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Nugenis News

February 2023

People News

Birthdays

Since our last newsletter, the following staff have celebrated birthdays:

2nd December – Michele Davies, Client Relationship Team Leader

5-year Work Anniversary

Congratulations go to Anabelle Harrington, Executive Assistant who celebrated five years with the company on the 2nd of January.

To mark the occasion Anabelle received a voucher to spend at one of her favourite eating places, Llanerch Vineyard.

Well done on hitting this milestone!

A New Planner on the Block

We are pleased to announce that we welcomed a new Financial Planner to the Nugenis team recently, with Rhian Williams joining us on 1st February.

Rhian is an experienced adviser, having previously worked for companies including Evelyn Partners (formerly Tilney Smith & Williamson) and NFU Mutual. Rhian will be taking over responsibility for some of our existing clients, as well as helping us to develop our services particularly around the Gwent, Herefordshire, and South Gloucestershire areas.

Outside of work a large proportion of Rhian's time is spent with her 3½ year old son, and in various equestrian pursuits riding her horse, Goldman.

Those clients that Rhian will be looking after should have already received a letter from our CEO Gareth, and while she will be in touch when your next review is due if you need anything in the meantime please contact the team in our office.

Welcome to the Nugenis team Rhian.

People News

A Familiar Face Returns to Nugenis

On the 23rd of January we welcomed former employee, Tanya Brydon back to the Client Relationship Team. Many of you will have dealt with Tanya in the past and we are really pleased that she has decided to come back and work with us.

Welcome back Tanya!

Other News

Tax Year End Deadlines – Don’t Leave It Too Late!

2023 is already flying by, and we are starting to look ahead to the end of the current tax year which, as I write, is only 7 weeks’ away.

Most people know that the tax year ends on 5th April 2023, and in this edition, we have again included an article looking at some of the more common tax planning we encourage clients to consider. However, we do need to highlight how essential it is to not leave contributions to such things as ISA, pension, and certain tax-savings schemes until the last minute.

Most of the investment and pension providers we use have payment cut-off points between 10th-31st March. Added to that, to comply with our regulatory responsibilities, we also need time to produce the required correspondence and documentation. As such, if any instructions are received after 10th March 2023 while we will make every effort to ensure these are processed in time, we cannot guarantee contribution will be made in the current tax year.

As always, if you have any questions or concerns, please speak to your Financial Planner, or contact us directly.

Investment Commentary

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February 2023

2023 has begun brightly for investors with developed market equities rising nearly 5% in sterling terms in January. Market sentiment was buoyed by further evidence that inflation is falling in key regions and the consequent hope that central banks may soon be able to end their cycle of rate hikes. Generally better than expected economic and corporate data also provided support.

Inflation (CPI) in the US fell from 7.1% to 6.5%, driven primarily by lower energy and food prices. Markets were also encouraged by stronger than expected GDP numbers and by a slightly cooling labour market. Eurozone inflation also receded, falling to 9.2% in December, while economic data indicated that the region had narrowly avoided recession in Q4 with growth just positive at 0.1%. Concerns over the energy supply crisis in Europe alleviated further, helped by a combination of a mild winter to date, government support and falling gas prices.

The UK market also produced a strong return, albeit lagging other key regions. CPI fell modestly from 10.7% to 10.5% although core inflation was unmoved and the expectation of the UK facing 'higher for longer' inflation than most of the developed world remains as strong wage growth appears to be putting pressure on the services sector in particular. Economic indicators continue to point to recession being likely in 2023 with heavily negative real (above inflation) wage growth and a squeeze on many mortgage holders exposed to sharp rises in repayment costs expected to weigh heavily.

Heightened expectations of a shift away from tightening central bank policy boosted growth stocks in particular, which are generally more sensitive to rising rates. Having dramatically underperformed their value counterparts last year (by more than 20%) 'growth' outperformed 'value' by 5% over the month led by sectors such as technology and consumer discretionary.

The continuing evidence that inflationary pressures are receding and expectation of a slowdown in the cycle of tightening rates sent bond yields lower (and prices up), particularly at the longer end of the yield curve.

Our exposure to the US dollar provided a valuable hedge against falling asset prices over 2022. The US dollar was weak against most currencies in January, however, and fell over 2% against sterling which slightly impaired returns on our dollar-denominated assets. Looking ahead we continue to favour holding dollar-denominated assets based both on our view of the comparative outlook for the UK and US economies and the continued potential benefits of the dollar's reserve status.

Strategy Positioning

The Nugenis portfolios have been well positioned to capture the strong returns from equity markets in January. Greater visibility on inflation moderating and on the likely peak in rates across key markets is improving sentiment, and equities remain our preferred asset class for potential real returns going forward. It has also been encouraging to see that corporate earnings have to date proved more resilient than many have expected. We continue to have a high conviction in terms of our equity positioning, and are targeting areas of relative economic and corporate strength.

The portfolios have also benefitted from the recovery in fixed income markets and, as opportunities arise, we may look to add further targeted exposure, potentially recycling assets from our alternative strategies.

FEATURED INSIGHT

Making the most of your tax breaks

As the saying goes, 'a penny saved is a penny earned', and that's what makes tax planning so important. Making the most of the tax breaks open to you means more money in your pocket, either now or in your financial future.

The UK tax year runs from 6th April to 5th April, so if you are yet to review your finances for the current year now is a good time to get the ball rolling as leaving it until the last minute could put you at risk of missing out on potential tax saving opportunities.

The following are some ideas of the main areas you might want to consider when it comes to managing the tax you pay on your income, capital and estate.

INCOME TAX AND PENSIONS

If you are putting money aside for later life and are in a higher or additional rate tax band for income tax, tax planning can be a particularly worthwhile exercise. Making pension contributions can reduce the amount of income on which you pay tax and give your future a boost at the same time.

Any personal contributions up to the lower of 100% of your earnings or £40,000 will normally qualify for tax relief at your highest marginal rate, however there are some exceptions. If your earnings exceed £200,000 during the tax year, or you have already taken income from a pension, the £40,000 annual contribution limit (known as the Annual Allowance) could be reduced to as little as £4,000.

If you are able to make a one-off contribution to your pension it may be possible to carry forward any unused Annual Allowance from previous years, though rules here are complex.

PUTTING IT INTO PRACTICE

Here's an example of how pension planning can help streamline your annual Income Tax position:

- You pay no Income Tax on the first £12,570 of income, known as your Personal Allowance
- Every £2 of income above £100,000 reduces your Personal Allowance by £1, meaning once earnings exceed £125,000 your Personal Allowance is lost altogether.
- This means the effective tax rate on income over £100,000 can be as high as 60%
- Income for this purpose doesn't include pension contributions, so paying into a pension can help to keep some or all of your Personal Allowance that would otherwise be lost. You will potentially pay less tax on your income and benefit from tax relief on your pension contributions too.

CAPITAL GAINS TAX AND YOUR ISA

You can potentially trigger a capital gains tax (CGT) bill if you make a profit from selling or otherwise disposing of certain types of assets, including investments and property.

Investments in a pension are sheltered from CGT, but so are those in ISAs. While you don't get tax relief on money you pay into an ISA it isn't taxable when you take it out, nor is it effectively locked-in until you are at least 55 (as it is in a pension).

All of this makes maximising your ISA allowance a tax-planning basic. You can currently pay up to £20,000 a year into an ISA, and have the option to place your money in cash, investments or a mixture of both. Don't forget about the junior ISA either. You can use this to save for a child, investing up to £9,000 a year.

CAPITAL GAINS TAX AND YOUR ISA

For any assets you are not sheltering in a tax-exempt product:

- **Each year you can dispose of a certain level of assets without suffering a CGT charge**
- **For 2022/23 and 2023/24 the amount of 'gain' that is exempt from taxation is £12,300**
- **You can transfer assets between spouses and civil partners without incurring a CGT charge**
- **Gains and losses within a tax year can be offset against each other to manage your CGT bill**
- **In some circumstances losses made in previous years can be carried forward and used to offset gains made in a later year**

LOOKING AHEAD TO INHERITANCE TAX

Pensions and ISAs tend to dominate the headlines when it comes to planning around the tax year, but it's also a good opportunity to review your inheritance tax (IHT) situation. An effective way to reduce the potential for IHT on your passing away is gifting.

There are some complex rules to be aware of to make sure your strategy is effective, so it's essential that you get advice if you are considering a gift. At the simpler end of things:

- You can gift up to £3,000 each year without the value being added to your estate, known as the annual exemption. If unused, you can also carry forward last year's allowance too, but only for one year.
- You can gift £250 to as many people as you wish during the tax year.

IT PAYS TO THINK STRATEGICALLY

While the turn of another tax year is a natural time to make sure you're not missing out on potential tax breaks in the short term, tax planning works best at a strategic level when tailored to your individual circumstances and as part of a longer-term financial plan.

An expert financial planner can help you keep on top of, and get the most from, tax rules that are not only complicated but also subject to regular change.

Please contact us if you have questions about the tax-efficiency of your current financial plan or would like to find out how we can help you put one in place towards the future you want.

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