



May 2024

NUGENIS NEWS



Financial planning for a *brighter* wealth



Exam Success



Stuart Lane, one of our financial planners, recently passed the Chartered Insurance Institute (CII) AF8 (Retirement Income Planning) exam.

To attain the qualification, Stuart had to complete three written coursework assignments aimed at advising clients on income planning approaching and during retirement and including later life.

Stuart must complete one more advanced exam which he has decided will be AF1 (Personal Tax and Trust Planning) as this fits well with his clients' needs.

Success in this final qualification will mean Stuart will attain chartered status which symbolises technical competence and signifies a public commitment to professional standards. He hopes to do this by November 2024.

We will of course keep you posted on his progress, but for now, huge congratulations on attaining AF8 Stuart.

PEOPLE NEWS

Investment Commentary

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May 2024

Market overview

After a strong first quarter of the year April was a difficult month for investors with developed market equities falling over 3% and global bonds falling 2.5% in local currency terms. The main catalyst for this reversal was a stronger-than-expected inflation number in the US which, in conjunction with some continuing resilience in the economy, modified the markets' expectations around the timing and extent of potential interest rate cuts.

There was an unusually wide dispersion of returns across markets and sectors over the month. Despite some encouraging economic data and a decent first quarter earnings season the S&P 500 Index was the laggard, falling over 4% during the month to end a five-month winning streak. Interest rate sensitive sectors such as real estate were particularly impacted. European markets fell 1.5% with the negative impact of 'higher for longer' rate expectations partially offset by some firmer evidence of an improving economic backdrop. The eurozone's composite Purchasing Managers' Index ('PMI'), a key leading economic indicator, has risen above 50, which indicates expansion, while inflation in the eurozone now stands at a relatively comfortable level of 2.4%.

The UK market proved to be the strongest developed market in April, rising over 2%. The main driver was the rise in commodity prices as tensions between Israel and Iran rose, which boosted returns given the UK market's heavy weighting in the resources sector. As was the case in the eurozone, data also provided some encouragement that the UK economy may be headed for a 'soft landing', with inflation under control and moderate but positive levels of growth. Asian markets were also resilient, benefitting from some relative strength in China.

Away from equities the more hawkish sentiment pushed sovereign bond yields higher across the developed world. The 10-year gilt yield rose from 4.1% to 4.4% while the 10-year US treasury yield rose from 4.3% to 4.7%. Higher yielding areas of the market outperformed as spreads remained largely unchanged. Given the more recent data markets are now pricing in two rate cuts in the US this year (as opposed to five or six a few months ago), plus a similar number in the eurozone and the UK. There is still considerable uncertainty on the timing of a reversal in rate policy, but current expectations suggest that the eurozone may now move first over the summer.

Strategy Positioning

Markets will continue to speculate on the timing of a reversal in interest rate policy and this may cause some volatility in asset prices. Notwithstanding this we believe that the fundamental backdrop remains supportive for risk assets with positive levels of global economic growth looking ahead, receding inflationary pressures and the prospect of looser monetary policy moving into 2025.

We see an attractive combination of earnings growth recovery and reasonable valuations across key equity markets, including areas such as Europe and Japan, which now look more compelling on a global scale.

Volatility in fixed income markets is currently quite extreme, however the thesis for our exposure to both sovereign bonds and corporate credit is very much intact given our views on the economy and the outlook for interest rates.

ISA

Savings Account

Your Guide to the Updated ISA Rules for 2024-2025

As the landscape of personal finance continues to evolve, one crucial aspect that remains at the forefront for UK residents is the Individual Savings Account (ISA). For the fiscal year 2024-2025, significant updates have been made to ISA rules, aiming to provide more flexibility and opportunity for savers and investors alike.

An ISA is a tax-efficient savings or investment account available to UK residents, allowing them to earn interest, dividends, or capital gains tax-free. It serves as a popular vehicle for individuals to save and invest money for various financial goals, such as retirement, education, or purchasing a home.

Removal of Single ISA Limit

The Bank of England (BoE), like its counterparts across the globe, faces the delicate task of balancing the need to support economic recovery with the imperative of curbing inflationary pressures. The prevailing consensus suggests that while interest rates are unlikely to remain at rock-bottom levels indefinitely, any significant upward adjustments in the near term are improbable. The central bank is expected to proceed with caution, exercising prudence to avoid derailing the fragile economic recovery.

Over the past couple of years, the BoE has raised interest rates multiple times to combat rising inflation. However, in recent months they have opted to keep rates on hold at 5.25%. BoE Governor Andrew Bailey has hinted at the possibility of rate cuts before inflation reaches their Government imposed target of 2%, emphasising the importance of forward-looking action.

Streamlined ISA Management

The cumbersome process of reactivating dormant ISAs has been streamlined, eliminating the need for savers to initiate new applications if their accounts remain inactive for a tax year. This enhancement simplifies the administrative burden associated with ISA management, enabling seamless continuation of contributions without procedural hurdles.



Minimum Age Adjustment

With the minimum age for opening an adult ISA raised from 16 to 18, younger savers gain parity with adult stocks and shares ISAs. While 16 and 17-year-olds retain access to Junior ISAs, the reduction in their annual tax-free allowance underscores the importance of informed financial planning from an early age.

Expanded Innovative Finance ISA Options

The inclusion of Long-Term Asset Funds (LTAFs) and other investment products with extended lock-in periods with Innovative Finance ISAs broadens the scope of investment opportunities available to savvy investors seeking tax-efficient avenues for wealth accumulation.

The implications of these changes are far-reaching, offering savers unprecedented flexibility and autonomy in managing their financial affairs. By capitalising on the newfound freedom to distribute funds across multiple ISAs and exploring innovative investment options, individuals can optimise their savings strategies and capitalise on prevailing market conditions.

However, traversing the intricacies of ISA regulations demands vigilance and informed decision-making. As evidenced by the Chancellor's recent proposal for a potential £5,000 British ISA tax allowance, the financial landscape is subject to continual evolution, underscoring the importance of staying abreast of regulatory developments and leveraging professional guidance to maximize financial outcomes.

Overall, the updated ISA rules for 2024-2025 represent a significant opportunity for UK residents to enhance their savings and investment strategies. By increasing contribution flexibility, enhancing transparency, and introducing new savings options, these changes aim to make ISAs a more accessible, flexible, and attractive option for individuals looking to build wealth and achieve their financial goals.

For personalised guidance and comprehensive support in circumnavigating the evolving landscape of ISA regulations, reach out to us today. Our experts offer tailored insights and personalised recommendations to align with your unique financial goals.

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