

FINANCIAL VIEWPOINT

PRITCHARD & ASSOCIATES

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“Stealth taxes”

will push more than 3 million workers into a higher Income Tax bracket by 2029

“Stealth taxes” refer to government policies that increase tax revenue even though they’re not labelled as tax hikes. Through freezing Income Tax thresholds, the government may benefit more than you expect.

Income Tax thresholds are frozen until April 2028

Income above your Personal Allowance, which is £12,570 in 2025/26, could be subject to Income Tax.

The rate of Income Tax you pay depends on which band your earnings fall into. The current Income Tax thresholds and rates are:

Band	Taxable income	Tax rate
Personal allowance	Up to £12,570	0%
Basic rate	£12,571 to £50,270	20%
Higher rate	£50,271 to £125,140	40%
Additional rate	over £125,140	45%

NB Income Tax bands, thresholds, and rates are different in Scotland.

Crucially, the Personal Allowance and Income Tax thresholds are frozen until the 2027/28 tax year rather than increasing in line with inflation. This can lead to “fiscal drag”, where taxpayers are dragged into a higher tax bracket, even if their income hasn’t increased in real terms.

While you might have benefited from a rise in income, for much of the last two years, inflation has been higher than wage growth. So, many workers haven’t experienced a boost in their salary in real terms.

Millions of taxpayers are expected to be affected by fiscal drag

According to figures from the Office for Budget Responsibility (OBR), the government’s policy of freezing Income Tax thresholds means that by 2028/29:

- Nearly 4 million additional people are expected to pay Income Tax
- 3 million more will start paying the higher rate
- 400,000 workers will be dragged into the additional-rate bracket.

The figures represent a significant increase in the number of taxpayers in each band of Income Tax. The number of higher-rate and additional-rate taxpayers is expected to soar by 68% and 49% respectively.

Of course, this will boost government coffers. The freezes are estimated to raise £42.9 billion by 2027/28.

The cuts to National Insurance (NI) offset some of the fiscal drag, but many taxpayers are likely to find their tax burden is higher overall.

From 6 April 2024, the main employee rate of NI was reduced from 10% to 8%.

There may be ways you could reduce your Income Tax bill

The good news is that there may be steps you could take to reduce your Income Tax bill in a way that supports your finances now as well as your long-term goals.

Depending on your circumstances, you may want to:

- Check if you could use the Marriage Allowance if your spouse or civil partner’s income doesn’t exceed the Personal Allowance
- Increase your pension contributions to reduce your taxable income
- Save through an ISA to reduce the tax you pay on the interest your savings earn
- Make use of salary sacrifice schemes your employer offers
- Use dividends to supplement your salary.

The above list isn’t exhaustive and it’s important to weigh up the pros and cons before you proceed.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Source: Office for Budget Responsibility. Economic and fiscal outlook – November 2023



Five tips for investing in uncertain times



It's easy to worry about your investments when markets are volatile and the news is filled with uncertainty. And it's normal to be concerned, but taking a measured approach can help you ride out uncomfortable periods and maintain good financial health. Here are five ways to stay calm and focused during periods of volatility.

1. Focus on your long-term goals

It's important to remember why you started investing in the first place. Whether you're saving for retirement, funding a child's education or simply building your wealth, your long-term goals are precisely that: long-term and markets have historically shown resilience to short-term pressures. Staying committed to your objectives can help you avoid hasty decisions that could jeopardise future returns.

2. Diversify your portfolio

Diversification means spreading your investments across a variety of sectors, asset classes and regions. When you diversify, losses in one area may be offset by gains in another, helping to balance your portfolio and increase its resilience. Diversification can act as a buffer against the full impact of volatility, and the knowledge that your eggs are spread across many different baskets can be helpful if market conditions become challenging.

3. Stick to a consistent investment schedule

Committing to regular investments can be an effective way to keep your portfolio on track by taking emotion out of the equation and allows you to buy assets at various price points which smooths out the effects of volatility. You pay more when times are good and less when the market dips, but the cost will average out over the long-term and your portfolio will continue to grow. This is often referred to as pound cost averaging.

4. Keep cash reserves on hand

Easy access to cash can provide a sense of stability in uncertain times. Cash reserves can help you avoid selling assets at a loss if you need emergency liquidity, but they can also give you the flexibility to act if an opportunity arises. For some investors, a mix of cash and short-term fixed-income investments help balance their portfolio's risk profile and provides easy access to funds without having to sell when prices are low.

5. Reevaluate your risk tolerance

It's normal to worry about your portfolio when things are uncertain, but if market volatility has you losing sleep it could be a sign that your investments aren't aligned with your risk tolerance. Consider adjusting your portfolio to reflect a level of risk you are comfortable with.

**We can help you stay focused on your goals through periods of volatility.
Please get in touch if you want to talk about your investments.**

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Investing or saving?



Investing can beat inflation

Investing is a better option if you've got longer-term goals because inflation can erode the value of cash savings over the medium to short term, and your money may not have the same spending power as when you first put it away.

For example

If you have £2,000 in savings and the bank offers a 1% interest rate, each year you will get back £20. However, if the inflation rate is 6% the cash in your savings account will fall in value. After one year your cash would be worth £1,887. After five years it would be worth only £1,495.

Saving money is a great way to prepare for unexpected expenses and investing your money can have the potential for higher growth than saving.

A lot of people put their money in a savings account and leave it there to accumulate interest. While this is a good strategy in the short term, you potentially risk losing out on higher returns in the long run, while also struggling to keep up with inflation. However, investing is a good approach if you have long-term financial goals and want to earn more money than you could by saving it.

What's the difference between saving and investing?

With saving you are setting aside cash for future use, while investing means using cash to buy assets that you expect to produce a profit or income. The biggest difference between saving and investing is the level of risk. With saving you will always get back at the very least what you have put in, as well as any interest on your deposits. You won't lose any money, making it a less risky option.

Investing your money means it will rise and fall over time and there is a chance you could lose some of your initial investment. Your financial adviser will be able to help you make sure you're aware of the risks and the minimum time you should consider investing for. A longer timeframe (at least five years) will give your investment more time to recover if there are any sudden market swings.

Speak to your financial adviser to find out about a range of investment opportunities to help you meet your financial goals.

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Types of investments

The main types of asset classes that investors could choose from – which your adviser can go into detail with you – are equities, bonds, and property. Different asset classes have different levels of risk and return. Usually, the safer an asset is the lower the returns will be, while the riskier an asset is, the higher the returns.



Property this could be investing in commercial property through investment funds, including retail, office, and industrial property. It makes a good long-term investment and is effective at beating inflation. Property can add diversification to your portfolio as it tends to perform differently to other assets in response to different market conditions. However, property does come with its risks, including a risk of a fall in value as well as the maintenance costs.



Bonds sometimes called fixed-term investments, bonds are issued by governments and companies looking to raise money. A bond is essentially a loan made to a company or a government by an investor for a set period – usually several years. In return they pay you a regular income in the form of interest over the life of the bond, after which they must repay your loan. Bonds typically offer stable returns and are a lower risk than equities, although they tend to offer lower returns in the long term.



Equities also known as stocks and shares, equities are issued by a public limited company and can be bought and sold on stock exchanges. When you buy an equity, you are basically buying a piece of that company and become a shareholder. Equities can make you money through increases in share price or you can receive income in the form of dividend payments. The disadvantage is that returns are not guaranteed, and the share price could fall below the level that you invested.

Could extra money help you in retirement?

Why consider equity release?

Equity release allows you to unlock tax-free funds tied up in your main residence. Whether you prefer a one-off lump sum or instalments after an initial release, this option can provide the financial boost you need.

If you're over 50 and a homeowner there are many reasons why you might consider equity release:

- **Pay off your existing mortgage** and potentially other debts, freeing up monthly cash flow.
- **Supplement your income in retirement.**
- **Fund home improvements or a dream holiday.**
- **Support your children or grandchildren** in getting on the property ladder.
- Another great benefit of equity release is that you get to remain in your own home. There will be no need to downsize or move.

Important considerations

A Lifetime Mortgage allows you to unlock tax-free cash from your home while retaining full ownership and the ability to stay as long as you wish. You can choose to make reduced or no monthly repayments, and with the No Negative Equity Guarantee, you will never owe more than your home is worth. However, as interest is charged on both the original loan and the interest that has been added, the amount you owe will increase over time, reducing the equity left in your home and the value of any inheritance, potentially to nothing.

It's essential to seek financial advice as a Lifetime Mortgage may affect your entitlement to means-tested benefits and is not suitable for everyone.

When arranging a Lifetime Mortgage, you may need to cover associated costs such as a property valuation, legal fees and advice, just as you do for a residential mortgage.

Although the decision is yours, discussing your plans with family and beneficiaries is encouraged, as a Lifetime Mortgage could impact potential inheritance. We recommend inviting them to any meetings with your Financial Adviser to ensure everyone is informed and involved in the decision-making process.

Navigating the variety of Lifetime Mortgages can be complex, which is why specialist, impartial advice is crucial if traditional mortgages don't meet your needs.

We're here to help

We're here to help you navigate the market based on your unique circumstances. If equity release isn't quite right for you, we'll be able to help you identify alternative solutions that might be better.

If you would like to find out more or are interested in receiving our '**Making More of Your Home**' brochure, please contact me/us.

If you would prefer to not be contacted about the products and services we offer, please let us know so we can update our records accordingly.



YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Reasons to consolidate your pensions

If you've worked for more than one employer, you will doubtless have more than one pension plan. How long is it since you last looked at them? Are they languishing in poor performing funds?

Combining some or all of your pensions into a single plan could save you money, achieve better growth and make your life easier. Here are some things to consider:

5 benefits of pension consolidation

1. Consolidating could save you money. Each pension plan has its own annual charges so combining multiple pensions into one means you'll only pay one annual fee. Shopping around could also help you find a plan with lower charges than your current ones.
2. It gives you greater flexibility. Modern pensions may offer benefits that older ones don't, like flexible drawdown of your pot or income for your loved ones after you pass away.
3. It keeps things simple. You only have to remember one set of login credentials and, if your address changes or you want to change the recipient of any death benefits, you only have to tell one provider.
4. You could get better opportunities. Bringing your pensions together could increase the overall value of your savings and a different plan or provider might give you access to a wider range of investment funds.
5. It makes it easier to plan for the future. An important part of retirement planning is understanding what you've got and what you'll need. Having everything in one place makes it easier to track your plan's value against your goals.

Things to be aware of

You could be charged exit fees. Some plans still have exit penalties so make sure you're aware of these and the impact they might have on your pot.

It may be better to stay in a final salary (also known as defined benefit) scheme. These offer a guaranteed income in retirement alongside other benefits (like a pension for your spouse when you die) which you'll lose if you transfer out.

There's no guarantee you'll be better off consolidating. Your current pensions may have benefits like early access or guaranteed annuity rates that might be worth keeping, and annual fees on other pensions may not be competitive.

Get advice before you consolidate

We're here to help. We can assess your situation, explore your options, and help you understand if pension consolidation is right for you.

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Here's how financial protection can offer security for parents

Serious illness can place immense stress on our families. The cost of caring for an unwell child, worry over access to essential services, and the emotional toll of serious illness are all things that no parent wants to think about.

We can't predict what the future will hold for the health of our families, but we can take proactive steps to prepare for the risk that we or our children might become critically unwell.

Appropriate financial protection can be a vital safety net for parents, providing essential cover for children and easing the pressure of caring for them.

Critical illness payouts can help you care for your child

No parent wants to consider the possibility of their child becoming seriously ill, but planning for the worst can offer the greatest peace of mind. Robust and appropriate financial protection can help shore up your finances and allow you to focus on caring for your child.

Critical illness cover pays out a lump sum if you are diagnosed with an illness covered by the policy. Many of these policies include cover for a child of the policyholder, paying out a proportion of the full amount if they become seriously ill. This payout provides a financial safety net, covering your expenses and allowing you to take time away from work to care for your child.

Critical illness cover may also come with other benefits that can offer further support for your family, such as:

- A payout if your child is hospitalised because of an accident.
- Cover for the cost of accommodation so that you can be close to your child if they're in hospital.
- Childcare costs if you're diagnosed with a serious illness that's covered by your policy.

The cost of critical illness cover varies depending on how large you want a potential payout to be, as well as other factors like your age and general health. It's important to note that you'll only be covered as long as you keep paying your premiums.

Children are often automatically included in critical illness cover but this isn't guaranteed. Contact your provider for clarification and be aware that your premiums could rise if you add a child to a policy that doesn't already cover them.

Cover for a child typically starts from the first few weeks after birth and lasts until they're 18, or 21 if they're in full-time education, but this can vary between providers. There may be other restrictions to critical illness cover that you should be aware of – some policies will only allow

one claim per child whilst others might exclude certain conditions that are present from birth.

It's important to check the details of critical illness cover thoroughly when comparing your option to make sure that you're buying the right cover for your circumstances.

Private medical insurance could help provide better care for your family

You may want to consider taking out private medical insurance to compliment the security that financial protection could offer you. The Guardian reports that the private health insurance market has grown by £385 million in the last year. At the same time, rising wait times and staff shortages are causing public satisfaction with the NHS to slump according to the long-running British Social Attitudes survey.

Private medical insurance can help to put your mind at ease by reducing waiting times for a range of services (like tests and consultations) whilst giving you a wider choice of treatment providers. It could also help to cover the cost of a private room, giving you and your family greater privacy if you need to stay in hospital overnight.

Private health insurance can cover much more than just physical illness. Some providers offer access to counselling and mental health services which are becoming increasingly important for the wellbeing of younger generations – the number of children and young people seeking support for their mental health increased by 25% from 2022 to 2023 according to data from Aviva.

The cost of private health insurance and the level of cover you'll receive are influenced by a range of factors, including who you want the policy to cover, your lifestyle, and family medical history. It's important to take the time to understand how comprehensive your options are and any exclusions that might affect your family.

Talk to us to see how we can help protect your family

Financial protection is just one way that you can prepare for the unexpected. Get in touch if you'd like to know more about financial protection for your family against serious illness.

Please note: Financial protection plans typically have no cash in value at any time and cover will cease at the end of the term. Cover will lapse if premiums are unpaid. Cover is subject to terms and conditions and may have exclusions. Definition of illnesses vary between providers and will be explained in policy documentation.

3 ways to make the most of new tax allowances

6 April brought a new tax year and a host of new possibilities

Whether you're saving or investing, now is the perfect time to maximise your financial options. Here are three things you can do to take advantage of this year's tax allowances.



1. Make the most of your ISA allowance

You can save up to £20,000 across all your ISAs without paying income tax on your returns. ISAs are a great way to save efficiently and there's a huge range of products on the market, from familiar cash ISAs and stocks and shares accounts to Lifetime and Innovative Finance ISAs.

Remember, you can't carry unused allowances into the next tax year so it's worth considering saving as much into ISAs as you can if you want to benefit from tax-free returns.

2. Look for quick wins

Lifetime ISAs incentivise saving for first time buyers and to support in later life. They're a great way to maximise allowances and bonuses and are available to 18-39 year olds.

You can save up to £4,000 each tax year and benefit from a 25% government top-up if you use the funds to buy your first home or save for retirement.

If you use the money to buy a house, it's worth noting that you can only benefit from the bonus if the home is worth £450,000 or less. And if you withdraw the money for any purpose other than buying a first home or for retirement over the age of 60, you'll be subject to a 25% deduction on the withdrawal.

3. Don't forget pension relief

If you're a higher rate or additional rate taxpayer, you can claim the full amount of tax relief which could be an additional 20% or 25%.

Whatever you decide, the new tax year - and the opportunities it presents - are yours for the taking. Get in touch with us for tailored support to help you reach your financial goals.

An ISA is a medium to long term investment that aims to increase the value of your invested money for growth, income, or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

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