



Four Oaks

Financial Services Limited

providing positive solutions

168 Birmingham Road
Shenstone Wood End
Lichfield
WS14 0NX

T 0121 323 2070

E clientsupport@fouroaksfs.com

www.fouroaksfs.com

ESSENTIALLY WEALTH

Q2 2021 ISSUE 20

**VACCINES – PUTTING A
SPRING IN INVESTORS' STEP**

**THE HAPPIEST PLACES
TO RETIRE**

INVESTMENT SCAMS

**FIRST-TIME INVESTORS
DIP A TOE**

**ESG: FROM NICHE
TO MAINSTREAM**

**DON'T NEGLECT
YOUR FINANCIAL
SECURITY**

IN THIS ISSUE

VACCINES - PUTTING A SPRING IN INVESTORS' STEP	2
THE HAPPIEST PLACES TO RETIRE	3
INVESTMENT SCAMS MOVE UP A GEAR	3
A "SWIFTER AND MORE SUSTAINED ECONOMIC RECOVERY" ON THE CARDS?	4
FIRST-TIME INVESTORS DIP A TOE	5
ESG: FROM NICHE TO MAINSTREAM	5
DON'T NEGLECT YOUR FINANCIAL SECURITY	6
SEPARATING YOUR FINANCES ON DIVORCE	6
UK ADULTS WISH THEY'D BEEN TAUGHT MORE ABOUT PENSIONS	7
WOMEN MUST WORK FOR 40 MORE YEARS TO CLOSE GENDER PENSION GAP	8
BUDGET 2021: A 'STEALTH TAX'?	8



VACCINES – PUTTING A SPRING IN INVESTORS' STEP

The arrival of spring is generally associated with a sense of optimism and, this year more than ever, we are all certainly in need of a positive boost. Thankfully for investors, there are increasingly hopeful signs on the horizon, with a growing belief that we are now at least starting on the road to economic recovery.

Reasons to be hopeful

The successful development and rapid rollout of COVID-19 vaccines has provided hope that we will soon be able to live with the virus. As well as protecting vaccinated individuals, there are encouraging signs that the immunisation programme will slow transmission in the community. This has raised hopes of a significant, vaccine-powered revival in economic activity later this year.

Rebound in global growth

This vaccine-fuelled optimism is reflected in recent economic forecasts; the International Monetary Fund's latest projections suggest that the global economy is set to expand by 6% this year and 4.4% in 2022. For the UK, the IMF forecast growth of 5.3% this year, up from a previous forecast of 4.5% made in January, followed by growth of 5.1% in 2022.

Negative rates?

A further boost to equity investments could stem from negative interest rates. Although it remains unclear whether such a policy will be introduced, back in February, the Bank of England gave banks and building societies six months to prepare for such a possibility. If enacted, sub-zero rates would further reduce the incentive to keep money in deposit accounts and thereby potentially increase demand for equities, placing greater emphasis on investment portfolios.

Spring clean your finances

Although the economic outlook is uncertain, there are positive signs for investors and the need to ensure your investment portfolio is working hard for you is more important than ever. Now could be the perfect time to review your portfolio and rebalance the allocation of asset classes, if necessary, to ensure your investments are well-diversified and performing in line with your long-term requirements and objectives.



THE HAPPIEST PLACES TO RETIRE

Whether retirement is a long way off or just around the corner, retiring as comfortably as possible is likely to be a primary objective.

Having analysed the happiest cities to spend retirement across the globe, one study¹ has revealed that Helsinki takes the number one spot. The research also shows that people typically need a pension pot of around £225,000 to comfortably retire in one of these cities.

Best places to retire

The analysis used a 'happiness index' to rank cities from around the world. This was based on findings from the 'World Happiness Report' as well as cost of living, average salary and life expectancy data from over 50 countries.

Alongside Helsinki, three more northern European capitals – Copenhagen, Reykjavik and Oslo – also featured in the

world's top five cities with the happiest retirees. Switzerland's Geneva made up the final member of the quintet, sitting third on the list.

UK makes the top 20

When taking into account not only the happiest but the most affordable places to retire, Australia's Melbourne topped the list. Reassuringly, Belfast, Edinburgh and London also featured among the world's top 20 happiest retirement cities ranked on this basis.

¹Audley Villages, 2020

HELSINKI TAKES THE NUMBER ONE SPOT



INVESTMENT SCAMS MOVE UP A GEAR

The number of fraudsters using the details of legitimate firms to rope unsuspecting consumers into investment scams increased by 29% in the year to September 2020.

The methods employed by investment scammers have become increasingly sophisticated, with the Financial Conduct Authority (FCA) issuing a warning in January against these so-called 'clone firm' scams².

What is a clone firm?

According to the FCA, clone firms are 'fake firms set up by scammers using the name, address, and 'Firm Reference Number' (FRN) of real companies authorised by the FCA.'

The FCA currently has a warning list of 'clone firms' on its website, which you should check carefully before handing over your money: www.fca.org.uk/scamsmart/warning-list.

Financial uncertainty can increase susceptibility

The climate of uncertainty caused by the pandemic has left many consumers worried about their finances, which in turn has increased their vulnerability to 'too good to be true' investment offers.

However, with an average of £45,242 lost by victims of 'clone firm' investment scams in 2020, it pays to be cautious.

Don't lose out

If you have any doubts whatsoever that an investment opportunity is legitimate, please speak with us. We can help you spot the signs of fraud and keep your hard-earned money where it belongs.

²FCA, 2021



A “SWIFTER AND MORE SUSTAINED ECONOMIC RECOVERY” ON THE CARDS?

Continued support during the pandemic was, unsurprisingly, the main focus of Rishi Sunak’s Budget Statement on 3 March, in what continues to be an exceptionally challenging time for all global economies.

The Chancellor proclaimed that he would “continue doing whatever it takes” by outlining a three-point plan offering support for jobs and businesses, fixing finances, and charting economic rebound, which he anticipated will be “*swifter and more sustained*” than previous expectations.

He revealed the UK medium-term economic outlook from the Office for Budget Responsibility (OBR). Over the remainder of 2021, a strong economic rebound for the UK is forecast, as restrictions ease and allow economic activities to resume. The OBR forecasts that growth will moderate towards the end of 2021 and output will return to its pre-pandemic level in mid-2022, six months earlier than previous predictions, reflective of the faster rollout of the vaccination programme.

The Chancellor was left with little room for manoeuvre when it came to taxation, as the Conservative manifesto pledged not to alter Income Tax, National Insurance or VAT, so some key tax thresholds will now be frozen. For example, the Personal Allowance has risen with inflation for 2021-22 as planned, to **£12,570**, before 20% Income Tax becomes payable, and the higher rate threshold, at which people start to pay tax at 40%, has risen to **£50,270**, but then both thresholds will be frozen at these levels until April 2026. Similarly, tax thresholds for the pension Lifetime Allowance, Inheritance Tax and the annual exemption for Capital Gains Tax will be frozen until 2026.

In other Budget news – the Treasury has announced plans to launch a ‘green savings bond’ later this year through

National Savings & Investments (NS&I). The investment will allow UK savers to invest in green projects. Funds raised will be earmarked for projects such as renewable energy and clean transport. Full details of the bond are yet to be revealed.

A STRONG ECONOMIC REBOUND FOR THE UK IS FORECAST, AS RESTRICTIONS EASE AND ALLOW ECONOMIC ACTIVITIES TO RESUME





FIRST-TIME INVESTORS DIP A TOE

With interest rates plummeting to record lows and rumours of negative rates on the horizon, many savers are shying away from traditional savings accounts and trying their hand at investing, though it remains important to hold enough for emergencies in accessible, risk-free form.

While the pandemic has caused financial difficulty for many families over the past year, others have been able to put more money aside as a result of spending less on non-essential items. Official figures³ show that the household savings ratio increased from 9.6% in Q1 2020 to a record high of 29.1% in Q2.

Saving vs investing

A total of £125bn was deposited into savings accounts last year, according to Bank of England data, and that figure is expected to rise substantially during the first half of 2021. Many people have therefore seen their savings balances grow at a time when savings rates have hit rock bottom,

prompting many to turn their backs on cash and dip their toes into the investment waters.

The importance of advice

With so many funds available, the investment process can appear daunting and it can be difficult to know where to start. Working out a sound investment plan with sensible goals is key, as is seeking financial advice before you begin.

Invest over the long term

Investing should be a long-term commitment and it's important to have a savings safety net in place before you start. Historically, while investing in equities has delivered better returns than cash, there is inevitably a risk the value of investments can fall. This means we need to establish your risk tolerance before recommending any investments.

Whether you're thinking about your pension, creating an investment portfolio, a stocks and shares Individual Savings Account (ISA), or even a Junior Individual Savings Account (JISA) for a family member, we can help you begin your investment journey.

³UK Parliament, 2021

ESG: FROM NICHE TO MAINSTREAM

Environmental, social and governance (ESG) investing looks set to continue gaining traction, as ESG factors increasingly merge into mainstream investment strategies, new research suggests.

ESG investing has grown substantially across the world over the past few years, with investors becoming increasingly keen to learn where their money is going and whether it is having a positive impact. A survey conducted by CoreData has revealed that 73% of UK fund buyers now expect all investment funds to incorporate ESG factors within their strategies in the next five years⁴.

Pandemic a key driver

Additional findings suggest the pandemic has accelerated this momentum, with eight out of ten UK fund investors saying it has increased their focus on ESG. Commenting on the survey, founder and principal of CoreData, Andrew Inwood, said, "The pandemic has helped reset humanity's moral compass and encouraged people to favour investments aligned with their beliefs and values."

COP26 could highlight ESG investing

As for the most important ESG concerns, separate research⁵ has shown that environmental issues top the list, particularly pollution and waste, and climate change. The trend towards ESG investing is likely to be further heightened in the run-up to the 26th UN Climate Change Conference of the Parties (COP26) which is being hosted by the UK in Glasgow this November.

The election of President Biden and his commitment to an ambitious new climate regime could also raise the profile of both COP26 and climate change issues in general. As a result, ESG investing is likely to remain firmly in the spotlight.

⁴CoreData, 2021, ⁵BlackRock, 2020

DON'T NEGLECT YOUR FINANCIAL SECURITY

Financially supporting family members remains high on the agenda for a third of potential retirees, who spend more than £3,700 a year helping loved ones⁶.

With retirees planning on an average retirement income of £20,663, they anticipate around a fifth of this will be used to support the finances of younger family members.

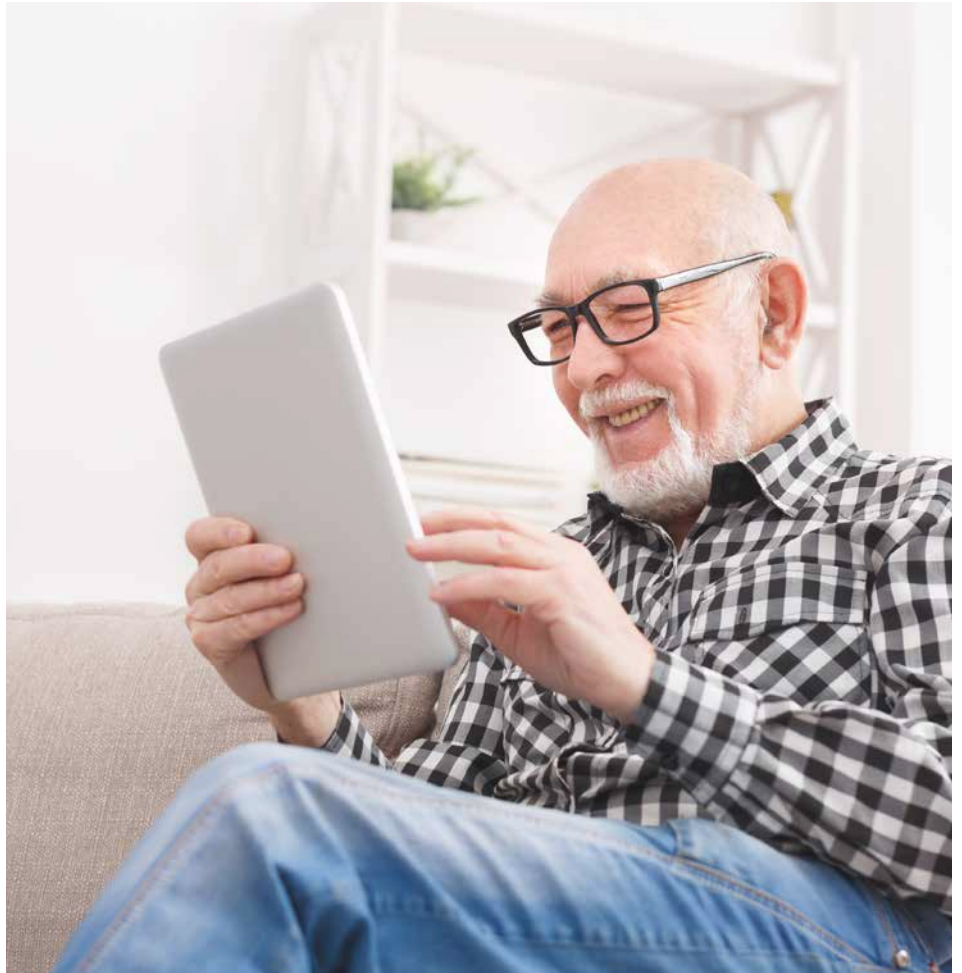
Accommodation and cash top priorities

As part of this support, 28% say they allow their family to live with them rent free, while one in four give regular cash to help cover living costs. One in five also cover some or all of their family's household bills and 19% pay for treats such as holidays. A further 15% say they have helped fund a property purchase, and 13% pay for university fees.

Your financial security matters too

It's only natural to want to help support family members, particularly in the current economic climate. However, pension savings have also been impacted by the pandemic and this could see some retirees having to tighten their belts. In turn, this could affect how much they can financially support others. We can help you work out how much support you can realistically provide without compromising your long-term financial future.

⁶Key, 2020



SEPARATING YOUR FINANCES ON DIVORCE

The pandemic and resulting lockdowns have put great pressure on many couples over the past year or so, and many relationships have sadly suffered as a result. The financial implications of this can be challenging.

How to split your finances

As part of the divorce process, a decision will need to be made on how

to fairly divide financial assets such as the family home, money in current and savings accounts, pensions and investments. Couples will need to consider whether they are entitled to a share in the sale proceeds of the property, for example, as well as the value of maintenance payments required to keep up with their own and their children's lifestyle.

Splitting up at a time when many people's finances are already squeezed can make the situation all the more stressful and it can

be hard to come to an agreement. If this happens, a couple may still be able to settle out of court by hiring a trained mediator or collaborative lawyer. If not, a court may have to decide.

When it comes to dividing assets tax-efficiently, we can provide support and guide you through how to best invest the proceeds of any potential settlement.



UK ADULTS WISH THEY'D BEEN TAUGHT MORE ABOUT PENSIONS

How much of what you were taught at school do you use in your everyday life? More than two-thirds of British employees wish they had been taught more financial skills at school, believing this would have improved their financial situation later in life⁷.

55% OF UK ADULTS DON'T FEEL COMFORTABLE TALKING ABOUT MONEY

Pensions sit at the top of this list, with 40% of respondents saying better education would have encouraged them to take their own pension more seriously while they were young.

Skills we wish we'd learnt

Other financial topics British workers wish they had learnt 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%**

Financial embarrassment

A separate study⁸ has revealed that 55% of UK adults don't feel comfortable talking about money, with nearly one in five (18%) citing shame or embarrassment as the primary reason. This is despite 48% saying they regularly worry about their finances.

The value of financial advice

Whether you have financial concerns or you're looking for help understanding financial basics, we're not here to judge. We can provide simple, jargon-free advice that can help you take control of your finances once and for all.

⁷Portafina, 2019

⁸Money and Pensions Service, 2020

WOMEN MUST WORK FOR 40 MORE YEARS TO CLOSE GENDER PENSION GAP

An insightful report⁹ makes it clear just how large the gender pension gap has become. A typical woman in her twenties, it reveals, would have to work an average of 40 years longer than a man to build up the same pension at retirement, with women currently averaging a £100k savings deficit compared to men when they retire.

Mind the gap

The study identifies several reasons for this sizeable difference between men and women's pension funds. Not only do men tend to earn more than women, but they are also more engaged with saving for retirement. Meanwhile, women spend seven extra years on average in part-time work, further diminishing their saving ability.

More needs to be done

The report called for several actions to improve the situation, including raising the default employee pension contribution, extending auto-enrolment to the self-employed and lowering the minimum age for the scheme from 22 to 18. Currently, employed under-22s aren't enrolled automatically but may opt in and benefit from employer contributions if they earn at least £6,240 a year.

⁹Scottish Widows, 2020



BUDGET 2021: A 'STEALTH TAX'?

A freeze on most major tax thresholds in the 2021 Spring Budget, including Income Tax, Inheritance Tax, pensions and Capital Gains Tax thresholds, is set to bring in billions for the Treasury over the next five years.

Paul Johnson, Head of the Institute for Fiscal Studies, commented that the spending plans unveiled in this year's Budget "*don't look deliverable, at least not without considerable pain.*" This pain, it appears, has taken the form of the largest tax hike since the early 1990s¹⁰.

Taxing by stealth

So, why are so many financial commentators referring to the Spring Budget as the 'stealth tax' Budget?

The reason that tax allowance and threshold freezes are often viewed as a 'stealth tax' is that they don't

immediately affect workers' take-home pay, meaning they are much easier to introduce than tax increases. Over the years, however, wages will rise with inflation, quietly pushing increasing numbers of people into higher tax brackets, resulting in higher returns for the Treasury.

This has led former Chief Economist at PwC UK, John Hawksworth, to comment that Mr Sunak had been "*a bit economical with the truth to say no-one will see their take-home pay shrink.*"

Tax efficiency is key

It is more important than ever to plan your finances carefully and use as many of your tax-efficient allowances as possible. We can help you build a comprehensive financial plan to ensure maximum tax-efficiency.

¹⁰IFS, 2021

Important Information: We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.