financial advice centre

Independent Financial Advisers

Your Spring Newsletter 2021

Award Winning Independent Financial Advisers since 1999

We have had an unusual start to 2021 and reflected some of the unprecedented circumstances driving market activity in this quarter.

With the sun out and restrictions lifting slowly, we are cautiously heralding a slow and steady return to a pre-pandemic sense of normality.

The last year has shown us the importance of planning for the unexpected and we have highlighted in this issue of the newsletter.

You have many ways to engage with us and can meet face to face or alternative means of contact of your choice ie over the phone or video conference.

We would like to assure you that ahead of all face to face meetings, Advisers will inform you if they have or have not received the Covid vaccination.

We hope you are and your family's are keeping well and staying safe.

Piers Mepsted,
Managing Director

In this Issue

For questions and advice get in contact today...

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Market Overview | part 1

Following the unprecedented movements across markets in 2020, 2021 has a lot to live up to if it is to stand any chance of being any more than an after thought in the history books.

With the world seemingly on an upward trajectory towards some form of normality after the pandemic, the UK and Europe finally putting pen to paper on a Brexit agreement, and Donald Trump's volatile presidency coming to an end, investors may have been hoping for a return to relative normalcy and sanity in markets in 2021.

While in the first six weeks of the year it seemed as though this may be the case, mid-February proved a turning point for investors as they attempted to quantify the real economic fallout of the world reopening after lockdown.

The pandemic recovery remains high on the agenda, and it will likely still be some time before we can write any form of market commentary without its mention.

Governments and central banks around the world continued with their rhetoric of doing 'whatever it takes' to help their respective regions come out the other side of the pandemic as unscathed as possible, both economically and socially.

The UK government announced a fresh £4.6bn COVID-19 relief package, with Chancellor Rishi Sunak announcing that firms in retail, hospitality and leisure would receive one-off grants worth up to £9,000 each to help weather the latest lockdown.

There was also a £594m discretionary fund to support other impacted businesses that were not eligible for the grants.

In his budget in mid-March Sunak announced an additional £65bn of support would be provided for the economy and that income tax thresholds, inheritance tax, pensions lifetime allowances and annual capital gains tax exemptions would be frozen for the next 5 years.

On other aspect of note in the budget was the rise in the headline rate of corporation tax moving from 19% to 25% in 2023. However, smaller firms will be exempt as the tax increase will only apply to company profits about £250,000.

Market Overview | part 2

In the US, the drama of earlier January's riot at the Capitol building following an incendiary speech to his supporters, which sadly resulted in five people losing their lives, was largely overlooked by markets, with the focus being placed firmly on the $1.9 trillion economic support package that President Joe Biden was hoping to deliver.

With the Georgia run-off elections falling in favour of the Democrats, the party now had control of both houses of Congress, which should provide less resistance to Biden's policies.

Alongside work on the fresh stimulus package, President Biden signalled American's return to a multilateral approach on key issues such as re-joining the Paris Accord and remaining part of the World Health Organisation.

He also unveiled a COVID-19 vaccination plan aiming to deliver 100m shots of the vaccine in his first 100 days in office.

While there remained some roadblocks in Biden's support package being delivered in full, the $1.9 trillion COVID-19 relief bill finally cleared its final hurdle on the 11th March, exactly one year to the day that the World Health Organization declared COVID-19 a pandemic.

Many cited this package as a potential driver of inflation, but newly appointed Treasury Secretary Janet Yellen dismissed fears stating that prior to the current crisis the unemployment rate in the US was about 3.5% and that there was 'no sign of inflation increasing'.

Yellen also stated that before the pandemic inflation was already 'too low rather than too high' and even if there were signs of inflation, they had the tools 'to deal with that'.

It was concerns over rising inflation, and the potential central bank response, that caused panic in markets in the second half of the quarter.

Market Overview | part 3

The combination of global economies reopening, increasing demand and low interest rates saw bond yields spike, causing havoc in parts of the market, almost exactly a year to the day since the initial pandemic sell-off.

The pain was particularly prominent in long dated bonds and growth stocks, both of which have been beneficiaries of the low interest environment and would be impacted the most should central banks begin to raise rates.

A degree of inflation is certainly expected (and in some cases welcomed) as a result of lockdowns easing, but sentiment remains divided over how sustained this inflation will be.

Naturally, a sustained period of higher-than-expected inflation could warrant the increasing of interest rates which is a particularly frightening concept for equity markets considering the levels of debt around the world.

As inflation concerns grew – all eyes were on central banks who initially seemed reluctant to comment. However, officials were left with little option but to acknowledge that despite inflation levels increasing - in most cases they were not concerned or alarmed and would not be responding by raising interest rates.

Chairman of the Federal Reserve Jerome Powell said that the US economy was predicted to grow at a faster rate than initially thought in 2021, but that rates were likely to stay near zero through 2023.

He did, however, caution that higher inflation is on the cards, but it should only be temporary and therefore not warrant a shift in policy.

Bank of England governor Andrew Bailey said he expected inflation to approach the Bank's 2% target in the next few months, but that he was cautious about whether the trend was sustainable amid continuing economic uncertainty, adding that the Bank was nowhere near being ready to raise interest rates.

Despite all concerns to the contrary March saw official inflation data continue to come in below expectations in both the UK and the US, with UK consumer price inflation rising by 0.4% and core US inflation rising just 1.3% annually.

Market Overview | part 4

Over in China, the country's sharp rebound from the coronavirus pandemic was confirmed as it emerged the only major economy to expand in 2020, posting a gain of 2.3%.

More recently, China's economic data has been mixed with manufacturing expanding at a slower than expected pace as rising costs put pressure on hiring of workers. However, many workers who could not travel home for the Lunar New Year returned to factories earlier than usual, which should support activity in the near term.

Strong export demand, rising domestic consumption and a faster pace of vaccinations also added to the positive sentiment.

Wider Emerging Market countries continued to mainly recover as their attempts at stemming the virus' spread were proven to be more successful than many Western regions. However, a strengthening US Dollar and a rotation away from technology/growth focussed areas has hampered returns within the region in recent weeks.

In Japan, the Nikkei index rose above 30,000, a level it has not traded at since August 1990, thanks to stronger than expected economic data.

The Bank of Japan also held its interest rate and asset purchase setting which was as expected ahead of the next policy review.

Market Overview | part 5

Vaccinations

The global vaccine rollout continued apace, but not without its issues. Some doubt was cast over the safety of the AstraZeneca-Oxford COVID-19 vaccine amid fears it could cause deadly blood clots. Many European nations suspended its use, but the World Health Organisation and the European Medicines Agency reached a “clear scientific conclusion” that the vaccine was safe, with suspensions being subsequently lifted.

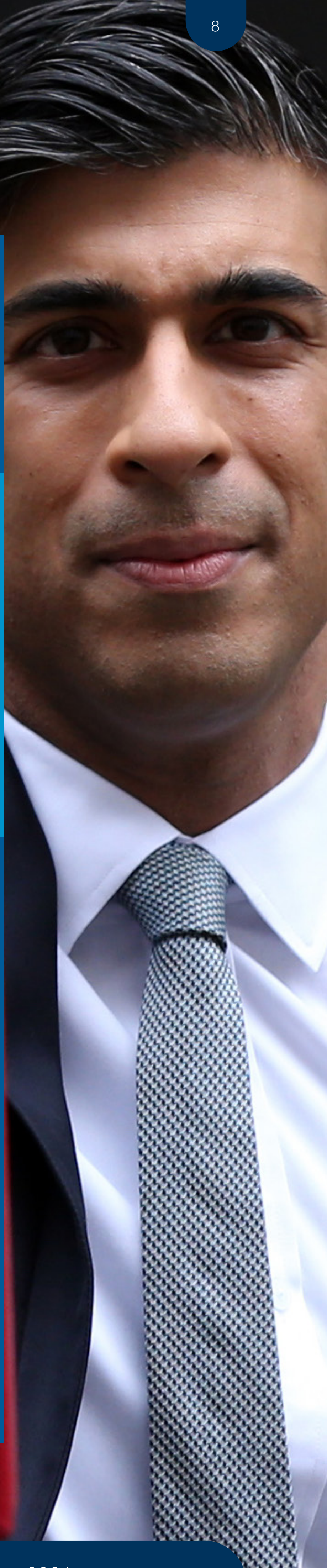
Italy blocked 250,000 doses of the Oxford-AstraZeneca vaccine slated to go to Australia – the first such intervention since the EU introduced rules governing the shipment of vaccines to countries outside the bloc. Officials said Brussels did not object to the decision and French Health Minister Olivier Veran said France might also block vaccine shipments abroad. An EU summit in late March saw leaders give their backing in principle to toughening vaccine export controls, but stopped short of introducing a total export ban, which had been touted.

While the quarter has not been without its controversies and concerns, we must remember how far we have come since the sheer blind panic that set in across markets just 12 months ago as we mark the anniversary of the pandemic taking hold of the globe. Inflation concerns have caused their fair share of concern this quarter and we should not come to any assumptions that the world is out of the pandemic woods just yet, but governments and central banks continue to make the rights noises in regard to helping economies continue to ride out the bumps in the road and we remain hopeful that this can continue until such time as they can begin to support themselves unaided… whenever that may be.

Markets and Investments

Outlook	Asset Class	Reasoning
↔	UK Equities	Continued success of the UK's vaccination rollout supported optimism that the Prime Minister's 'roadmap' out of the lockdown would remain intact. The UK government announced a fresh £4.6bn COVID-19 relief package and Chancellor Rishi Sunak delivered his second budget, pledging an additional £65bn of support whilst promising to do 'whatever it takes' to help the UK recover from the pandemic. Bank of England governor Andrew Bailey said he expected inflation to approach the 2% target soon but added that the Bank was nowhere near being ready to raise rates.
↑	US Equities	Donald Trump's volatile presidency came to an end with attention rapidly shifting to President Biden's $1.9 trillion economic support package which cleared its final hurdle on the 11th March. Many cited this package as inflationary, but Treasury Secretary Janet Yellen dismissed these claims stating that even if inflation became an issue, they had the tools to deal with it. Markets were reassured on the news that rates were likely to stay near zero through 2023.
↓	European Equities	Europe endured further delays and setbacks around their already troubled vaccination rollout, with Italy blocking 250,000 doses of the Oxford-AstraZeneca vaccine slated to go to Australia. Minutes from the European Central Bank noted a temporary boost to inflation should not be mistaken for a sustained increase, which was still likely to emerge only slowly. French, German and Spanish Q4 GDP data came in stronger than expected but with the virus still rampant and heavy restrictions in place, the growth outlook is uncertain.
↑	Asian Equities	China was the only major economy to expand in 2020 posting a gain of 2.3% and a sharp rebound from the coronavirus pandemic. More recently, China's economic data has been mixed with manufacturing expanding at a slower than expected pace as rising costs put pressure on hiring of workers. Strong export demand, rising domestic consumption and a faster pace of vaccinations also added to the positive sentiment. Japanese fourth quarter GDP came in above expectations, reporting a 12.7% increase (quarterly annualised). This took the Nikkei index above 30,000, a level it has not traded at since August 1990. The Bank of Japan also held its interest rate and asset purchase setting which was as expected ahead of the next policy review.
↑	Emerging Market Equities	Emerging Market countries continued to broadly recover as their attempts at stemming the virus' spread were proven to be more successful than many Western regions. However, a strengthening US Dollar and a rotation away from technology/growth focussed areas has hampered returns within the region. Despite this there remains much to be positive on in the region as the world starts to move out of lockdown restrictions.
↓	UK Gilts	Inflation concerns have led to prices falling as investors attempt to second-guess any movements that central banks may make to counteract any inflationary spikes. While we believe that increased inflation will likely be transitory, the inherent long duration on many issuances, particularly in the index-linked Gilts market, means that we expect volatility to remain high while the inflation outlook remains uncertain.
↑	UK Corporate Bonds	Inflation concerns have also hampered returns from corporate bonds, but we believe this volatility is a positive environment for active managers. While this volatility will likely continue through the second quarter of the year, we maintain our stance that active management in this sector can produce meaningful gains, and provide downside risk protection, compared to the low level of return on offer from global government debt.
↓	Cash	Cash continues to be a vital component of portfolio construction. In volatile markets cash can act not only as a buffer to protect on the downside, but also to allow for flexibility for investors to deploy should attractive investment opportunities present themselves. With our broadly positive outlook for 2021 we are actively seeking to invest our cash allocations.

Budget March 2021 update | part 1



There were no major shocks in store for advisers in the Chancellor's Budget. What we did see was confirmation of the key tax rates, bands and allowances for 2021/22 and that many of these will remain frozen until April 2026.

Our summary of the key points for you from March's Budget:

Pensions

- **Lifetime allowance frozen at £1,073,100:** There will be no inflationary increases to the lifetime allowance (LTA) - it will remain at its current level until April 2026.
- It's important to remember that the LTA isn't a ceiling on what can be saved into pensions. There are many good reasons to continue saving into a pension, especially if stopping funding means losing out on contributions from an employer.
- **Pension tax relief:** There were no changes to pension tax relief.

Income tax

- **Increase to personal allowance and higher rate threshold:** There are no changes to income tax rates for 2021/22. The personal allowance and basic rate band have been increased in line with the Consumer Pricing Index (CPI). The new personal allowance will be £12,570 with the basic rate band increasing to £37,700, meaning that the higher rate tax threshold will be £50,270. The personal allowance and higher rate threshold will remain fixed until 2025/26.
- **Scotland - inflationary increases to all tax bands:** As announced in the Scottish Budget on 28 January, there will be no changes to the Scottish rates of tax. All the bands will increase in line with CPI as follows;
    - **Starter rate** - £12,570 - £14,667
    - **Basic rate** - £14,667 - £25,296
    - **Intermediate rate** - £25,296 - £43,662
    - **Higher rate** - £43,662 - £150,000
- **Wales - no change:** Income tax rates, bands and allowances for Welsh taxpayers remain fully aligned with the rest of the UK.

Budget March 2021 update | part 2

Capital Gains Tax

No change to CGT: While there was much speculation ahead of the budget on possible changes to CGT, there were no changes announced to CGT rates or the annual exemption. However, the annual exempt amount will remain frozen at £12,300 for individuals (and personal representatives) and to £6,150 for trustees of settlements, until 2025/26

The Government intends to publish further tax consultations on 23 March and we wait to see if CGT changes are amongst them.

Inheritance tax

IHT nil rate bands frozen: Both the nil rate band and residence nil rate band will remain fixed at £325,000 and £175,000 respectively until April 2026. With the bands frozen for a further five years, this will bring more estates into the IHT net and increase the demand for advice on estate planning. We wait to see if IHT is included in the tax consultations set to be announced on 23 March and, if so, how these may affect wealth transfer.

Corporation tax rises on the horizon

Corporation tax is set to rise to 25% from April 2023. However, small companies with profits below £50,000 will continue to pay at the current rate of 19%. There will also be a reintroduction of tapering relief for businesses with profits under £250,000 so that they pay less than the main rate.

IR35 changes to go ahead

The changes to off payroll working, often referred to as IR35, will now come into force from April 2021. This will see large and medium sized private companies becoming responsible for deciding if contractors are effectively ‘employees’. If so, these companies must collect income tax and NICs from the contractor’s fee and pay it over to HMRC.

These new rules were due to be introduced from April 2020 but were delayed due to the COVID-19 pandemic.

Your Adviser Discusses | part 1

Planning for the unexpected - the importance of assigning Lasting Power of Attorney.

The last 12 months have been a period of disruption for all of us. As we now pass the anniversary of the beginning of the UK's first lockdown we have some time and space to begin to reflect how far we have come and what we have learned.

Having recently read of the difficulties faced by television presenter Kate Garraway and her husband Derek it really drives this point home. In all things financial, it is essential that you plan for the unexpected. Kate found herself unable to work while at the same time caring for her partner but was also then thrust into an parallel legal rabbit hole. She was unable to access any of her husband's bank accounts, credit cards or even their joint savings. This has also meant she has been unable to refinance their joint mortgage or manage any of the ongoing expenses or policies in his name.

All this could have been avoided had the couple appointed one another as Lasting Power of Attorney (LPA). If you are married or in a civil partnership, you may have assumed that your partner or spouse would automatically be able to deal with your bank account and pensions, and make decisions about your healthcare, if you lose the ability to do so. This is not the case. Without an LPA, they will not have the authority.

It is a common misconception that Wills and LPAs are only relevant for the elderly. They are equally as important if the worst should happen and you are physically incapacitated. If injured in an accident or as Kate and her husband have experienced – suffering the unexpected and debilitating effects of long COVID, your close family cannot manage your affairs without legal authority.

If you do not have a Property and Financial Affairs LPA and you lose capacity, it may become necessary for an application to be made to the Court of Protection for an order appointing someone else (a Deputy) to act on your behalf. This can be expensive and time consuming, and you can avoid this by having an LPA in place. With your instruction, a Property and Financial Affairs attorney can also act for you if you are, for example, out of the country and need them to sort out bank accounts or other financial matters in your absence.

Below we define the key terms often used around Wills and LPAs.

Lasting Power of Attorney

A Lasting Power of Attorney is a legal document that states a person or persons you name to act on your behalf (your attorney) in regards to handling financial and business transactions. An LPA gives someone the legal power to make financial decisions on your behalf if you become mentally or physically incompetent. There are two types of Power of Attorney one in respect of property and financial affairs and one in respect of health and welfare decisions.

Your Adviser Discusses | part 2

Property and Financial Affairs LPAs

This type of LPA will allow your appointed person to deal with your property and financial affairs, either with your instruction or in the event of your mental incapacity. In order for your attorney to use this power on your behalf the LPA must be registered with the Office of the Public Guardian (OPG).

You are able to restrict the powers you give to your attorney(s). You can also provide them with guidance. In both cases you must ensure that the provisions are reasonable and practical, otherwise the LPA may be rejected by the OPG.

Examples of the types of decisions that can be made using an unrestricted property and financial affairs LPA are:

- Buying or selling property
- Operating your bank accounts, investments and savings
- Receiving income and inheritance on your behalf
- Paying your bills for you

Health and Welfare LPAs

This type of LPA will allow your attorney(s) to make health care and welfare decisions on your behalf. This LPA, unlike the property and financial affairs LPA, can only be used if you lack mental capacity to make the decision yourself. This LPA also needs to be registered with the OPG before it can be used.

Your attorney(s) will have authority to make decisions for you on all matters relating to your personal health and welfare needs. This may include:

- Your healthcare and medical treatments
- Where you live
- Day to day decisions about your personal welfare, such as your diet, dress or daily routine.

You also have the option to allow your attorney to give or refuse consent to life sustaining treatment on your behalf. It is important to be aware of the effect that this has on any advance decision that you have in place. If you allow your attorney(s) to make life sustaining treatment decisions for you, they will overrule your advance decision. If you choose not to give your attorney(s) this power, your advance decision will still stand.

Just because you give the trusted person power of attorney over your health, it does not mean they will automatically gain control over your financial affairs and vice versa. If you require the same individual to have power of attorney over both aspects of your care, then you will have to fill out the two forms separately.

Your Adviser Discusses | part 3

Enduring Power of Attorney

An enduring power of attorney (EPA) is a document that used to be used to appoint someone to help manage your property, money and financial affairs. The EPA was replaced with the property and financial affairs Lasting Power of Attorney in October 2007.

If you made an EPA that was signed and witnessed before October 2007 you can either:

- continue to use it
- cancel it and set up a property and financial affairs LPA

Living Wills and a Last Will & Testament

A living will deals with your health wishes while still living. A will states what you wish to have happen to your assets when you die. It's not one or the other, you should have both.

When a person dies without leaving a valid will, their property (the estate) must be shared out according to certain rules. These are called the rules of intestacy. A person who dies without leaving a will is called an intestate person.

Only married or civil partners and some other close relatives can inherit under the rules of intestacy.

There is a strict order of precedence which is often not what the deceased person would have intended.

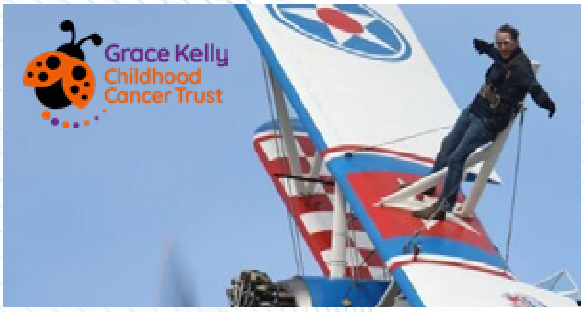
If someone makes a will but it is not legally valid, the rules of intestacy decide how the estate will be shared out, not the wishes expressed in the will.

These four estate planning documents are all important and it's a smart move to give consideration to them all.

If you would like to discuss this further, we can help, please reach out and we can point you in the right direction.

Our thanks to Clare Burden, Solicitor, Whatley Weston & Fox Solicitors for contribution to this article.

The Last Word



Never one to be kept down our own Edward Dalley will be doing a wing walk next month in aid of the Grace Kelly Childhood Cancer Trust.

Ed completed a skydive for the charity last year and has been talked into this next challenge to raise money and help him overcome his nervousness around heights.

We're looking forward to seeing those pictures!

For those interested in following Ed's journey, finding out more or donating to the charity visit his page **https://gkcct.enthuse.com/pf/edward-dalley**

Welcome to twins Liam & Joel, born 23 January 2021 to our Support Team Administrator, Nicky Jameson. Mum and babies are doing well.

About Financial Advice Centre Limited

Financial Advice Centre Ltd is a team of Worcestershire based Independent Financial Advisers (IFA's) and Wealth Managers. Founded in 1999, the team has grown to become a leading West Midlands based firm recognised for progressive thinking and a refreshing, transparent approach to managing and advising on client funds.

Our team of IFA's have deep technical expertise and offer an innovative approach to financial advice as seen through our proven pedigree of successful strategies in these areas:

- Bespoke Investment Strategies
- Inheritance Tax Planning
- Retirement Planning Solutions
- Mortgages
- Pension Drawdown and Freedoms
- Life Assurance and Protection
- Wealth Management

We are active Advisers with a unique charging structure focussed on building long term relationships and consistently adding value to clients' investment propositions. Our aim is to provide a service that is both forward-thinking and independent to help clients achieve their financial objectives.

Clients choose to work with us because we simplify a complicated financial environment and consistently deliver results in a way that's easy to understand.

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