RT FINANCIAL PLANNERS LTD

NEWSLETTER – APRIL 2023

In this issue

- **The First Quarter of 2023**
- **An update on Pension Legislative Changes**
- **Important News About Our Offices**
- **Update about our Software Systems**

RT Financial Planners is regulated by the Financial Conduct Authority

To avoid unnecessary paperwork and printing, we now only email newsletters rather than posting them. Please advise if you need to receive a hard copy in the post.

RT Financial Planners Limited
T: 01285 886111 or 01242 604066
E: enquiries@rtfp.co.uk

A Recap on the First Quarter of 2023

The chapter of the first quarter of 2023 has now been written. Despite various headwinds, including a surprise banking crisis, markets have posted strong returns to start the year. It was a strong quarter for US stocks, and in particular tech and growth orientated stocks. Meta (Facebook) is up around 75%, a quite remarkable move, with Apple also up 27% and Microsoft 20%, which highlights the strength of the tech sector in Q1 this year. As a whole, the sector offered investors respite from all that was unfolding in the banking industry throughout the quarter.

But are the strong growth figures we have seen the beginning of a meaningful bull run? If not, what should we be looking out for in the next three quarters of this year?

April typically experiences very strong market returns. This is characterised by large inflows of cash from people topping up their retirement accounts in the US and using the tax refunds hitting their accounts. In the UK, it's the start of a new tax year. On top of this, history suggests that in pre-election years, April returns are especially strong.

History also paints a rosy picture of the S&P 500 returns we experienced in Q1. When the S&P 500 has gained over 7% in the first quarter of the year, the full year has never been lower than that figure. That is 16 out of 16 times and an average full year return of 23.1%. Whether this plays out this year, is another question.

Investors have been using their accrued savings to dip their toe back into the stock market this year. The recent rally may also play on the 'fear of missing out' or FOMO. With returns so difficult to come by last year, any sign of positive returns will have retail investors looking to get in on the act.

Investor confidence seems to have picked up this year and as markets are forward looking, some may feel that they have priced in much of the downside associated with current concerns, which may give rise to the thought that a deep recession may not be on the horizon, which may be supportive for companies and stock markets alike.

However, a note of caution! Markets are often irrational, and we must be aware of the headwinds surrounding the recent market positivity. The path of inflation and pace of monetary tightening is still far from certain. The stock market rally may have something to do with easing financial conditions, such as lower oil prices and the Federal Reserve's recent intervention to support the banking sector. Economic fundamentals have not necessarily bottomed out and valuations still look rich in various areas of the market.

Statistics Source: LGT Vestra

Changes in Pension Regulation

In the Spring Statement there were some surprising but very welcome changes in pension regulations, which will enable funding for some individuals who were previously restricted. Highlights of the main changes are set out below.

Lifetime Allowance (LTA) Abolished
The LTA will be abolished from April 2024, but withdrawals in excess of the LTA from April 2023 will not suffer a charge (effectively the LTA rate is 0%). This removes the cap on lifetime savings, giving an opportunity for further funding, even if the LTA had previously been fully used. There will, however, be a cap on tax free cash at 25% of savings subject to a maximum of £268,275 (25% of current LTA).

While the various forms of LTA protection are now effectively redundant with regards to the LTA charge, they may still be relevant for determining tax free cash (TFC). Subject to certain conditions, anyone with a TFC entitlement in excess of £268,275 because of their LTA protection will retain their rights to this higher amount. The exception is those with enhanced protection, where the level of TFC is capped at the value on 5 April 2023. New contributions can be made after this date without losing this protection, but they will not offer any new TFC entitlement.

Annual Allowance Changes
This is the standard amount that is eligible for tax relieved contributions annually, and we have seen an increase from £40,000 to £60,000, which presents an opportunity to make a larger contribution, with extra tax relief of up to £9,000 for additional rate taxpayers, £8,000 for higher rate taxpayers and the level is earnings dependent for basic rate taxpayers. This is particularly attractive to those with earnings in the bracket above £100,000 to regain personal allowance .

Tapered Annual Allowance
This is the reduction in the allowance for tax relieved contributions for high earners and the minimum contribution has increased from £4,000 to £10,000. This is accompanied by a rise in the adjusted income threshold to £260,000. This will take more people out of the reaches of tapering, and those who do exceed will still be able to contribute more.

Money Purchase Annual Allowance
This is a reduced allowance for those who have already started to draw income flexibly from their pensions. The allowance increased from £4,000 to £10,000. So those who may have already flexibly accessed pensions may now wish to consider funding again at a more meaningful level, which may present an opportunity for fairly simple, albeit limited, inheritance tax planning.

RT Financial Planners **Newsletter – April 2023**

News About Our Offices

It is with a heavy heart that we must advise you that our Winchcombe office will be closing for good in June this year. The lease terms dictate that this is a suitable time, and the cost of maintaining two premises with soaring energy and utility bills, means that running both offices in such close proximity is no longer viable.

We would like to reassure all our clients, especially those living in the Winchcombe and surrounding areas that we are fully committed to continuing to provide full services in this area. Our advisers will be happy to visit you in your own homes, or if it is preferable, we will arrange a suitable location to meet up locally.

We are pleased to advise that we are retaining our highly valued staff from the office, in particular Matthew, who has been key in keeping the office going during a period of change since the disruption that began during the pandemic – and many thanks must go to him for his efforts in this respect. We very much hope that the silver lining will mean that much closer team-work continues to develop throughout our team who so ably support our advisers.

Please do contact us should you have any questions or you wish to discuss any practicalities surrounding your own circumstances. Your adviser, or one of our directors, Jackie Greenwood and Simon Fell will be pleased to address any concerns you may have.

An Update on our Regulation and Software Systems

You may recall that last November we contacted you to advise that we were in the process of changing the way we were regulated and in particular, to adopt a position of becoming an "Appointed Representative" of Best Practice.

This simply meant that we were using a carefully selected business partner as an interim layer of regulation between us and the Financial Conduct Authority. This did not mean there would be any changes to our services we can provide to our clients, or any changes to our company except adding in another layer or regulation for additional resources and compliance support.

What should have been a simple transaction become protracted and it was apparent that we were unable to smoothly implement this change without unnecessary disruption, so this has been delayed for the time being. We hope that this will be back in progress by the end of this year – we will of course keep you updated on this.

As an interim measure we are proceeding with back office and 'behind the scenes' changes to our systems and processes to align the business with many of the areas best practice and their group of companies assist financial advisers.

For a number of years, we have been working with a back office provider called Intelligent Office and many of you may have already used their client portal (PFP) to view valuations and updates on your financial arrangements.

We have decided to move away from Intelligent Office and to use the systems provided by Best Practice as we had not been getting the support and advancements in our back office and client facing portal, that we had hoped for. The new system called 'Enable' will provide a 'client portal' called the Wealth Platform, the Wealth Platform can be accessed via the web or by using a free to download app.

The new system has greater functionality and a much better user interface and tools than we had previously, and the investment being made by Best Practice to enhance and improve this technology should help us to deliver a better and fuller experience for you, as our valued clients, going forwards.

There will be a short period where we will be updating and linking the necessary data behind the scenes. There may be, in limited cases, a short period where we are unable to provide you with our usual aggregated valuation statement, whilst we finalise the changes to our systems. Please rest assured your data is being safely and securely transferred and, in time, these changes will lead to us being able to deliver a better and fuller experience to you, and to keep up with advancements and changes in technology into the future.

From the 1st of May you will no longer be able to access the Intelligent Office client portal. We will be in touch with all clients to provide you with the information you need, should you wish to register with the new client 'Wealth Platform'. We would encourage all clients to register with the wealth platform, should you have internet access. Not only will this allow you to view your financial plans in one place but also for us to communicate with you in a swift and safe manner, and will include secure documents facilities, amongst other features.

Registration should be a straightforward process, we will send you a registration email, and you will require a six digit code to access the new system to ensure the security of your data, so please ensure that you have provided us with your best mobile and email contact information to allow for this to happen. We will of course, be here to assist with any of the registration process as required.

Please do bear with us should anything not happen as seamlessly as planned and let us know should you come across any issues or challenges in this regard.

We would like to re iterate that these changes are nothing to be concerned about, quite the opposite in fact. As pointed out already, these changes are being done with a view to ensuring we continue to develop and improve our business to provide the most up to date, professional services and functionality to our clients.