dennehy wealth

MAY 2024

The Pieces Fall Into Place

Today's content is mostly on financial planning, as you might expect from one of the limited number of Chartered Financial Planners in the UK. But first investment matters. We are now in a period of inflation volatility, and this will likely continue for a number of years.

The good news is that history highlights what investments should work in this environment in the years to come e.g. Value investments, equity income, commodities. With UK rate cuts just ahead (probably), it is time to begin to embrace these sectors, as a multi-year theme.

"Begin" is the operative word, as these sectors are not immune from the US bubble bursting, nor a crisis triggered by the mountain of poor quality debt globally, nor a host of other risks ranging from financial to geopolitical and climate.

Plus, while cash has been a sensible asset allocation in the last 12-24 months, it is now the time to consider those other strategies with UK interest rates set to fall. There will be much more on this in our regular emailed investment commentaries.

Brian

Brian Dennehy LLB FPFS
Chartered Financial Planner

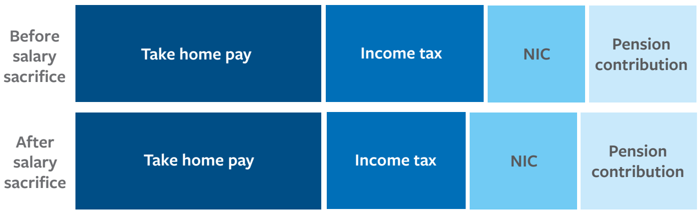
What's inside:

Be SMART With Your Pension Savings

By Ruairi Dennehy, Chartered Financial Planner at Dennehy Wealth

SMART (Save More And Reduce Tax) salary sacrifice is a way of increasing your pension contributions while not reducing your take home pay. Magic? No, just good planning, and here's how.. The money you save on NIC's goes into your pension, increasing your contributions at no cost to you, as you can see from figure 1 below. Your employer also has a choice to pass on their savings in National Insurance (NI) to you by adding their savings to your pension pot.

Figure 1: Legal & General



Example in action:

- An employee earning £50,000 sacrifices 5% of their salary for their pension
- They will therefore contribute £208 to their scheme each month, or £2,500 annually
- Due to the fact they won't pay National Insurance on the amount they sacrifice, each month the employee will save £16.64, or £200 saved per year
- Through the SMART option, this £16.64 saving also gets added into their pension pot
- So, rather than putting £208 each month into their pension, they'll actually save £224, at no extra cost to the employee

Other Benefits:

- You could receive an increase in child tax credits.
- You may regain part, or all, of your entitlement to child benefit.
- If you are a higher rate taxpayer, you benefit from immediate higher rate tax relief on the pension contribution instead of claiming it from H M Revenue & Customs (HMRC).
- If you earn in excess of £100,000, you may have the chance to regain part or all of your personal allowance, depending on the size of your salary and the amount you choose to sacrifice.

Considerations:

- Some mortgage and money lenders may reduce their maximum borrow amount as your effective salary may be lower under Salary Sacrifice arrangements.
- 'Death in service' benefits may be reduced if your salary is lower after Salary Sacrifice.
- Any amount of money that is Salary Sacrificed will still count towards your total income for determining your annual Personal Allowance.
- Not all employers offer salary sacrifice, so check with your employer or visit your scheme website, you can find the link to your scheme website on any email or letter about your pension.
- You can't use salary sacrifice if it would reduce your earnings below the National Minimum Wage.
- The scheme is only available via employers, meaning self-employed people can't have a salary sacrifice pension.

Figures in this article when using tax calculations for the 2024/25 tax year, where the rate of NI is 8%. Please use the above figures for illustrative purposes only, actual figures relating to your personal circumstances will be different. Tax legislation is likely to change, especially as 2024 is an election year in the UK. Please speak to your usual adviser for more details.

Taking Care Of Your Financial Wellbeing

By Tara Dennehy, Director at Dennehy Wealth

For those of you who are local to Chislehurst, you may have heard about the new health and wellness festival, Chislehurst Thrives, taking place on 30th June.

In line with this event, of which we are a sponsor, it got us thinking about how we could promote financial wellbeing. Health and wellness is as much a mental issue as it is physical, and money can have a huge impact on both.

Helping you with financial wellness since 1987

Financial wellness is about feeling secure and in control. It's about having a good relationship with money, making the most of it day to day. It involves adopting better financial behaviours to be able to deal with the unexpected and being on track for a healthy financial future. Here we have put together some thoughts which we hope will remind you that you aren't alone with your worries, and also encourage you to feel more confident at tackling some of those money issues head on, whether that is with our help or not.

Dealing with money worries during your working life

Working people in the UK are generally more worried about money than anything else – including their workload, career, work-life balance, mental health, physical health and relationships.

Research suggests that:

- Nearly 1 in 5 workers regularly run out of money before payday, and almost 10 million borrow money to buy food or pay bills.
- Most people understand the importance of long-term saving, but very few are comfortable with their current levels of savings.
- Around half of us don't feel confident about managing our money day-to-day.
- Those in a poor financial situation are four times as likely to suffer from depression or anxiety.

Did you know it's Mental Health Awareness Week?

Find out more here.

Money worries don't only affect those on low incomes, either. Higher earners, and those with accumulated wealth, tend to invest more of their money. And some may feel stressed about their investments at various times – when stock markets are volatile, for instance.

Here we address how to tackle just a few of the many common money issues that most of us face regularly:

1. **Deal with your priority bills first:** Not paying money owed on your priority bills (council tax, utility bills, mortgage/rent, child maintenance) can have serious consequences.
2. **Pay down expensive debts:** If your priority bills are under control, you may want to consider paying down other 'expensive' forms of debt (credit cards, store cards, car leasing). You'll typically pay much higher interest rates on these loans than on a mortgage. Cutting out the waste of money on interest charges will help to reduce your worries. There's some psychology to consider here too. It may help to break a debt cycle if you build (or re-build) your emergency funds before you start paying down expensive debts. That way, you avoid taking on more debt when unexpected expenses arise – like repairs to your car or your home. Any progress you make is a positive step forward!
3. **Keep your mortgage under review:** If you're worried about high-interest charges on your mortgage now or in the future, consider talking to a good mortgage broker. They will be able to help you explore your options for reducing or capping those costs. Also, if you can afford to overpay your mortgage, you might worry about whether it's best to do so. Again, an adviser will help you explore the options and ensure you avoid unnecessary charges on any extra repayments you make.

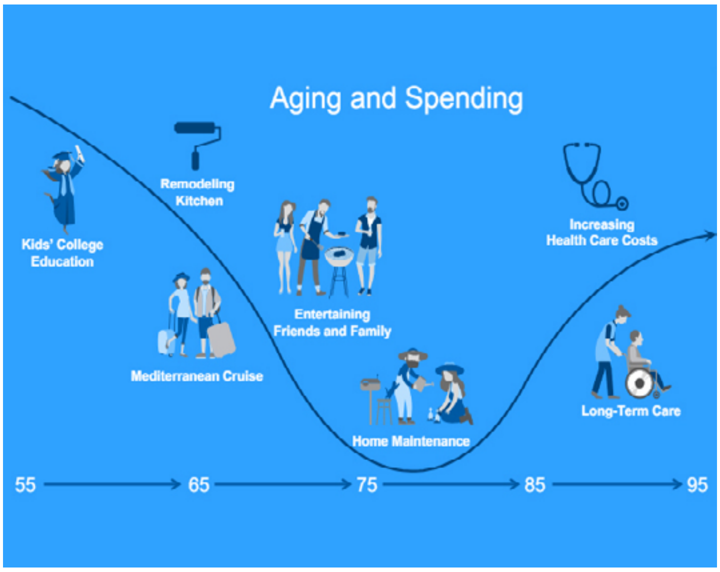
Money worries in retirement

If you're retired or thinking about retiring soon, you may have similar worries about paying bills and paying off debts to those we've just explored. Even without those worries, you might, understandably, be concerned about how you'll live off your pension and savings after your earned income stops. Research shows that:

- Nearly half of Britain's retirees fear running out of money at some point.
- A third (about 4 million) believe they'll need to downsize their home to get by.
- A quarter (about 3 million) hope for an inheritance to boost their pension funds.
- One in six are planning to return to work – on a part-time basis, at least.
- More than half expect to spend less in their later years.

Either way, the data shows significant levels of money worry among retirees – and that's understandable when retirement can last for 25 years or more. So, it helps to have a clear picture on the income you'll need in retirement – and have clarity on where that money will come from.

Of course, the amount of income you'll need in retirement will depend on your circumstances, the lifestyle you want, your health etc. In addition, you might find you naturally want to spend more money in the early years of retirement to travel the world while still young and physically able. This concept is often referred to as the "Retirement Smile", as depicted in the image below:



Source: Morgan Stanley, 2019

Whatever the shape of your spending in retirement, it will help to model those cash flows with a financial adviser – to check that your funds can sustain your income throughout your life.

For more information about the Chislehurst Thrives event, please see the back page of this newsletter.

What Are The Various Tax Allowances I Can Utilise In 2024/25?

By Gus Lart, Chartered Financial Planner at Dennehy Wealth

Now that we have entered a new tax year and with a new Government likely just ahead, it is useful to remind ourselves of the tax allowances of which you should take advantage this year.

ISA Allowance:
Remains at £20,000 across all ISAs, including a £4,000 allowance for Lifetime ISAs. You can now open more than one ISA of the same type in a tax year.

Junior ISA Allowance:
Invest up to £9,000 in the current tax year. Want to set up a Junior ISA for your child or grandchild? Just get in touch and we can help.

Pension Annual Allowance:
Remains at £60,000 but can be as little as £10,000 for high earners or if you've already accessed pension benefits. Remember, you can only pay the full £60,000 into your pension if you earn more than this amount, otherwise the maximum you can contribute is whatever your annual income is.

Junior SIPP Allowance:
A great way of saving for your child or grandchild's retirement. With an annual allowance of £3,600, you only have to pay £2,880 of your own money, and the rest will be paid as tax relief by the government.

Personal Allowance:
Earn up to £12,570 before paying tax.

Dividend Allowance:
Reduced to £500 this tax year. Any income received from dividends above the allowance is subject to tax at your marginal rate.

Capital Gains Tax Allowance:
This currently stands at £3,000, a sharp fall from the previous allowance of £6,000 and even £12,300 before that. Any profit or gain made when you sell or transfer an asset that's increased in value since you acquired it, which is above this allowance, is subject to tax.

Personal Savings Allowance:
The amount of interest you can earn on your savings before you must pay tax on it is £1,000 for basic rate taxpayers, and £500 for higher rate taxpayers.

Gifting allowance:
Gifting is a key way of reducing Inheritance Tax (IHT) liability. The amount you can gift in the current tax year is £3,000, this can be to one person or spread across several people. Don't forget, regularly gifting money to someone out of your own income can be done without any limits or future IHT liability. You just need to be able to show that you can afford to gift the money whilst maintaining your usual standard of living.

If you would like to discuss any of these with us, then please get in touch with your usual adviser or email enquiries@dennehywealth.co.uk to find out more.

Why is it important to choose a Chartered Financial Planner?

Over a number of decades, Dennehy Wealth are probably best known for our investment advice and high quality research.

But as one of the small proportion of firms with Chartered Financial Planner status, our professional services, and their quality, are both broader and deeper.

By choosing a Chartered firm, you are selecting a business that has reached the highest standard of technical knowledge and conduct, is publicly committed to superior professional standards, and must maintain standards of excellence in qualifications, ethics, and professional development.

Our Chartered status is our long-term professional commitment to you.

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Team Dennehy Wealth Off To Flying Start In 2024

By Tara Dennehy

The Journey To Chartered

We are thrilled to share that two of our advisers, Gus Lart and Ruairi Dennehy, have both recently achieved their Chartered Financial Planner status.

The pair have worked over a cumulative 6 years to get to Chartered level, a qualification that only 12% of financial planners in the entire country achieve. We couldn't be more pleased for both Ruairi and Gus and are excited to see their careers flourish even more.

As a firm of Chartered Financial Planners, Dennehy Wealth continue to support and encourage employees to enhance their qualifications through relevant industry exams.

Running For Good Causes

A big congratulations to Joe, Kylie, Ruairi and Tara who all completed the London Landmarks Half Marathon in April. Despite the strong winds, it was a great day, and somehow Ruairi and Joe found the energy to have a sprint race to the finish!

The team were able to raise a total of over £1,700 for the Alzheimer's Society, Prostate Cancer UK and the British Heart Foundation.

One For Your Diaries: Chislehurst Thrives

If you are local to Chislehurst, this one is not to be missed!

On **Sunday 30th June** the Visit Chislehurst group have organised a festival of fitness, health and wellness for people of all ages and abilities.

A FESTIVAL OF FITNESS · CHISLEHURST THRIVES · PROUD SPONSOR · HEALTH AND WELLBEING

The day, which is free entry for all, will be filled with yoga/pilates sessions, wellness talks, kids activities, food stalls and so much more!

We are proud to be sponsors of the event which promises to promote and encourage healthier lifestyles (both mentally and physically) and important tools for it to be achieved.

Make sure you come and visit the Dennehy Wealth stall for a chance to win some great prizes!

Timings – 11am-5pm

Location – Chislehurst Recreation Ground, BR7 5DF

Admission – Free!

If you have a moment, it would be greatly appreciated if you could leave us a Google Review and let others know about your experience using Dennehy Wealth. We're also on Instagram, just search @dennehywealth.

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