need to hold "emergency cash" to allow you be able to pay for the unexpected at short notice. Above this, how can cash savers hope to bridge the gap and gain potential returns at or above inflation? The answer may be to invest into `real assets` such as shares, fixed interest and property. These can all held within a Stocks & Shares ISA.

But is this a good time to invest? During the COVID pandemic it has been easy to get caught up with the bad news we hear about in financial markets. At the start of the pandemic markets fell sharply but have generally recovered well to this point as a result of economies reopening. However, the key factor is not about when to invest but rather the amount of time you invest for.

Many people believe that knowing when to buy and when to sell is the secret of successful investing. The truth is that no one knows with any certainty when investment markets will rise or fall. Trying to time the investment markets is not only stressful, it is very seldom successful. Leaving funds invested for the medium to longer term usually produces the best returns but there is no guarantee.

When markets are volatile there can be a temptation to put all your investments in the relative security of cash. It may seem like a safe haven, however as they say, a ship is safe in harbour, but that is not what ships are made for. We have produced "Our Guide To Investing" to help you understand, whatever your knowledge and experience, the principles of investing to allow you to make informed savings and investment decisions.

Your ability and willingness to accept risk will determine the most suitable range of assets for your investment. If you are not comfortable with, or do not understand the risk you're taking, you should not invest.

Armstrong Watson Financial Planning & Wealth Management, as well as providing Independent Financial Advice and personalised investment planning also offer a bespoke `cash management` service aimed at maximising interest rates by identifying the most competitive cash accounts, whilst also ensuring clients`savings are afforded full FSCS protection.

Past performance is no guarantee of future performance. The value of investments can fall as well as rise and investors may not get back their original investment.

Dumfries
01387 955900
john.hunt@armstrongwatson.co.uk

Carlisle
01228 690000
matthew.slessor@armstrongwatson.co.uk
stephen.shovlin@armstrongwatson.co.uk
marcus.dodds@armstrongwatson.co.uk
stuart.smith@armstrongwatson.co.uk
tony.irving@armstrongwatson.co.uk

Penrith
01768 222030
justin.rourke@armstrongwatson.co.uk
paul.moody@armstrongwatson.co.uk

West Cumbria
01900 310440
stuart.smith@armstrongwatson.co.uk

Kendal
01539 942030
chris.hill@armstrongwatson.co.uk
amanda.heys@armstrongwatson.co.uk
david.squire@armstrongwatson.co.uk

Glasgow
0141 233 0700
brian.mcnicol@armstrongwatson.co.uk

Hexham
01434 375550
ryan.anderson@armstrongwatson.co.uk

Newcastle
0191 434 0830
james.marlow@armstrongwatson.co.uk

Northallerton
01609 702000
kerry.chaloner@armstrongwatson.co.uk

East Yorkshire
07748 114495
martyn.pottage@armstrongwatson.co.uk

Skipton
01756 620000
david.porter@armstrongwatson.co.uk

Leeds
0113 221 1300
david.porter@armstrongwatson.co.uk
simon.mayoh@armstrongwatson.co.uk
martin.parnham@armstrongwatson.co.uk
james.marlow@armstrongwatson.co.uk

Or call 0808 144 5575 to be put through to your local office

Building trust through long term relationships, protecting individuals, their families and businesses

www.armstrongwatson.co.uk
Armstrong Watson
@AW_Wealth

ArmstrongWatson®
Financial Planning & Wealth Management
...we're with you