

TALKING WEALTH & WELLBEING ICAEW WEBINAR October 2020

PLANNING | ADVISING | INVESTING



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Important information

The value of investments, and the income derived from them, can go down as well as up and you can get back less than you originally invested. Past performance is not an indication of future performance.

Prevailing tax rates and reliefs depend on your individual circumstances and are subject to change.

Nothing in this webinar is intended to constitute advice or a recommendation, and you should not take any investment decision based on its content. Our opinions may change without notice.



Reflection in lockdown



Top tips

1. Outgoings v's incomings

- Know what they are & make a budget
- Can you make some savings what are you paying for that you now don't need
- Are you entitled to claim benefits and you are not

2. Preparing for the unexpected

- Emergency fund
- Protect your life, income and health so the long term plan works

3. Build a plan

- Talk to someone and take advice if needed
- It's empowering what is it you want to be able to do
- Make savings interesting
- Dig out those old policies and get them reviewed and in order

Top tips

4. Protect yourself

- Do you know your partner's financial status?
- Joint liabilities
- Credit ratings
- Cohabitation and Prenuptial agreements are now more common

5. Wills and Powers of Attorney

- Be clear on who you want to inherit
- Guardianship
- PoA Continuing & Welfare

Protection

Check your employment benefits - what do you already have & what do you still need

1. Income Protection



 Ensure you can run the house and meet your outgoings if your income reduces due to long term illness 2. Life Cover – you and your partner

- Ensure the mortgage can be paid off if nothing else
- Additional lump sum for the survivor & family

3. Critical Illness Cover



- Tax free lump sum payment on diagnosis
- Use this as you wish
- 'Breathing space'



Bear in mind that an insurance policy will end if you do not make payments and there will be no cash value unless a valid claim is made

Protecting you and your business



Pensions – long term

- Take advantage of employer pension contributions
- Take advantage of the tax relief
- Make employer pension contributions from your Limited Company for corporation tax relief
- Build pension contributions into your budget as a priority and understand what you
 need to make to achieve your target
- **Review** those **old plans** and get them in order
- Get your State Pension forecast and check your National Insurance Contribution record – are you missing any years of contributions?

Pensions

Allowances and opportunities



Making best use of your allowances

There are many tax allowances available (in 2020/21)

£12,500

Income Tax Personal Allowance

• You can receive £12,500 of income tax-free.

£2,000

Dividend Allowance

• Your first £2,000 of income from dividends is tax-free.

£1,000

Tax-free savings interest allowance

• The first £1,000 of savings interest is tax-free for basic-rate taxpayers (falling to £500 for higher-rate taxpayers).

£12,300

Capital Gains Tax Exemption

• You can make up to £12,300 of tax-free profit when selling 'taxable' investments or other assets, such as a second home.

£20,000

Individual Savings Account (ISA) Allowance

• The maximum amount that an adult can contribute to an ISA in 2020/21 remains at £20,000.

£2,880

Pension Allowance

• Net if no income or standard annual allowance of £40,000 (subject to 'high earner' limits).

How much do you need to retire?

Spending £33,000 net p/a during retirement - £500,000 pot is not enough!



Projection of Current Wealth Accumulation



What about investing? Rebecca Davidson

Director – Investment Management



What is putting people off investing?





Approaching Investment

Aim to preserve and grow the real value of capital through time



PRESERVE: Different types of investments

The mainstream types of investing

Equities		Bonds	Funds	Alternatives
 Buying shares (or equities) makes you the part-owner of a company. The value of your shares should go up or down depending on how well or badly the company is performing 	 Bonds are a form of IOU to a Government or company. Usually after you buy a bond you veceive a regular income and will get your money back when the bond matures 		A fund pools many investors' money and invests it in a collection of investments in line with a particular strategy or aim. Funds are managed by professionals.	 There are many other types of mainstream investments such as property, absolute return funds, gold and oil. However, these may be higher risk options and not suitable for everyone.

Why asset allocation matters

Gilts Markit iBoxx GBP Gilts TR Corporate Bonds Markit iBoxx GBP Corp 1-10 TR US Treasuries Markit iBoxx USD Treasuries TR Commercial Property IPD UK All Property TR GBP Gold LBMA Gold Price PM USD



2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
33.3	16.6	22.5	30.9	19.6	16.3	34.0	25.8	7.5	26.4
31.5	10.7	17.2	28.0	19.5	13.9	33.1	21.9	7.1	22.2
22.9	9.7	15.3	26.3	14.7	8.6	28.9	16.7	5.2	21
19.6	8.1	1R .4	25.0	12.7	6.6	22.5	13.6	0.7	16.5
19.2	2.6	10.5	18.5	7.9	5.9	20.6	11.8	0.6	15.4
14.7	1.3	10.2	11.0	6.4	5.5	19.7	11.2	-0.9	14,8
12.2	-1.8	3.6	3.3	4.3	1.6	19.2	11.1	7.1	13.9
9.1	-13.1	3.5	-4.1	2.3	0.4	12.0	4.1	-8.8	7.2
8.6	- 3.5	2.9	-4.2	0.5	-22	10.5	2.9	-8.9	7.1
7.6	-13.9	2.3	-5.2	0.0	7.0	7.5	2.0	-9.1	2.8
5.7	-17.6	-2.4	-28.7	-4.8	V _{9.7}	2.6	-6.3	-15.8	2.1

Source: Morningstar Direct. Total return in GBP.

This chart shows that past performance is not a reliable indicator of future results

PRESERVE: Endeavour to avoid permanent loss of capital

Avoiding high levels of economic and financial leverage is key...



Earnings % Change By Sector Through the Great Financial Crisis

Source: Bloomberg, MSCI Sectors & Subsectors % Change in trailing twelve month earnings per share between 29th Feb 2008 and 31st Jan 2010

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GROW: Compounding Cashflow

Equities : Back to Basics

Long-term return from equities

- = dividend yield + dividend growth
- Lindsell Train UK Equity Fund
 - Underlying portfolio dividend yield = 3%
 - Underlying dividend growth since launch = 9%
 - Implied long-term return can be expected to be approximately:
 - 3% + 9% = 12%

Source: Morningstar Direct, Dividend yield data from Lindsell Train Limited, 10 years from launch. *Example only – this slide should not be viewed as the endorsement of the mangers' strategy, but is shown as a calculation example. Any individual fund should be held as part of an overall portfolio.

10 Years from launch: 10th July 2006 – 10th July 2016



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Approaching Investment

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REAL: Even modest inflation erodes wealth over time

	0	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	100	99.0	98.0	97.1	96.2	95.2	94.3	93.5	92.6	91.7	90.9
2	100	98.0	96.1	94.3	92.5	90.7	89.0	87.3	85.7	84.2	82.6
3	100	97.1	94.2	91.5	88.9	86.4	84.0	81.6	79.4	77.2	75.1
4	100	96.1	92.4	88.8	85.5	82.3	79.2	76.3	73.5	70.8	68.3
5	100	95.1	90.6	86.3	82.2	78.4	74.7	71.3	68.1	65.0	62.1
6	100	94.2	88.8	83.7	79.0	74.6	70.5	66.6	63.0	59.6	56.4
7	100	93.3	87.1	81.3	76.0	71.1	66.5	62.3	58.3	54.7	51.3
8	100	92.3	85.3	78.9	73.1	67.7	62.7	58.2	54.0	50.2	46.7
9	100	91.4	83.7	76.6	70.3	64.5	59.2	54.4	50.0	46.0	42.4
10	100	90.5	82.0	74.4	67.6	61.4	55.8	50.8	46.3	42.2	38.6
25	100	78.0	61.0	47.8	37.5	29.5	23.3	18.4	14.6	11.6	9.2
50	100	60.8	37.2	22.8	14.1	8.7	5.4	3.4	2.1	1.3	0.9
100	100	37.0	13.8	5.2	2.0	0.8	0.3	0.1	0.0	0.0	0.0

- Loss greater than 25% of original capital

- Loss greater than 50% of original capital

Years

Approaching Investment

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TIME: Long term fundamentals drive returns



Source: Credit Suisse HOLT as of 23/8/2017, Universe: S&P 500 Index, data from 31/12/1998

TIME: Investing is for the long-term



The charts show the total return and the annualised return from the MSCI UK since 1998, first if you just bought and held the index, reinvesting dividends and then showing the impact of missing out on the best 10, 20 and 30 days of the MSCI UK through bad market timing. If you bought and held over the 20 odd years then the total return would have been 101.23%. But if you remove the 10 best days this falls dramatically to just 1.44%.

Source: Tilney and Bloomberg, June 2020. The value of an investment may go down as well as up and you may get back less than you originally invested



QUESTIONS & ANSWERS



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