RHODES

WEALTH MANAGEMENT

CLIENT BULLETIN

QUARTER 2

2021

RHODES
WEALTH MANAGEMENT

Foreword from

Adam Rhodes

Managing Director

Rhodes Wealth Management

Thank you for taking the time to view this latest edition of the Rhodes Wealth Management client bulletin. Last month marked the anniversary of the first coronavirus lockdown, as I look back on the previous twelve months, I find it remarkable how the world has flexed and adapted to the situation we have all been faced with. From home-schooling to zooming our loved ones, we have all found new ways to overcome the problems we have faced.

As the impressive vaccination roll out programme continues across the four home nations, many are beginning to allow themselves to hope that this is the beginning of the end, and that there really is an end in sight. With that in mind, we wanted this edition of the bulletin to be a positive one and focus on what lies ahead, not what has gone before.

On Thursday, 22nd April we are joined by Diane O'Connor from St. James's Place to provide us with an update on the financial markets, and to give us an insight into how analysts believe the economic recovery will occur in the UK and abroad. This should be an informative session and an opportunity for us to put some of our own questions to Diane. To register for the event please visit the 'events' page of our website.

Despite not wanting to look backwards in this edition, it would be remiss of me not to take a moment to mention Jason Hale's retirement and thank him for his contribution to RWM during his time with us.

Jason's desire had been to slow down and eventually step away from advising his clients, indeed, this was one of the reasons for deciding to merge the two businesses back in 2019 - to ensure HWM clients would continue to benefit from excellent financial planning advice. So now that Jason has entered retirement, we are aiming to make the transition from HWM to Rhodes Wealth Management as seamless as possible.

I am sure you will join me in wishing Jason a long and healthy retirement as he gets to enjoy it with Joanne, Louis and Ruby.

Yours sincerely

Adam Rhodes

Client Events

Please join us at one of our regular client events:

Market Update

Guest speaker Diane O'Connor joins us virtually to deliver the latest developments in the financial markets

Thursday 22nd April - 1pm

Register at www.rhodeswealthmanagement.co.uk/events

Virtual Culinary Demonstration

Michelin star trained chef Darryl Breen will be back by popular demand to host another RWM VCD

Thursday 13th May - 6pm

Register at www.rhodeswealthmanagement.co.uk/events

RWM Annual Golf Day

Date for your diaries: Thursday 22nd July
Location: The Rushcliffe Golf Club
Register your interest with your Financial Adviser

Getting life back on track

UK adults are taking life milestones more seriously than ever following 12 months of restrictions.

Although it might feel like the world has been put on pause over the last 12 months, new data released today shows that only one in five UK adults had to put their personal goals or ambitions on hold as a result.

Instead, most Brits have reassessed and changed their goals with the world around them (40%) or indeed have remained determined to follow their career, family or property dreams (31%).

The research from St. James's Place indicates that COVID-19 has meant Brits are taking their goals more seriously than before, with a quarter (25%) feeling anxious or worried, having lost a year of time working towards their long-term goals. However, a similar number (22%) also feel more focused, having used the last 12 months to reassess what's important to them, and now know what they want – whether that be a new car, house, job, or even a baby.

It comes as no surprise that the majority of adults valued family and relationships as the most important life focus pre-pandemic (74%), and this remains the same now (78%). However, 59% of Brits now hold personal health as 'very important', an increase of 13% from before the pandemic.

Research reveals that people are focused on the positives that have come out of the last 12 months, such as being able to cook more (31%) and having more free time to exercise (25%).

"It is really positive to see that although the pandemic has brought hardship and uncertainty to many, there have also been some real positives, especially as people place their general wellbeing as a greater priority than before," says Alexandra Loydon, Director of Partner Engagement and Consultancy.

"I am really encouraged to see that people have continued working on their goals over the last year and have simply adapted their path, focusing on long-term stability rather than short term turbulence. With the constant change so many have experienced, it would have been easy to abandon plans or simply put them on hold. However, our research shows that in fact people have become more flexible and adaptable, with family relationships and health goals balanced with career and money ambitions, and many now considering a financial goal an important part of their life plan."

Increased savings are a silver lining

With hospitality venues, beauty and retail closed and travel abroad restricted over the last year, one in three adults (37%) have also been able to save more money, on average pocketing £1,660, although there is a big gap between men and women at £2,040 to £1,300. The biggest savers by age are 25-34 at £2,330, with the worst 45-54 at £840. A quarter of Brits now claim that having a financial goal is important to them, as a result of the pandemic.

However, despite the influx of cash, most Brits turn to family or friends for financial advice, particularly adults aged 18-24 (family: 61%, friends: 48%), as opposed to a financial adviser (22%).

"The pandemic has taught us a really valuable lesson as to what (admittedly, enforced) financial discipline can do for your future," says Melloney Underhill, Marketing Insights Manager.

"It's so nice to see a silver lining for those who haven't lost their jobs or had their incomes reduced. Their 12 month spending diet could set them up for a brighter financial future, but they need to be careful not to blow all those savings once restrictions are lifted."

"Seeking financial advice about how you could achieve your long-term goals is key to making the most of what you've accumulated."

Seize the opportunity

If you're a member of that fortunate group who saved more during the pandemic, now's the time to take action.

With potential tax hikes on the horizon it's worth making effective use of the shelters that are available for your money, and checking you won't pay unnecessary tax on any future profits. If you've already got an ISA, consider whether it's still aligned to your long-term goals.

It's more important than ever that you've got a retirement savings plan in place, your pension is working hard for you and that you know how much a comfortable retirement is going to cost.

Wherever you are on your financial journey, Rhodes Wealth Management is here to help. Just ask.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief generally depends on individual circumstances.

All statistics taken from research carried out by Research Without Barriers on behalf of St. James's Place, sample size 1,026 UK adults, March 2021.

Should you start a pension for your child/grandchild?

Investing in a child's future could set them up for more than just a wealthier retirement.

The cost of raising children has often been a pressure point for family finances, and the COVID-19 pandemic has only made many budgets even tighter.

Loughborough University's Centre for Research in Social Policy has quantified the cost to couples of bringing up a child from birth to the age of 18 as just over £150,000, while the cost for a single parent is more than £180,000.[1]

The financial challenges facing many parents will put the idea of building a nest egg for their children way down the list of priorities. But if one's aim is to help a young child save for a distant goal, then the earlier these savings are started the better.

The benefits of a long-term approach to investing are time-tested and the principle is very simple: the longer an investment has to potentially grow, the greater the benefit will be from the year-on-year compound effect of reinvested returns.

Ways to save

There are several options for parents and grandparents wanting to put money aside for descendants. The Junior ISA (JISA) is perhaps the most popular. A JISA is an ideal way to provide money for a future house deposit or university fees. A JISA must be opened by a parent or legal guardian, but after that, anyone can contribute.

Less well-known is that children can also have a pension fund as soon as they are born – and setting one up can bring significant tax advantages. Even if your child is a non-taxpayer, they will still get basic-rate tax relief on contributions. That means a maximum of £2,880 a year is automatically grossed up to take account of tax at 25%, giving an annual investment of £3,600.

Furthermore, as younger investors have time on their side, you may wish to take on more risk with their pension investments. It's not unusual for younger investors to be fully invested into equity funds.

The magic of compounding

"Starting early, and saving regularly can have an extraordinary impact," notes Rob Gardner, Investment Director at St. James's Place.

"It's all about compound interest, it is the key to growing wealth. Albert Einstein called compound interest the eighth wonder of the world and said; 'Those who understand it, earn it, those who don't, pay it.' The secret is to start saving into a pension as early as possible, even with relatively small amounts, to take advantage of it."

Just as with pensions for adults, pension pots for kids have the opportunity to grow in a tax-advantaged environment. And in common with JISAs, anyone can pay into the pension on the child's behalf – parents, grandparents, godparents, friends or other family members. (Bear in mind that only the child's parents or guardians can set them up initially.)
Saving this way may also help mitigate an Inheritance Tax (IHT) liability as payments from grandparents, for example, may be covered by the annual £3,000 IHT gifting allowance, or the exemption for payments made out of income.

Educational value

Under current legislation, savers can gain access to their pension fund at 55. But the benefits can be felt long before that.

Saving into a pension for your children will ease the pressure on them to start their retirement planning while they are just starting out in their careers and facing the costs of starting a family and buying their first home. Moreover, it may help to boost their understanding of tax relief and the value of saving.

"Educating the next generation in financial literacy is not a nice to have – it's the best investment you can make to secure their financial future", says Gardner.

Children learn their money saving habits very early in life, yet young children rarely receive lessons on budgeting and money management. So, helping a child to fund their own pension could be one way to help them understand concepts such as compound interest", adds Gardner, who is also the co-founder of RedSTART, a charity that seeks to improve financial education focused on primary school education.

There is a growing consensus that managing money should form a bigger part of early-years education. But many will argue that it should also be the parents' responsibility to teach their children the real value of money and how to approach it. Starting a JISA or pension for a child may be the key that gives them the encouragement to learn good saving habits for life.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

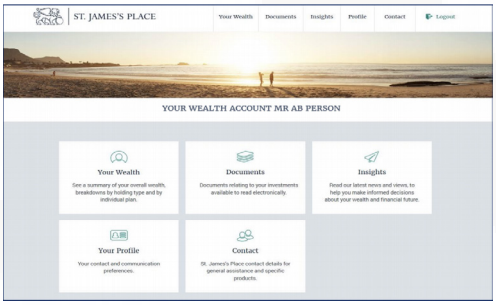
The levels and bases of taxation, and reliefs from taxation, can change at any time and are generally dependent on individual circumstances.

1 Loughborough University's Centre for Research in Social Policy, 2018

Did you know you could access your St. James's Place accounts online?

The St. James's Place Online Wealth Account offers the follwing services:

- View the value of your investments and a breakdown of that valuation
- Access SJP Insights for the latest investment news
- Receive electronic communications and update your future mail preferences
- Make debit card payments direct to St. James's Place
- Top up your ISA at a time that suits you



If you would like to register for the Online Wealth Account then please contact a member of the RWM Team who will help you through the process.

Please call 01332 497670 or email rwm@sjpp.co.uk

A new tax year in a new world

Now the new tax year has arrived it is worth reflecting on your financial position as we begin to emerge from the pandemic.

The Chancellor used The Budget as a springboard for economic recovery in 2021/22 so has held back from taking money via pensions grabs or hiking income taxes… so far.

Meanwhile, there is still an incentive for property investors, thanks to the extension of the stamp duty holiday until the end of June. That tax exemption is on the first £500,000 of any residential property transaction, saving buyers up to £15,000. From July we will begin to see a phased return to the normal rates of stamp duty October.

But be quick if you are looking to take advantage of the scheme - there has been a backlog in processing house sales because of huge demand over the past few months.

There had been intense speculation that the pension lifetime allowance – the most allowed in a pension pot before triggering an extra tax charge – would be reduced but it has been held at £1,073,100 until 2026. Those with pension savings at or over this value will need to plan carefully will be to minimise any impact, at least in the short term.

The current £20,000 limit for adult ISAs will continue into the next tax year, as will the £9,000 maximum contribution to Junior ISAs and Child Trust Funds. Junior ISAs present a great opportunity to help give children a financial head start.

Unfortunately, recent events make it probable that savings rates will remain low for many years to come, so the best option may be to look to Stocks and Shares. The current volatility in markets can be off-putting but investing in stocks and shares is likely to remain the best long-term option for ISA savers despite the current volatility in the market.

The same consideration could be given to adult ISAs where you could invest up to £20,000 in the 2021/22 tax year.

The inheritance tax nil-rate bands will remain at existing levels until April 2026 with each individual has a tax-free allowance – the 'nil-rate band' – of £325,000.

If a property is given away to a direct descendant (i.e. children or grandchildren) there is an additional allowance of £175,000 which has also frozen until 2026. Not everyone will qualify for the full allowance though, if your total estate is worth more than £2m, the extra allowance tapers off, falling by £1 for each £2 above the threshold.

It means that married couples and civil partners could give away up to £1m free of inheritance tax.

If you would like to find out more about the new tax year allowances, please get in touch with your Rhodes Wealth Management Adviser.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

An investment in a Stocks and Shares ISA will not provide the same security of capital associated with a Cash ISA or a deposit with a bank or building society.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are dependent on individual circumstances.

RHODES

WEALTH MANAGEMENT

www.rhodeswealthmanagement.co.uk
rwm@sjpp.co.uk
01332 497670