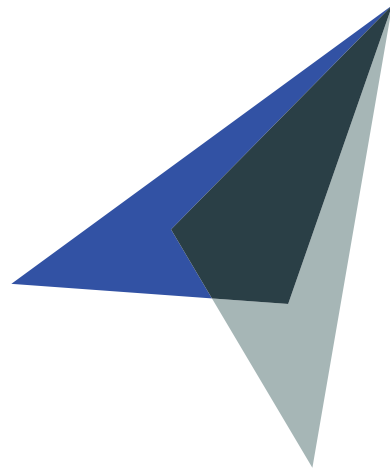


# IFA Fundamentals



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JULY/AUGUST 2023

## GETTING RETIREMENT READY

KEY STEPS TO ACHIEVING A  
COMFORTABLE RETIREMENT



### 10 REASONS TO GET YOUR TAX RETURN FILED NOW

British workers overpay £8.2bn  
in tax due to wrong codes

### TAX RELIEF MATTERS

How to build a  
bigger pension pot

### BUILDING A DIVERSIFIED PORTFOLIO

What is it, and why  
is it important?

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## INSIDE THIS ISSUE

**Welcome to our latest edition.** In this issue, a comfortable retirement is a common financial goal, and contributing to a pension is essential to achieving it. Although retirement may appear distant at the moment, there's much to consider. Let us assist you in navigating this crucial life milestone. By planning ahead and making smart decisions about your savings, you can ensure a stable and enjoyable retirement. On page 10 we consider what steps will help you get pension retirement ready.

According to new research, British workers overpay £8.2bn in tax due to wrong codes. Filing your tax return can be daunting, but there are plenty of reasons why you should get it done as soon as possible. On page 04, we provide 10 reasons to get your tax return filed now rather than panicking as the deadline approaches.

If you're under 75 and have relevant UK earnings, you can benefit from tax relief when contributing to a personal pension or workplace pension scheme. On page 12, we explain why as tax rules change and individual circumstances vary, it's always a good idea to consult us for specific guidance.

Trusting that your investments are progressing toward your objectives is vital, allowing you to concentrate on what you value most. This is why building a diversified portfolio is crucial to any successful investment strategy. The primary goal is to spread your investment portfolio across many different asset classes to mitigate the risk of each. Read the full article on page 06.

A complete list of the articles featured in this issue appears opposite.

### WANT TO DISCUSS NAVIGATING THE COMPLEXITIES OF YOUR FINANCES?



Our comprehensive financial planning services are designed to align with your current and future goals. We'll help you navigate the complexities of your finances, ensuring a well-structured strategy for life's various stages. Don't hesitate to contact us for more information about how we can help guide you towards a secure and prosperous financial future.



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INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

# NORMAL MINIMUM PENSION AGE UPDATE

## ESSENTIAL INFORMATION FOR YOUR RETIREMENT PLANNING

A significant change is on the horizon that may affect when you can access your pension money. We'll guide you through this change and its potential implications, so you can confidently prepare for retirement.

### The current normal minimum pension age

(NMPA) is 55, which means you can start taking your pension savings once you reach that age. Some exceptions exist, such as if you're experiencing ill health or have a lower protected pension age. However, the general rule applies to most people.

Starting from 6 April 2028, the NMPA will increase to 57. This change may affect you differently depending on your birth date. What does this mean for you?

### WHAT ACTIONS SHOULD I TAKE?

#### IF YOU WERE BORN AFTER 5 APRIL 1973:

It's a good idea to review any existing plans to determine if the change will affect them. You may need to plan for another couple of years of saving, which could alter your retirement income. No action is required if you didn't intend to access your pension savings before turning 57.

Regularly reviewing your retirement plans is a smart habit, especially as you approach the age when you'd like to start accessing your pension savings.

#### IF YOU WERE BORN AFTER 6 APRIL 1971, BUT BEFORE 6 APRIL 1973:

You have two options - carefully consider which one best suits your circumstances.

#### OPTION 1: ACCESS YOUR PENSION SAVINGS BEFORE THE DEADLINE

If you don't want to wait until you're 57 to access your pension savings, you'll need to

begin withdrawing funds between turning 55 and 6 April 2028. Remember that you can access your pension savings without taking large or regular amounts; you can decide what's right for you. However, obtaining professional financial advice before making any decisions is essential.

Remember that leaving your pension savings invested longer allows for potential growth. Also, note that taking taxable money from your plan (anything exceeding your tax-free entitlement) may reduce the amount you can contribute to your plan due to the Money Purchase Annual Allowance.

#### OPTION 2: WAIT UNTIL YOU TURN 57

No action is needed if you weren't planning to access your pension savings before age 57. You can access your pension savings at any time after turning 57. However, if you crystallise funds before 6 April 2028, you'll retain the opportunity to do so before age 57.

#### IF YOU WERE BORN ON OR BEFORE 6 APRIL 1971:

No action is required, as you will already be 57 when the change takes effect, and your retirement plans won't be impacted.

#### NOT RETIRED YET? REVIEW YOUR RETIREMENT DATE

Even if you can no longer access your money at 55, your retirement date may still be set to your 55th birthday. It's worth checking it now.

You can change your retirement date at any time, but the chosen date can affect your plan. For example, if you've invested in a lifestyle profile, your pension investments are designed to transition to lower-risk investments as you approach your retirement date. This helps reduce the impact of market fluctuations on your pot's value.

If your retirement date is set to your 55th birthday, but you don't plan to access your money until 65, your investments won't align with your plans, potentially affecting the value of your pension savings when you're ready to withdraw them. ◀

### THINKING ABOUT RETIRING BUT TRYING TO FIGURE OUT WHERE TO BEGIN?



Retiring is a big decision. You'll have different options when it comes to taking your money. We'll help you find suitable options so you can make the right choices. To discuss your retirement plans, please get in touch with us for more information.

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YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

# 10 REASONS TO GET YOUR TAX RETURN FILED NOW

BRITISH WORKERS OVERPAY £8.2BN IN TAX DUE TO WRONG CODES

According to new research, more than two-fifths (43%) of UK adults who have checked their tax code have found they are on the wrong one<sup>[1]</sup>. While a fifth (20%) of those who were on the wrong tax code were underpaying, almost three-quarters (71%) were overpaying as a result.

**Those who paid too much** gave the tax man £694 more than they were supposed to on average, with one in seven (13%) overpaying more than £1,000 - this totals £8.2bn in overpayments because of wrong tax codes<sup>[2]</sup>.

## CLAIMING BACK OVERPAID TAX

With only a third (36%) of UK adults comfortable with claiming back overpaid tax, around 34 million individuals need clarification about the process, many of whom could currently be owed an unclaimed tax rebate.

Conversely, two-thirds of UK adults (67%) believe they are on the correct tax code, but just 38% know this for sure, and taxpayers who haven't checked their code have yet to check their code for two years on average.

## SOONER RATHER THAN LATER

However, nearly two in five (38%) say they have noticed a change in the amount they pay in Income Tax in the past three months.

Filing your tax return can be daunting, but there are plenty of reasons why you should get it done as soon as possible.

## HERE ARE 10 REASONS TO FILE YOUR TAX RETURN NOW:

**1. Avoid penalties:** The earlier you file your tax return, the less likely you are to incur late filing penalties. These can add up quickly and put a dent in your finances.

**2. Reduce stress:** Filing your tax return early allows you to avoid the last-minute rush and reduces stress associated with meeting deadlines.

**3. Get your refund faster:** If you're due a tax refund, filing early means you'll receive your money sooner, which can help pay off debts or make new investments.

**4. More time to pay:** If you owe taxes, filing

early gives you more time to budget and make payment arrangements.

**5. Avoid errors:** Rushing through your tax return increases the likelihood of mistakes, which can lead to penalties or delays in processing your return. Filing early gives you ample time to double-check your information and make necessary corrections.

## 6. Maximise deductions and credits:

Filing early gives you more time to gather documentation and ensure you claim all eligible deductions and credits. This can help reduce your overall tax liability.

**7. Plan for the future:** Knowing your tax situation early allows you to make informed decisions about your finances for the coming year, including retirement contributions, investment strategies and other financial planning.

**8. Beat the rush:** Tax professionals tend to be swamped during the peak tax season. Filing early ensures you can secure an appointment and receive personalised attention from your tax advisor.

**9. Protect against identity theft:** Filing your tax return early can reduce the risk of identity theft, as it leaves less time for criminals to file a fraudulent return in your name.

**10. Peace of mind:** Finally, filing your tax return early provides peace of mind, knowing that you've fulfilled your obligations and can move on to other essential tasks.

## ENSURE YOU'RE PAYING THE RIGHT AMOUNT OF INCOME TAX

Understanding your tax code is vital to ensure you're paying the right amount of Income Tax. Those not on the correct code may find themselves out of pocket. If it's wrong, you may contribute more or less than you should.

And although overpaying means you should get a rebate - if and when it's spotted - underpaying means you may have to pay HMRC a lump sum to make up the shortfall. If you are in doubt about your tax code, there are a variety of online resources to help you check, including salary and pension withdrawal calculators.

If you think you need to have your tax code corrected, you can call HMRC directly. Remember there are time limits to reclaim overpaid Income Tax, which is four years from the end of the tax year in which you are trying to claim. There are minimal exceptions to this - for example, if HMRC has made an official error - so if you are in any doubt, the earlier you contact HMRC, the better. ◀

## WANT TO DISCUSS YOUR FINANCIAL PLANS?

Filing your tax return early offers many benefits, from avoiding penalties and reducing stress to maximising eligible deductions and protecting against identity theft. Don't wait until the last minute - start preparing your tax return now and enjoy these advantages. For more information, please get in touch with us.



## Source data:

- [1] Research conducted by Opinium among 2,000 UK adults between 21-25 April 2023.  
 [2] On a nationally representative survey of 2,000 UK adults, 445 are UK adults who know how much they overpaid in tax the last time they were on the wrong tax code.  $445 / 2,000 * 52,890,000$  (UK adult population) = 11,768,025 (shorthand 11.8 million).  $£694 * 11,768,025 = 8,167,009,350$  (shorthand £8.2 billion).

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# ARE WE ENTERING AN INVESTMENT BOND RENAISSANCE?

EXPLORING WHY THEY ARE AN ATTRACTIVE OPTION TO MASS-AFFLUENT INVESTORS

**Onshore investment bonds typically carry a lower risk and contribute significantly to a well-rounded portfolio.** Historically, numerous investors have opted for a 60% equities and 40% bonds split in their portfolios, as these two assets often (keep in mind, not always) exhibit contrasting performances under varying economic circumstances – a beneficial attribute during market volatility.

## Following the Capital Gains Tax (CGT)

changes announced in last year's November Autumn Statement, many investors are likely considering investment bonds a more attractive option. The Chancellor's decision to reduce the CGT allowance to £6,000 this year and to £3,000 in April 2024 means investment bonds are more attractive to mass-affluent investors who previously held money in OEICs and unit trusts.

## INVESTMENT BONDS OFFER SEVERAL BENEFITS:

- Onshore bonds are not liable to CGT. Onshore bonds are treated as having already paid 20% tax on any gains when calculating a chargeable gain. In reality, the tax deducted is likely to be less than this.
- They can be ideal for Inheritance Tax (IHT) planning and are exempt from IHT after seven years if held in a trust.
- Investors can withdraw up to 5% of their initial investment annually without triggering a chargeable event or any immediate tax liability.

- Top slicing relief is available to reduce tax liability, which can eliminate or significantly reduce any tax liability when a chargeable event is incurred – helpful if investors are in the accumulation phase and are preparing for retirement (maybe a higher rate taxpayer while owning the bond, but a basic rate taxpayer when encashing).
- There are options to assign a bond (for example, between husband and wife as a genuine gift). For tax purposes, the assignment will generally be treated as if the new owner had always owned it – if one is a basic rate taxpayer, they could have no tax to pay on encashment.

## HAVE YOU EXHAUSTED YOUR OTHER TAX ALLOWANCES?

Changes to CGT and the tax-free dividend allowances are also likely to appeal to investors looking to reduce IHT liabilities and those who have used their Individual Savings Account (ISA) allowances or received a large windfall payment. ◀

## WANT TO LEARN MORE ABOUT INVESTMENT BONDS?

If you would like to arrange a no-obligation consultation to discover your investment options, please get in touch with us to discuss your distinct needs. We're looking forward to hearing from you.



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# MAXIMISING YOUR INVESTMENTS IN YOUR 50s

TIME TO EVALUATE WHETHER YOU NEED TO MODIFY YOUR OBJECTIVES OR SAVING STRATEGIES?

As you enter your 50s, retirement is no longer a distant dream but a rapidly approaching reality. Ensuring that your investments work diligently to secure the lifestyle you envision for your golden years is crucial. By optimising your financial strategy now, you can confidently retire according to your personal goals and aspirations.

**Defining your retirement savings target** may have been on your financial to-do list for some time. However, delving deeper and establishing a more precise goal is essential. Determining the amount you need to save for retirement involves considering your desired retirement age, post-retirement activities, expected investment returns and inflation rates.

Obtaining professional financial advice will provide valuable insight into the longevity of your retirement savings, helping you evaluate whether you need to modify your objectives or saving strategies. By refining your retirement goals, you can work towards a concrete target and ensure a comfortable and secure future.

## EVALUATE YOUR INVESTMENT STRATEGY IN YOUR 50S

In your 50s, as you approach retirement, it's crucial to reassess your investment portfolio to ensure the proper balance between risk and reward. The level of risk suitable for you will depend on your retirement funding plan and target retirement date.



If you plan to purchase an annuity in a few years, it may be wise to gradually shift your pension fund from equities to lower-risk assets like cash. This helps avoid a potential stock market downturn that could deplete your pension just before you need to buy an annuity.

On the other hand, if you intend to finance your retirement through income drawdown and additional savings and investments, moving to cash too early might result in your money running out sooner than expected. Maintaining some exposure to equities allows your portfolio the chance for long-term growth. Remember that your retirement could last for several decades, during which inflation will decrease the real value of your savings and diminish your money's purchasing power.

One way to counter rising prices is to stay invested in the stock market, as history demonstrates that it performs better than cash and outpaces inflation over extended periods. Diversifying your investments across various asset classes can help your portfolio withstand market fluctuations.



Obtaining professional financial advice will help you determine the ideal asset mix for your situation, considering your investment horizon and risk tolerance.

#### **BOOST YOUR RETIREMENT SAVINGS WITH PENSION TAX RELIEF**

Pensions are a powerful tool for saving for retirement, especially when you're in your 50s. One of the main reasons for this is the tax relief you receive on personal pension contributions. This tax relief can significantly enhance your retirement savings, making it essential to focus on your pension as you approach retirement.

When you make a pension contribution, the government provides tax relief, essentially free money. For example, a £1,000 pension contribution would only currently cost you: £800 if you're a basic rate taxpayer; £600 if you're a higher rate taxpayer; and £550 if you're an additional rate taxpayer (assuming you have at least £1,000 of income in the higher/additional rate bands). This tax relief can help you grow your retirement savings more quickly and efficiently.

You can make tax-relievable personal contributions of up to 100% of your UK relevant earnings or £3,600 if more up to age 75. The annual allowance is currently £60,000 and this applies to contributions from all sources including any employer contributions. If the annual allowance is exceeded, you will be liable for a tax charge on the excess. However, your pension annual allowance could be lower than this if you have a very high income.

If you wish to save more than your annual allowance, you may be able to utilise unused allowances from the previous three tax years

under carry-forward rules. This option allows you to maximise your pension contributions and use the tax relief available.

Focusing on your pension and taking advantage of tax relief is a smart strategy for those in their 50s looking to boost their retirement savings. Understanding the benefits of pension tax relief and maximising your contributions can ensure a more financially secure future during your retirement years.

#### **MAXIMISE YOUR TAX ALLOWANCES**

As an investor, there are numerous tax allowances you can take advantage of to maximise your financial benefits. One such allowance is the Individual Savings Account (ISA), which currently allows you to invest up to £20,000 per year (tax year 2023/24) and enjoy tax-efficient income and growth.

With the flexibility to withdraw from ISAs without paying tax, they serve as a valuable income source for those retiring before age 55 (the current normal minimum pension age (NMPA) and contribute to a tax-efficient retirement income portfolio. Starting from 6 April 2028, the NMPA will increase to 57. This change may affect you differently depending on your birth date.

Other essential allowances to explore include the personal savings allowance, dividend allowance and capital gains tax exemption. These allowances currently allow you to earn tax-free interest up to £1,000, depending on your marginal Income Tax rate. Additionally, you can receive tax-free dividends up to £1,000 (the allowance is set to reduce to £500 in April 2024) and enjoy tax-free investment gains up to £6,000

for the 2023/24 tax year (the allowance is set to reduce to £3,000 in April 2024).

Obtaining professional financial advice will help you optimise your allowances and structure your portfolio for maximum tax efficiency. By leveraging these allowances, you can make the most of your investments and secure a comfortable financial future. ◀

#### **ARE YOU LOOKING FOR GUIDANCE TO NAVIGATE THE WORLD OF INVESTMENTS?**

Investing your money is an effective way to reach your long-term goals and aspirations. By investing your money, you could earn a higher return than if you were to save it in a low-interest savings account. This means that your money could grow substantially over time, giving you a better chance of achieving your financial goals. For more information, please get in touch with us.

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# RESPONSIBLE ASSET SELECTION

SUPPORTING RESPONSIBLE PRACTICES AND  
CONTRIBUTING TO A SUSTAINABLE FUTURE

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**Environmental, Social and Governance (ESG) investing** is a strategy that focuses on companies that prioritise environmental, social and governance factors in their operations. Investing in these businesses aims to support responsible practices and contribute to a sustainable future.

**By focusing on companies** with high ESG scores, investors can support sustainable and ethical businesses while enjoying the potential for superior financial performance.

## HERE'S A BREAKDOWN OF THE THREE ESG CRITERIA:

**Environmental:** This criterion evaluates a company's impact on the environment. Factors such as energy use, sustainability policies, carbon emissions and resource conservation are considered when assessing a company's environmental performance. Companies with strong environmental practices often have lower environmental risks and demonstrate a commitment to reducing their ecological footprint.

**Social:** The social aspect of ESG investing examines how a company treats its employees and interacts with the communities in which it operates. Businesses prioritising employee welfare, workplace safety and community engagement are more likely to have a positive social impact and maintain a good reputation. Supporting companies with strong social values can promote fair labour practices and foster a more inclusive society.

**Governance:** Governance factors relate to a company's leadership, management and overall corporate structure. Key considerations include executive compensation, audit processes, internal controls, board independence, shareholder rights and transparency. Companies with robust governance structures are more likely to be accountable, trustworthy and better prepared to manage potential risks.

By considering ESG factors in investment decisions, investors can support companies that demonstrate a commitment to sustainability, ethical practices and strong governance. This approach aligns investments with personal values and can lead to long-term financial benefits, as ESG-focused companies are often better equipped to navigate evolving regulations, mitigate risks and capitalise on emerging opportunities.

## FOCUSED ON SUSTAINABILITY, ETHICAL PRACTICES AND STRONG GOVERNANCE

ESG factors are increasingly essential for investors when evaluating companies and making investment decisions. Investing in high-scoring ESG companies allows for responsible and ethical investments without sacrificing returns. Numerous

studies have shown that companies with strong ESG performance tend to outperform their counterparts with lower ESG standards.

High ESG scores indicate that a company is focused on sustainability, ethical practices and strong governance, which can lead to long-term success and reduced risk exposure. These companies are more likely to be resilient in market fluctuations and other challenges.

On the other hand, businesses with low ESG standards have often faced consequences like declining share prices and reputational damage. Examples of such companies include those causing significant environmental harm, engaging in unethical practices or attempting to cheat regulatory systems. These events can lead to financial losses for investors who hold shares in these companies.

## CHALLENGES OF ESG INVESTING: GREENWASHING AND SUBJECTIVITY

ESG investing has gained significant traction recently as investors increasingly seek to align their portfolios with ethical values. However, the varying interpretations of ESG categories and the rise of 'greenwashing' can make it challenging for investors with specific ethical requirements to navigate this space.

## SUBJECTIVE NATURE OF ESG

One of the main challenges of ESG investing is the subjectivity in evaluating companies based on their environmental, social and governance policies. What is considered a responsible





investment for one person could be viewed as unethical by another. For instance, a sugary drinks manufacturer may have an excellent recycling policy, earning them high marks in the 'E' category. However, some investors might argue that sugary drinks are detrimental to society, making the company an unsuitable investment choice.

This subjectivity makes it difficult for investors to find a universally agreed-upon standard for determining whether a company or fund meets their ethical criteria.

### THREAT OF GREENWASHING

Another challenge facing ESG investors is the phenomenon of 'greenwashing,' where companies or funds market themselves as environmentally friendly or socially responsible when, in reality, they do not meet these standards. This deceptive practice can lead to investors unwittingly supporting businesses that do not align with their values.

To combat greenwashing, investors must conduct thorough due diligence on the companies and funds they are considering. This may involve reviewing third-party ESG ratings, examining a company's sustainability reports and scrutinising the portfolio holdings of ESG-focused funds.

### NAVIGATING ESG INVESTING CHALLENGES

Despite the challenges posed by subjectivity and greenwashing, ESG investing remains an essential tool for those who wish to align their financial goals with their ethical values.

#### To successfully navigate these obstacles, investors should:

- Clearly define their values and priorities when it comes to ESG issues.
- Conduct thorough research on companies and funds, utilising third-party ESG ratings and other available resources.
- Be cautious of companies or funds that make bold sustainability claims without providing concrete evidence to back them up.
- Diversify their investments across ESG-focused companies and funds to mitigate the risk of inadvertently supporting unethical businesses.

By taking these steps, investors can better ensure that their investment choices align with their ethical values and contribute to a more sustainable and socially responsible future. ◀

### TIME TO BUILD A MORE ETHICAL PORTFOLIO?

As awareness and interest in ESG factors continue to grow, the trend towards responsible investing will only strengthen. Starting a portfolio and filling it with environmentally, socially and governance-minded investments doesn't need to be difficult. To find out more, speak to us today.

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# GETTING RETIREMENT READY

## KEY STEPS TO ACHIEVING A COMFORTABLE RETIREMENT

A comfortable retirement is a common financial goal, and contributing to a pension is essential to achieving it. Although retirement may appear distant at the moment, there's much to consider. Let us assist you in navigating this crucial life milestone.

By **planning ahead** and making smart decisions about your savings, you can ensure a stable and enjoyable retirement.

### HERE ARE 10 STEPS TO HELP YOU GET PENSION RETIREMENT READY:

#### 1. ASSESS YOUR CURRENT FINANCIAL SITUATION

Start by evaluating your current financial standing, including your income, expenses, assets and liabilities. Determine how much you can save for retirement without compromising your current lifestyle.

#### 2. SET RETIREMENT GOALS

Think about the kind of lifestyle you want to have during retirement. Consider factors like travel, hobbies, healthcare and support for family members. Estimate the annual income you will need to maintain this lifestyle, taking inflation into account.

#### 3. CALCULATE YOUR PENSION GAP

Compare your projected retirement income with your current savings and expected pension benefits. This will help you identify any potential shortfall in your retirement fund, known as the 'pension gap'. Knowing this gap will give you a clear target to work towards.

#### 4. CONTRIBUTE TO YOUR PENSION PLAN

Commit to regularly contributing to your pension plan. The earlier you start, the more time your investments have to grow, thanks to the power of compounding. Look into your employer's pension scheme and take advantage of any matching contributions.

#### 5. DIVERSIFY YOUR INVESTMENTS

Don't rely solely on your pension plan for your retirement income. Diversify your investment portfolio with other assets like equities, bonds and property. This will help spread risk and provide the potential to increase your returns.

#### 6. REVIEW YOUR PENSION PLANS REGULARLY

Revisit your pension plan at least once a year to ensure it's on track to meet your retirement goals. Adjust your contributions or investment strategy if necessary, and contact us about seeking professional financial advice if you need clarification on your decisions.

#### 7. PLAN FOR THE UNEXPECTED

Life can be unpredictable, so it's essential to have contingency plans in place. Ensure you have an emergency fund to cover unexpected expenses and consider insurance policies like life and health insurance to protect yourself and your family.

#### 8. REDUCE DEBT BEFORE RETIREMENT

Aim to pay off high-interest debts, such as credit card balances and personal loans, before you retire. Entering retirement with minimal debt will reduce your financial stress and help you enjoy a more comfortable lifestyle.

#### 9. CONSIDER WORKING PART-TIME DURING RETIREMENT

If you're concerned about your retirement income, consider working part-time or freelancing during your retirement years. This can provide additional income and help you stay active and engaged.

#### 10. STAY INFORMED ABOUT PENSION REGULATIONS AND CHANGES

Keep updated with any changes to pension regulations, tax laws and investment options that could impact your retirement planning. Staying informed will help you make better decisions and adapt your strategy accordingly.

By following these steps, you can take control of your financial future and work towards a comfortable and fulfilling retirement. Starting early and staying consistent with your contributions and investments is vital to a successful pension plan. ◀

#### DO YOU NEED TO GET YOUR RETIREMENT PLANS IN ORDER?

We prioritise building personal connections with our clients, using our expertise to instil confidence in your financial decisions. We aim to help you enjoy life today while strategically planning for a secure tomorrow. Don't hesitate to get in touch with us to discuss your plans.

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# BUILDING A DIVERSIFIED PORTFOLIO

## WHAT IS IT, AND WHY IS IT IMPORTANT?

**Trusting that your investments are progressing toward your objectives is vital**, allowing you to concentrate on the things you value most in life. This is why building a diversified portfolio is crucial to any successful investment strategy.

**Diversifying your investment portfolio** can limit your exposure to any single type of asset, therefore helping to reduce the risk and volatility of your portfolio. The primary goal is to spread your investment portfolio across many different asset classes to mitigate the risk of each.

### ACHIEVE LONG-TERM INVESTING SUCCESS

Investing in multiple different asset types ultimately means that the positive performance of certain investments neutralises the negative performance of others. Whilst this may be tipped in one way or another, it yields long-term, stable returns and lower risk over time.

Building a diversified portfolio is essential for anyone wanting to achieve long-term investing success. With the right approach, investors can create a balanced investment strategy that helps them reach their financial goals while minimising risk.

### UNDERSTAND YOUR RISK TOLERANCE

Before you begin, it's crucial to assess your risk tolerance. This involves evaluating your financial goals, time horizon and comfort level with potential losses. Knowing your risk tolerance will help you select investments that align with your goals and preferences.

### CHOOSE A VARIETY OF ASSET CLASSES

A well-diversified portfolio may include asset classes such as equities, bonds, cash and

alternative investments like property or commodities. Each asset class has its own risk and return characteristics, so including a mix of them can help balance your overall risk.

### INVEST IN DIFFERENT SECTORS AND INDUSTRIES

Within each asset class, diversify further by investing in various sectors and industries. This helps to protect your portfolio from downturns in specific areas of the economy. For example, if you invest in equities, consider holding multiple sectors like technology, healthcare, finance and consumer goods.

### CONSIDER GEOGRAPHICAL DIVERSIFICATION

Investing in different countries and regions can also reduce risk. Other economies and markets may respond differently to global events, so having exposure to international investments can provide additional diversification benefits.

### REGULARLY REBALANCE YOUR PORTFOLIO

Over time, the performance of your investments will cause some to grow more than others. This can make your portfolio unbalanced and expose you to more risk than you initially intended. To maintain your desired level of diversification, reviewing and rebalancing your portfolio periodically is essential.

### MONITOR AND ADJUST

Keep an eye on your investments and the overall market conditions. Stay informed about global events that could impact your investments, and be prepared to adjust your portfolio if necessary.

Building a diversified portfolio requires time, research and ongoing management. However, the benefits of spreading your risk and protecting your investments from market volatility make it a worthwhile endeavour for any investor. ◀

### ARE YOU LOOKING TO BUILD AN INVESTMENT PORTFOLIO CRAFTED AROUND YOUR UNIQUE NEEDS?



Dedicating yourself to managing personal investments for long-term success demands expertise, impartiality and perseverance. Overseeing your portfolio can be both laborious and time-intensive. To learn more about how we can help you plan to grow and protect your wealth, don't hesitate to contact us for more information.

THIS ARTICLE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

THE TAX TREATMENT IS DEPENDENT ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.



# TAX RELIEF MATTERS

## HOW TO BUILD A BIGGER PENSION POT

If you're under 75 and have relevant UK earnings, you can benefit from tax relief when contributing to a personal pension like a Self-Invested Personal Pension Plan (SIPP) or workplace pension scheme within the annual allowance.

### The government provides basic rate tax relief

of 20% through 'relief at source,' which is claimed by the pension provider from HM Revenue & Customs (HMRC). For instance, if you invest £8,000 in your pension, the government adds £2,000, making your total contribution £10,000.

Higher and additional rate taxpayers can also reclaim further tax relief on their pension contributions. In the 2023/24 tax year, the higher rate tax starts at just over £50,000 of income per year, while the additional rate begins at £125,140. The tax rates for earned income at these levels are 40% and 45%, respectively.

This means that higher and additional rate taxpayers can reclaim an extra 20% or 25% on their pension contributions. Using the previous £10,000 example, these taxpayers may be eligible for an additional refund of up to £2,000 or £2,500, respectively.

### TO CLAIM THIS RELIEF, FOLLOW THESE STEPS:

**Contribute to a pension scheme:** Ensure you're contributing to a registered pension scheme through your employer or a personal pension plan.

### Check if you receive tax relief automatically:

If you're part of an occupational workplace pension scheme, your employer might already deduct your contributions from your salary before applying tax. In this case, you'll automatically receive tax relief at your highest Income Tax rate. If your pension plan, workplace or not, is a personal pension, you will usually make your contributions from after-tax income but net of 20% basic rate relief. Any higher rates of relief need to be claimed from HMRC. If your contributions are made using salary sacrifice you won't need to claim any tax back as this is given to you automatically.

### Claim additional tax relief through Self

**Assessment:** If your pension provider claims tax relief for you at the basic rate, and you're a higher rate taxpayer, you'll need to claim the additional tax relief through a Self Assessment tax return (or tax code adjustment). Register for Self Assessment on the HMRC website and complete the form annually, declaring your pension contributions.

**Adjust your tax code:** If you don't want to file a Self Assessment tax return, you can contact HMRC to adjust your tax code to claim higher rate relief (but

not additional rate relief). Provide them with details of your pension contributions and relevant information about your income. They'll update your tax code, and you'll receive the additional tax relief through your PAYE (Pay As You Earn) system. ◀

### NEED SPECIFIC GUIDANCE ON YOUR RETIREMENT PLANNING SITUATION?



Remember, tax rules can change and individual circumstances may vary. It's always a good idea to consult us for specific guidance. To tell us about your situation or for advice, don't hesitate to contact us.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE 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.

