QUARTERLY ADVISER

APRIL | 2025

Rockhold Investment Update

Spring Statement Highlights

The Lasting Impact of Education on UK Property Demand

Planning For Private School Funding in The Uk: Trusts, Investments, And Tax Efficiency

Financial Freedom in Retirement

New Tax Year, New You

The Business Of “Side Hustles’

Global Citizens, Modern Families & Inheritance Tax Planning

Busting Divorce Misconceptions: Protecting Your Financial Future

QUARTERLY ADVISER | APRIL | 2025

Welcome to this edition of The Quarterly Adviser

Against the backdrop of the ever-changing landscape of the UK economy, we believe it is more important than ever to keep our clients informed of market updates and discussion topics that keep you informed and reassured that your plans are in safe hands.

For more information on any of the topics covered in this edition of the Quarterly Adviser, please don’t hesitate to get in touch with your Financial Adviser via the contact details on this page.

Scott Fyffe

WEALTH MANAGEMENT

Index	Level 31 January	Level 28 February	Change*
S&P 500	6041	5955	-1.42%
FTSE 100	8502	8659	+1.84%
Euro Stoxx 600	539	557	+3.33%
Nikkei 225	39572	37155	-6.10%
Shanghai	3250	3320	+2.15%
US 10 Yr Treasury Yield	4.56%	4.22%	-0.34
UK 10 Yr Gilt Yield	4.53%	4.48%	-0.05
Bund 10 Yr	2.45%	2.56%	+0.11

*all returns in local currency terms

Overview

Investors continued the trend of shifting assets away from the US and into Europe, including the UK, as they began to express concerns that the raft of tariffs being announced by the new US administration could lead to an economic slowdown there. Consequently, we have seen equities outside the US outperforming since the beginning of the year; a phenomenon which we haven't been used to for some time now but has rewarded taking a more global approach in asset allocation.

On the fixed interest front, we have also started to see bonds across regions move in different directions. In the US, bond yields have started to decline, whereas in mainland Europe rates are rising. This illustrates the different drivers emerging. In the US, investors believe that the imposition of tariffs and cutting of public sector payrolls could lead to a slowdown in consumption and thus leave the Federal Reserve more room to move on reducing interest rates than had previously been believed to be the case. In Europe however, there is a realisation now that the continent will have to shoulder significantly more of the costs of its own defence, following Trump's cessation of military aid to Ukraine and threats to reduce America's support for NATO.

Consequently, the prospect of higher levels of borrowing have forced up borrowing rates, manifested in higher bond yields. The combination of a weaker US market and a resurgent pound (which reduces returns from overseas investments), meant that all portfolios were down over the month, although all are still showing positive returns for the year to date.

US

Although over 70% of S&P 500 Q4 earnings reports were ahead of expectations, concerns still abounded about the prospects for technology companies, following China's Deep Seek throwing doubt over the AI trade, as evidenced by the performance of the Magnificent 7 stocks which fell as a group overall. Tesla, which is seemingly facing a consumer backlash against Elon Musk's involvement with the US administration and DOGE, as well as likely to be adversely affected by tariffs, saw its share price fall by over 25%. Consequently, we saw the NASDAQ slip by over 3%. Smaller companies fared worse, as worries emerged about the impact of widespread tariffs on domestically focussed companies.

At the political level, we are all familiar now with the unpredictability of President Trump's policy making, as tariffs are imposed one minute and reversed the next.

This creates uncertainty for businesses as well as investors. Added to which, geopolitics, weaker US consumer confidence, persistently sticky inflation printing at 0.3% for January and a flash GDP report showing 2.5% year-on-year growth conspired to dampen sentiment.

The new Treasury secretary, Scott Bessant, is maintaining the same policy of his predecessor of using shorter dates bands to finance the deficit in order to keep longer term borrowing rates lower. He has also stated that he doesn't believe that tariffs will be inflationary unless accompanied by an increase in the money supply.

Europe

The narrative in Europe shifted somewhat in February. We saw political uncertainty in Germany eased, following the election win of Friedrich Merz' CDU party, although he will require a coalition with the SDP, as the right-wing AFD party secured enough votes to impact any proposed changes to the constitution, which will be required to raise the debt ceiling in the country. The latter is something that will be needed in order to address many issues such as infrastructure and defence spending.

However, the unwelcome actions from Donald Trump in respect of Ukraine and NATO, have galvanised the political elite into moving as quickly as possible to avoid AFD led disruption. Indeed, the possibility of political stability in Germany, increased spending on defence across the continent and the belief that Ukrainian post-war reconstruction could act as a stimulus for the wider European economy, helped to support strong stock market performance, although it was no surprise that defence stocks led the way.

UK

The UK main market, the FTSE 100, benefits from its position as a home for globally centric businesses. This year it also appears to have benefited from the geopolitical situation, as the UK currently sits at the edges of what is developing into a global trade war.

Domestically, we witnessed an uptick in inflationary pressure. As of February 2025, the UK economy is showing signs of slow growth, with the Bank of England revising its GDP growth forecast downwards to 0.75% for this year, significantly lower than previous predictions; this is attributed to a weakening labour market and a projected moderation in wage growth despite recent highs; inflation is expected to rise to 3.7% by quarter 3 before gradually easing back to the target rate.

UK interest rates are expected to fall albeit only very modestly against the backdrop of higher inflation. The environment continues to look stagflationary (low growth coupled with higher inflation) and goes some way to explaining why the more domestically focussed FTSE 250 index was down nearly 3%, in contrast to the main market's positive return.

Japan

The Japanese economy continues to be driven by competing forces. On the one hand inflation has returned, which is taking some adjustment by consumers, although wages are rising and in a significant fashion for Japan, but consumers struggle with higher food and energy prices, which reduces demand elsewhere.

Thus, the Bank of Japan has the problem of desiring to limit inflation and balancing this with not slowing down growth further by raising interest rates. It also has a high level of government debt, so raising rates pushes the interest rate bill up and at a time when the country is looking to bolster spending in areas such as defence. These factors, coupled with the tariff threat from the US, helped to deliver stock market declines across the board.

Asia and Emerging Markets

China's President Xi Jinping lent very public support to country's technology sector during a meeting with leading tech entrepreneurs. This included meeting with some who had been politically chastised only a few years previously over excess in the sector.

In a change of stance, Xi made it clear that the sector was very important to the future of the Chinese economy. Such public political support lent itself to a strong rally in tech stocks, many of which are listed on the Hong Kong stock exchange rather than in Shanghai and whilst the latter market rose over 3% over the month, the former was up over 12%. Whilst political support for the sector was welcomed, such enthusiasm is unlikely to extent to the wider economy, which remains mired in property related debt and deflationary pressures.

Elsewhere in Asia and Emerging Markets, returns were broadly negative, as concerns grew over possible application of tariffs on the regions.

Outlook

The increased volatility in markets is likely to continue for a while, given the unpredictability of policies emanating from the White House.

Markets dislike uncertainty and it comes at a time when many sectors of the US stock market were exhibiting high valuations and thus more susceptible to negative news flow.
However, recent moves should be kept in context, as they come after three years of excellent returns, and we should bear in mind that US companies lead the world in many fields. That is unlikely to change. The emergence of other markets as sources of return is to be welcomed during any period of price reset in the US.

The differences in moves seen across regions, in both equities and bonds does increasingly support a global approach and whilst some sectors such as technology may suffer, others can benefit from political change. So, we continue to offer an active approach to both asset classes.

Rockhold Asset Management, with contribution from Alpha Beta Partners, Marlborough and LGT, March 2025

Investment update

March 2025

Spring Statement highlights

26th | March | 2025

In the days building up to the statement, the overwhelming news headline has been around the announcement of benefits cuts allegedly worth £5bn, specifically focusing on personal independent payments (PIP), a key disability benefit.

Following a detailed Autumn budget that saw major tax announcements, it was predicted that the Chancellor would keep the spring statement 'limited' and the focus would be on cuts as well as the increase in defence spending.

The Chancellor began the Spring statement by saying that Labour was elected last July *"to bring change to our country, to provide security for working people and to deliver a decade of national renewal"*. Continuing with her summary, Mrs. Reeves said that she is proud of what Labour has done so far and that now they move onto the job at hand which is to *"secure Britain's future in a world that is changing before our eyes"*.

Listing various challenges that the UK are facing in the current climate, this focused on the consequences of Russia's continued invasion of Ukraine, the 'uncertain' global economy and a rise in borrowing costs.

> *"The responsible choice is to reduce our levels of debt and borrowing in the years ahead."*
>
> *Rachael Reeves – 26th March 2025*

Mrs Reeves continued by saying that she believes the UK has the strength to reach its full potential and deliver for working people.

Fiscal rules

Turning to the Independent Office for Budget Responsibility (OBR) forecast, the Chancellor repeated that her fiscal rules are *"non-negotiable"* explaining that these two rules are the stability rule, to ensure that public spending is "under control" and the investment rule, which is about "ensuring net financial debt falls by the end of the forecast period, while enabling us to invest alongside business".

Mrs Reeves says that today's announcements mean that the government's budget will move from a deficit of £36.1bn in 2025/26 and £13.4bn in 2026/27, to a surplus of £6bn in 2027/28, £7.1bn in 2028/29 and £9.9bn in 2029/30.

Furthermore, the OBR forecast shows that the investment rule is also met two years early, with net financial debt of 82.9% of GDP in 2025-26 and 83.5% in 2026-27, before falling from 83.4% in 2027-28, to 83.2% in 2028-29 and 82.7% in 2029-30.

This will provide headroom of £15.1bn in the final year of the forecast.

Tax evasion

Recapping the Autumn budget, the Chancellor says that when working people are paying their taxes while still struggling with the cost of living, it cannot be right that others are still evading what they rightfully owe in tax.

Today, Mrs. Reeves said that she was going further by *"continuing our investments in cutting edge technology, investing in the HMRC capacity to crack down on tax avoidance and setting out plans to increase the number of tax fraudsters charged every year by 20%."*

Mrs Reeves said that by taking these steps on reducing tax evasion, it will raise an extra £1bn for the economy.

Welfare budget

The Chancellor noted that more than 1000 people are qualifying for personal independence payments (PIP) every day as well as sharing that 1 in 8 young people are not in employment, education or training.

> *"I said our fiscal rules were non-negotiable and I meant it".*
>
> *Rachael Reeves – 26th March 2025*

Noting that by letting this continue, in effect we are *"writing off an entire generation"*. Mrs Reeves said that she cannot allow this to continue and as such is putting measures in place to prevent a waste of a generation's futures. The OBR have said that they estimate the package of support will save £4.8bn of the welfare budget.

The Chancellor announced that the Universal Credit standard allowance will increase from £92 per week in 2025-2026 to £106 per week by 2029-2030. While the Universal Credit health element will be cut for new claimants by around 50% and then frozen.

On top of this, they are investing £1bn to provide guaranteed, personalised employment support to help people back into work and £400 million to support the Department for Work and Pensions and our Job Centres to deliver these changes effectively and fairly.

This takes the total savings to £3.4 billion. While spending on disability and sickness benefits will continue to rise, these plans mean that welfare spending as a share of GDP will fall between 2026 and the end of the forecast period.

Summarising this section of the speech, the Chancellor concluded that they are *"reforming our welfare system, making it more sustainable, protecting the most vulnerable, and most importantly, supporting more people back into secure work, lifting them out of poverty."*

Government spending

Turning to departmental budgets, Mrs Reeves explained that the spending review will be delivered in June to set departmental budgets until 2028-29 for day-to-day spending and until 2029-30 for capital spending.

Today however, the Chancellor reflected on the government spending plans.

In relation to the defence budget, Mrs Reeves announced that defence spending will be increased to 2.5% of GDP and overseas aid would be reduced to 0.3% of gross national income.

This means that we will save £2.6 billion in day-to-day spending in 2029–30 to fund our more capital-intensive defence commitments.

Mrs Reeves also referred to the recent abolishment of NHS England, which she says, *"ensures that money goes directly to improving the service for patients"*.

> *"This government will ensure that every pound we spend will deliver for the British people by increasing productivity, driving growth in our economy and improving our front-line public services,"*
>
> *Rachael Reeves – 26th March 2025*

The Chancellor announced £3.25 billion of investment to deliver the reforms that our public services need through a new Transformation Fund. This is money brought forward now to bring down the costs of running government by the end of the forecast period, by making public services more efficient, more productive and more focused on the user.

Mrs Reeves confirmed that the first allocations from this Transformation Fund would include funding for voluntary exit schemes to reduce the size of the civil service, pioneering AI tools to modernise the state, investment in top technology for the Ministry of Justice to deliver probation services more effectively and an upfront investment to support more children in foster care to give them the best possible start in life.

The Chancellor said these steps will help to deliver a further £3.5 billion of day-to-day savings by 2029/30. Overall, day-to-day spending will be reduced by £6.1 billion in 2029/30.

Reflecting on the announcement in the Autumn budget of £100bn of capital spending to crowd in investment from the private sector, today the Chancellor confirmed that she is increasing capital spending by an average of £2 billion per year compared with the Autumn, to drive growth in our economy and to deliver in full our vital commitments on defence.

Economic instability

Turning to the impact of increased uncertainty on our economy, Mrs. Reeves said that to deliver economic stability, we must work closely with the Bank of England, supporting the independent Monetary Policy Committee to meet their 2% inflation target.

She continued by saying that the OBR forecast that CPI inflation will average 3.2% this year before falling rapidly to 2.1% in 2026 and meeting the 2% target from 2027 onwards.

Mrs Reeves continued by explaining that earlier this month, the OECD downgraded this year's growth forecast for every G7 economy, including the UK and the OBR have today revised down the UK growth forecast for 2025 from 2% in the autumn to 1% today.

Mrs Reeves shared her dissatisfaction with these numbers and said that this is why they are serious about taking the action needed to grow our economy.

In response to this, the Chancellor explained how she is *"backing the builders, not the blockers, with a third runway at Heathrow Airport and the Planning and Infrastructure Bill. Increasing investment with reforms to our pension system and a new national wealth fund and tearing down regulatory barriers in every sector of our economy... That is a serious plan for growth. That is a serious plan to improve living standards. That is a serious plan to renew our country."*, Mrs Reeves concluded.

Defence budget

Going into more detail regarding an extra £6.4bn being put into defence spending by 2027, Mrs Reeves outlined the investment aspect of this budget confirming that she will provide an additional £2.2bn for the Ministry of Defence next year, a further downpayment on Labour's plans to deliver 2.5% of GDP by 2027.

Outlining the immediate steps, Mrs Reeves says that the UK will spend a minimum of 10% of the Ministry of Defence equipment budget on new novel technologies, including drones and AI-enabled technology, which she says will also create demand for highly skilled engineers and scientists and delivering new business opportunities for UK tech firms and startups.

The Chancellor said that they will establish a protected budget of £400m within the Ministry of Defence, a budget that will rise over time for UK defence innovation, with a clear mandate to bring innovative technology to the frontline at speed.

She also says that the government will reform the broken defence procurement system, making it quicker, more agile and more streamlined.

The Chancellor also announced new plans for Barrow, *"a town at the heart of our nuclear security",* providing £200m supporting the creation of thousands of jobs there and they will also regenerate Portsmouth Naval Base, securing its future as well as securing better homes for thousands of military families.

The Chancellor went on to announce that she will provide £2bn of increased capacity for UK export finance, to provide loans for overseas buyers of UK defence goods and services because *"I want to do more with our defence budget so we can buy, and make, and sell things here in Britain."*

Mrs Reeves added that she and the Defence Secretary will also establish a new "Defence Growth Board" to maximise the benefits from every pound of taxpayers' money spent.

All of these measures, she says is *"how we make our country a defence industrial superpower*".

House building

Reflecting on one of her central plans for growth, Mrs Reeves confirmed that OBR have today concluded that the housing reforms will permanently increase the level of real GDP by 0.2% in 2029–30, an additional £6.8 billion for our economy and by 0.4% of GDP within 10 years, an additional £15.1 billion in our British economy.

The OBR have concluded that our reforms will lead to house building reaching a 40-year high. This equates to around 305,000 new homes a year by the end of the forecast and changes to the national planning policy framework alone will help build over 1.3 million homes in the UK over the next five years.

"To build these new homes, we need people with the right skills," Mrs Reeves added referring to the Education Secretary's announcement of more than £600m to train up to 60,000 more construction workers including 10 new technical excellence colleges across every region of the country giving working people the chance to fulfil their potential.

Saying how this was *"just the start",* Mrs. Reeves explained how the Planning and Infrastructure Bill passed its second reading on Monday (24th March 2025) and said that once this bill completes its passage, it will help deliver the homes and infrastructure our country badly needs.

Growth forecast

The Chancellor next turned to the growth forecast from the independent OBR for the coming years explaining how they have been upgraded from next year, and for every single year thereafter.

There will be GDP growth of 1.9% in 2026, 1.8% in 2027, 1.7% in 2028 and 1.8% in 2029. She adds *"by the end of the forecast, our economy is larger compared to the OBR's forecast at the time of the budget."*

The Chancellor went on to say that *"working people are still feeling the pinch after a cost-of-living crisis that saw prices spiral"*, so says she is pleased that the OBR has found that *"real household disposable income will now grow this year at almost twice the rate expected in the autumn... and living standards will rise twice as fast this parliament compared to the last,"* she adds.

This means that households will be "on average over £500 a year better off.

"I am impatient for change. The British people are impatient for change. We are beginning to see change happen. Our plan for change is working. Defence spending is rising, waiting lists are falling, wages are up, interest rates are cut. That is the difference that this Labour government is making. Today, Mr. Speaker, the OBR confirmed that our plan to get Britain building will drive growth in our economy and put more money in people's pockets.

There are no quick fixes, but we have taken the right choices. Returning stability to our economy after years of mismanagement, delivering security for our country and security for working people.

That is what drives this government. That is what drives me as Chancellor. That is what drives the choices that I have set out today, and I commend this statement to the house."

Rachel Reeves

Chancellor of the Exchequer 26th March 2025

The lasting impact of education on UK property demand

The lasting impact of education on UK property demand

For many people in the UK, their primary residence is their most valuable asset. With a growing population and a limited housing supply, demand for both rental properties and homeownership remains strong, contributing to market resilience. Properties located near highly rated schools, in particular, have consistently outperformed the broader market. As competition for school places intensifies, the demand for homes in these areas is expected to rise, with the potential for long-term value appreciation.

Beyond financial returns, purchasing a home near a top-performing school is an investment in a child's future. Access to quality education can provide lifelong opportunities, making such properties highly desirable for families. Additionally, even if buyers do not plan to live in the property immediately, the strong demand for rentals near good schools ensures a reliable income stream while the investment appreciates.

Locations across the UK with 'outstanding' school access

While London remains a key location for educational property investments, many areas across the UK offer strong opportunities due to their outstanding schools, growing demand, and potential for long-term property appreciation.

Southeast England: Oxford and Cambridge are globally recognised for their prestigious universities, but they also have top-performing primary and secondary schools, making them highly desirable for families.

Brighton, known for its strong independent and state schools, offers a vibrant lifestyle alongside educational excellence. Commuter towns in Surrey and Berkshire, such as Guildford and Reading, also attract families seeking top-rated schools and strong transport links to London.

Scotland: Edinburgh is home to some of the UK's best private and state schools, such as the Royal High School and George Heriot's School, alongside the prestigious University of Edinburgh. St Andrews, known for its historic university, also features excellent schools and a strong local property market, making it an attractive choice for families and investors.

Wales: Cardiff and Swansea have historically had mixed educational performance, but improvements in their school systems and growing university presence have driven greater interest from investors. Cardiff, in particular, has a strong selection of top-performing schools, such as Cardiff High School, making properties in school catchment areas highly desirable.

Midlands: The Midlands is home to some of the best schools in the UK, making it an excellent region for families prioritising education. Areas such as Birmingham, Solihull, and Warwick offer a high concentration of Ofsted-rated 'Outstanding' schools, providing strong academic foundations. Market Harborough in Leicestershire is also highly regarded for its top-performing schools, contributing to its reputation as one of the best places to live in the Midlands. With a mix of renowned grammar schools, academies, and independent institutions, the region offers families exceptional educational opportunities, adding long-term value to property investments and quality of life.

North-west: The North-West of England offers some of the best areas to live, thanks to its abundance of high-quality schools. Areas like Altrincham, Wilmslow, and Hale in Greater Manchester are home to Ofsted-rated 'Outstanding' schools, making them highly desirable for families.

Cheshire also stands out with excellent options. These regions not only provide top-tier education but also boast excellent transport links and vibrant communities, making them ideal locations for families looking for both great schooling and long-term value in their property investments.

South-west: The South West of England offers several desirable areas for families seeking excellent schooling options. Locations such as Bath, Bristol, and Exeter are home to Ofsted-rated 'Outstanding' schools, making them popular for those prioritising education. Cheltenham is another standout, with highly regarded schools like The Cheltenham Ladies' College and Pate's Grammar School.

These areas not only provide access to top-tier education but also offer a high quality of life, with beautiful surroundings, strong community ties, and good transport links—making them ideal for families looking to secure both a great education and long-term property value.

Other notable areas in the UK with outstanding school access include the West Midlands (Solihull, Edgbaston), Yorkshire (Harrogate, Leeds, Sheffield's Fulwood area), and the South-West (Bristol, Exeter, Bath), all of which combine strong education with increasing property demand.

The changing cost of private schools

In 2024, the Independent Schools Council (ISC) reported a decline in private school pupil numbers, with a 1.7% decrease, equating to 10,000 fewer students compared to the previous year.

This trend could be attributed to the (at the time), impending 20% VAT on school fees, prompting some families to reconsider private education due to increased financial burdens. It is worth noting however, that although an increase of private school costs may prompt some parents to select alternative, but still top-performing schools in the area, recent data suggests that the anticipated large-scale transfer of students has not materialised so far.

A strong and enduring connection

Access to high-quality education remains a key factor influencing property demand across the UK. While London continues to be a focal point, many other regions offer excellent schools alongside strong local economies and attractive living conditions.

Whether driven by long-term value appreciation, rental demand, or the desire to provide children with the best educational opportunities, properties in these areas tend to maintain strong interest. As school performance and infrastructure continue to evolve, the relationship between education and property markets is likely to remain an important consideration for families and investors alike.

Planning for private school funding in the UK: Trusts, investments and tax efficiency

For families considering private education in the UK, the costs can be substantial. School fees continue to rise, with tuition at top independent schools often exceeding £40,000 per year and in some cases costing in excess of £50,000 per year.

Beyond tuition, additional expenses such as uniforms, extracurricular activities, school trips, and transportation can further increase the financial burden. Given these significant costs, careful financial planning is essential to ensure a structured and sustainable approach to funding a child's education.

The role of trusts

One of the most effective ways to plan for private school fees is through the use of trusts. Setting up an education trust can provide a structured and tax-efficient method of allocating funds for school fees while maintaining control over asset distribution. Trusts can offer asset protection, ensuring that funds are used exclusively for educational purposes, and may provide tax advantages depending on the structure and jurisdiction.

Where appropriate, considerations will be made about the use of discretionary trusts, which allow trustees flexibility in distributing funds, or bare trusts, where the child becomes the outright beneficiary at the age of majority. Grandparents frequently contribute to education trusts as part of their estate planning, making use of inheritance tax exemptions to transfer wealth efficiently across generations.

Maximising allowances

Rather than relying solely on traditional savings, families can explore investment vehicles that offer both growth potential and liquidity, which means that in certain cases, and if absolutely necessary, money would be available to be withdrawn in the case of an emergency.

Stocks and shares ISAs, for example, provide a tax-efficient way to invest, as returns are free from capital gains tax and income tax.

Parents or grandparents can contribute up to the annual ISA allowance, currently £20,000, helping to build a substantial education fund over time. Additionally, junior ISAs allow for tax-free savings and investment growth, although funds remain locked until the child turns 18. For those looking for more flexible investment options, taxable investment portfolios or dividend-paying stocks can generate passive income to cover school fees. Careful portfolio construction, balancing risk and return, can help ensure that sufficient funds are available when needed.

Tax-efficient strategies are crucial for mitigating the financial impact of private school fees. Many families use gifting allowances to transfer wealth tax-efficiently. In the UK, individuals can give up to £3,000 annually per recipient without incurring inheritance tax, and larger sums can be gifted if the donor survives for seven years beyond the gift.

Investments carry risk. The value of your investment (and any income from them) can go down as well as up and you may not get back the full amount you invested.

Grandparents and other relatives can use this exemption to contribute to education costs without impacting their own financial planning.

Another approach is to establish a family investment company, which allows assets to be managed tax-efficiently while keeping control within the family. This can be particularly beneficial for high-net-worth individuals who wish to ring-fence assets for education funding while mitigating inheritance tax exposure.

Leaving a legacy for your family

Estate planning plays a significant role in private school funding. By incorporating school fee planning into your broader estate strategies, educational expenses can be met without disrupting long-term wealth preservation goals for beneficiaries.

Your financial adviser can help structure a suitable estate plan that takes a holistic view of your goals and the goals of your beneficiaries, using and appropriate strategy tailored to you. This may include gifts, trusts, and investment vehicles, that align with tax regulations while optimising financial outcomes.

The Financial Conduct Authority does not regulate Trusts, Inheritance Tax and Estate Planning.

Financial freedom in retirement

Achieving *financial freedom* can often feel out of reach, whether you're just starting your career or nearing retirement, where time to save is limited. However, with the right strategies, financial independence is possible at any stage of life.

According to recent research by Royal London, the average worker is projected to fall short of their target annual retirement income of £48,868 by approximately £12,000. This gap highlights the importance of proactive financial planning.

The good news? Financial freedom isn't restricted to a particular age or life stage. By implementing smart financial strategies, individuals can take control of their finances, build wealth, and secure their long-term future. Whether in their twenties, laying the foundation for financial success, or in their fifties, fine-tuning their retirement plans, there are proven steps to help achieve their goals.

In your 20s: Laying the foundation for financial success

In the early stages of adulthood, financial priorities often focus on student loans, establishing a stable income, and starting to build savings. This is a critical time for financial advisers to guide clients in creating a solid foundation.

One of the best strategies for young adults is to start saving and investing early, this gives you the benefit of compounding (Compounding is the process in which an asset's earnings, from either capital gains or interest, are reinvested to generate additional earnings over time), but also from the power of 'time in the market', which means remaining invested through the bad days in the market, to ensure that you benefit from the good days.

The Power of Compound Interest: Why investing early matters

Compound interest allows your money to grow exponentially by earning interest not just on your initial investment but also on the accumulated returns. Albert Einstein called it "the most powerful force in the universe", and even Warren Buffett credits it for much of his wealth. For example, saving £100,000 at 4% interest annually would grow to £148,024 in 10 years without additional contributions.

However, inflation can erode cash savings, making Stocks and Shares ISAs, pensions, and diversified investments more attractive for long-term growth. Investing £3,000 annually from birth in a portfolio with 5% annual returns could double to £150,340 by age 25. To maximise compound interest, consider tax-efficient ISAs, workplace pensions, and regular investing. The key is to start early—whether for retirement, a home, or your child's future—so your money has time to work for you. Let's discuss how to build a plan tailored to your goals.

The sooner individuals begin contributing to retirement accounts or investment portfolios, the more their wealth can grow over time.

The value of your investment (and any income from them) can go down as well as up and you may not get back the full amount you invested. Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.

At this stage, it's also essential to start building credit by responsibly using credit cards and paying bills on time. Building good credit early opens up opportunities for more favourable loans in the future—whether for buying a home, taking out a car loan, or even securing lower interest rates.

In your 30s: Accelerating savings and long-term planning

By the time clients reach their 30s, they may have a more stable career, family obligations, and the desire to buy a home. At this stage, the focus should be on accelerating savings and investing to take advantage of long-term growth. This is the time when retirement planning should become a more significant focus. Encouraging clients to contribute to pensions, or other retirement savings vehicles can set them on the path toward financial independence.

This is also an ideal time for clients to review their insurance coverage. Life insurance, health insurance, and disability insurance are crucial to ensure that loved ones are financially protected in case of an unexpected event.

Financial Advisers can help clients balance saving for the future while managing immediate financial needs, such as supporting a growing family or paying down a mortgage.

In addition, diversifying investments is important at this stage. Clients should aim to build a portfolio that balances risk with potential return. With the right investment strategies, they can ensure that their wealth grows steadily over time

In your 40s: Refining financial goals and preparing for the future

As clients enter their 40s, they may be in their prime earning years, and their focus should shift toward refining their financial goals and preparing for future milestones. This is a critical time for ensuring that retirement plans are on track. A good strategy here is to review retirement accounts regularly to ensure they are well-funded and allocated according to risk tolerance and future needs.

It's also crucial at this stage to start thinking about estate planning. Reviewing wills, setting up trusts, and designating beneficiaries ensures that wealth is passed on according to the client's wishes. Financial advisers can play a key role in helping clients organise their estate and tax strategies.

In your 50s: Accelerating retirement savings and evaluating future needs

Entering your 50s signals that retirement is just around the corner. For many clients, this is the final push to accelerate retirement savings. Clients may find that they are now at their peak earning years, with fewer financial obligations such as mortgages or children to support. This is the time to maximise contributions to pension plans, or other retirement vehicles to ensure a comfortable retirement.

It's also wise to consider the impact of potential health care costs in retirement, as these can be substantial. Long-term care insurance or other medical plans may be an important consideration for those entering this stage of life.

-The Financial Conduct Authority does not regulate Trusts, Wills and Estate Planning.

-A pension is a long-term investment not normally accessible until 55 (57 from April 2028).

In your 60s and beyond: Transitioning to retirement and preserving wealth

For those in their 60s, the focus is on transitioning into retirement and preserving wealth. Clients may be ready to start drawing down their retirement savings, but it's important to ensure that they are withdrawing funds in a tax-efficient manner and not outpacing their long-term financial needs. Financial advisers should help clients strategise the most effective way to draw on retirement assets, whether through annuities, pensions, or other sources of income.

At this stage, clients should focus on maintaining financial security while planning for the long-term health needs and legacy they wish to leave behind. Reviewing estate planning documents is essential, and making sure that beneficiaries are updated on all assets will ensure that wealth is passed on efficiently.

In addition, clients in their 60s may still have some work to do in terms of financial goals, especially if they want to leave a legacy or continue supporting family members.

It's also the time to evaluate tax strategies to minimise liabilities in retirement and potentially maximise inheritance or charitable donations.

Financial freedom at any age

No matter what stage of life clients are in, financial freedom is achievable with the right strategies. Whether starting young by building credit and investing for the future or refining goals in later years, smart financial planning can help individuals build wealth and secure long-term financial independence.

Financial advisers play a critical role in helping clients assess their current situation, plan for future goals, and implement strategies to achieve financial freedom at any age. By making the right choices at every life stage, anyone can work toward a secure and prosperous financial future.

-The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation which are subject to change in the future.

New tax year, new you

With the tax year beginning on 6th April each year, this presents as a fresh chance to enhance tax planning, strengthen savings approaches and establish robust financial objectives that will create a path towards greater financial security in the year ahead.

Review your financial goals

Take a moment to reflect on your financial goals for the year ahead and beyond. Do you want to increase your savings, invest in new opportunities, or perhaps clear some debt? Setting clear, measurable goals gives you direction and purpose for the year ahead.

Making the most of tax allowances and relief opportunities

Tax allowances and reliefs are valuable tools that can help you to reduce your tax bill and maximise your financial efficiency. Whether you're an individual, business owner or investor, understanding how to use these opportunities effectively can make a significant difference to your overall wealth.

From income tax allowances to pension tax relief, capital gains tax exemptions and inheritance tax planning, taking advantage of available tax benefits ensures you keep more of what you earn.

For instance, investing in an Individual Savings Account (ISA) enables people to build their wealth tax-efficiently up to the yearly allowance.

The ISA allowance is unchanged heading into the 2025/26 tax year and remains at £20,000, providing ample opportunity for those who haven't yet maximised this tax-efficient savings vehicle.

Likewise, pension contributions attract valuable tax relief, meaning that for every pound contributed, clients receive enhanced value through tax advantages. The standard annual allowance for pension contributions stands at £60,000, or up to 100% of your annual earnings, whichever is lower.

Enhancing investment approaches

The new tax year also offers an excellent moment to reassess investment strategies and confirm that they are progressing towards the long-term financial objectives of the individual.

Successful investing requires more than just selecting the right assets, it involves strategically refining your approach to maximise returns while managing risk. The start of a tax year is the perfect time to meet with your financial adviser to review your investment approaches and ensure that your investment portfolio is diversified.

Set up regular financial reviews

It's essential to regularly review your finances to ensure that you stay on track to meet your goals. Set aside time throughout the year to check in on your savings, investments and spending habits.

This ongoing review will help you make adjustments as needed, keeping your financial plan aligned with your changing needs and the evolving economic landscape.

The Financial Conduct Authority does not regulate tax planning.

Levels, bases of and reliefs from taxation may be subject to change and their value depends on the individual circumstances of the investor.

The business of 'side hustles'

What is a side hustle?

A side hustle refers to any secondary job or entrepreneurial venture undertaken alongside primary employment, aiming to supplement income, explore personal interests, or develop new skills. In recent years, side hustles have become increasingly prevalent, influenced by technological advancements and shifting economic landscapes.

Recent trends and demographics

The rise of side hustles is especially significant among younger generations, particularly Millennials and Gen Z, who face unique financial challenges compared to previous generations. Many young adults struggle with stagnant wages, high student loan debt, and an increasingly expensive housing market. With economic uncertainty, inflation, and the rising cost of living, one job doesn't often provide sufficient financial security, prompting a lot of people to have alternative income sources.

A key driver of this trend is the increased accessibility of digital platforms and gig economy jobs, which allow individuals to start side businesses with minimal investment. Younger generations are particularly adept at leveraging technology, whether by selling products on online sites or apps like eBay, Vinted, and Etsy, or becoming content creators on YouTube, TikTok, and Instagram.

The COVID-19 pandemic played a major role in accelerating this shift. Lockdowns and job instability forced many to explore new ways to earn money from home. Additionally, the widespread adoption of remote and hybrid work models gave people more flexibility to manage side projects alongside their main jobs.

This shift in work culture normalised the idea of multiple income streams, with many workers now viewing side hustles not just as a temporary fix, but as a long-term financial strategy.

Researching platforms

Before selling products online in the UK on these platforms, it's essential to familiarise yourself with each sellers guidelines and help resources. These resources provide valuable information on listing procedures, fees, payment processing, shipping options, and return policies. For eBay, you can access the UK Seller Centre, Vinted offers guidance through its Help Centre at Vinted UK Help Centre. Etsy provides comprehensive information for sellers in its Seller Handbook, accessible at Etsy UK Seller Handbook. Reviewing these resources ensures compliance with each platform's policies and helps optimise your selling experience.

Be wary of tax implications

While these opportunities provide flexible income, they also come with tax responsibilities. In the UK, individuals earning over £3,000 per year from a side hustle (as of 2025) must declare their income to HMRC and may need to file a self-assessment tax return. Earnings below this threshold generally fall under the trading allowance, meaning no tax return is required.

Additionally, certain activities, such as regularly selling items for profit rather than as a hobby, may classify you as a sole trader, requiring registration with HMRC. For content creators, income from sponsorships, ad revenue, and brand deals is also taxable, and platforms like YouTube and TikTok may report earnings to tax authorities.

It's crucial for individuals engaging in side hustles to track their income and expenses, as allowable deductions (such as equipment costs or platform fees) can reduce taxable income. Keeping accurate records ensures compliance with tax laws and helps avoid potential penalties.

Popular side hustles in 2025

The variety of side hustles has expanded with technological advancements and changing consumer behaviours. Some of the most popular ventures in 2025 include:

- E-commerce and Digital Products: Selling products online, including handmade goods, vintage items, or digital products like e-books and courses, has become increasingly popular due to low startup costs and the potential for passive income.

- Freelancing and Consulting: Offering specialised skills such as writing, graphic design, programming, or business consulting lets people earn money from their skills at their own pace

- Content Creation: Platforms like YouTube, TikTok, and Instagram provide opportunities for creators to earn income through ad revenue, sponsorships, and merchandise sales.

- Gig Economy Participation: Engaging in ride sharing, food delivery, or task-based services offers flexible work options with immediate income potential.

Considerations and outlook

As the landscape continues to evolve, it's crucial for individuals engaging in side hustles to stay informed about regulatory changes and to approach their ventures with a strategic mindset to maximise both financial and personal benefits.

Global citizens, modern families and inheritance tax planning

UK families will transfer a staggering £5.5 trillion of wealth to the next generation over the next twenty to thirty years. This makes inheritance planning more significant than ever before. The most important tax reforms will begin in 2025 and create the biggest changes to inheritance rules we have seen in recent times.

These changes will limit Business Property Relief to £1 million starting April 2026. Undrawn pension funds will also affect inheritance tax calculations from 2027.

The current inheritance tax rate remains at 40% above the personal allowance of £325,000. Proper inheritance tax planning becomes vital especially when you have properties and other substantial assets.

As of January 2025, In the UK, the average house price has risen by 4.9% compared to the previous year, to £268,548. In Wales, they have risen 6%, to an average of £209,579, while prices are up by 4.6% over the same period in Scotland, to £187,434. These increases have pushed more estates above the tax threshold.

UK Government announces major inheritance tax overhaul

In October 2024, The UK government revealed major changes to inheritance tax (IHT) rules. The system will shift from domicile-based to residence status. From April 6, 2025, you'll face IHT on worldwide assets after living in the UK for 10 out of the previous 20 tax years.

How new rules affect family wealth

The upcoming regulations mean anyone meeting the "long-term resident" criteria must pay IHT on their global assets.

People who leave the UK later stay liable for up to 10 years - this is called the "10-year tail". The tail period changes based on how long you've lived in the UK. People who lived there for 13 years or less only face a three-year tail period.

Trust arrangements face big changes too. After From 2025, IHT will apply to all non-UK assets in excluded property trusts, whatever time the trust started. It also means that if a settlor lives in the UK for more than 10 years, IHT covers both UK and non-UK trust assets.

Digital revolution transforms estate planning methods

Estate planning has changed dramatically because of innovative technology. People in England and Wales can now write their wills through five different ways: solicitors, specialist will-writers, banks, affiliate groups, and online services.

These platforms give users step-by-step guidance and learning resources that make estate planning easier to understand. The convenience of online services is great, there are studies showing a small minority of customers don't read or understand the terms and conditions, which highlights the need for support, which is available through a high-quality financial planner.

Global citizens face complex decisions

Global citizens face unique challenges when managing inheritance across borders. UK inheritance tax rules apply to worldwide assets if you're UK-domiciled, even while living abroad. Non-UK residents need to pay tax only on their UK-based assets when they die.

With regards to cross-border property ownership, a new test will determine if non-UK assets fall within inheritance tax scope. This test looks at whether someone has lived in the UK for 10 years before the tax year of the taxable event. This represents a big change from the old approach that focused on a person's permanent home status to determine UK inheritance tax exposure.

People who move abroad should remember they might still need to pay UK inheritance tax on their worldwide assets. This happens if they haven't made another country their permanent home. UK properties and other assets based in the UK will likely face inheritance tax whatever your residency status.

Modern families require innovative planning solutions

Modern family structures and the rise of global citizenship will create unique challenges in inheritance planning. One-third of UK families have children from previous relationships which creates the demand for careful thought about how to protect and distribute assets.

Blended families with stepchildren or children from previous relationships need to guide their way through complex inheritance scenarios. Children from previous relationships might lose their inheritance unintentionally without proper planning. Life Interest Trusts work well as a solution. These trusts let spouses benefit from assets while they live and make sure specific children inherit afterwards.

The UK's 2021 census showed 1.1 million dependent children lived in stepfamilies. Many families now add specific legacies or bequests to their wills to handle this change. This approach lets children inherit right away instead of waiting for the surviving spouse's death.

Support wherever you need it.

Successful inheritance planning needs both traditional methods and new digital tools. A balanced strategy works best when it accounts for evolving family dynamics and cross-border considerations. Your family's wealth has the best protection when you start planning early.

These changes take effect from April 2025. A review of your inheritance plans now could save your family money and stress in the future.

The Financial Conduct Authority does not regulate Inheritance tax and Estate planning.

Busting divorce misconceptions: Protecting your financial future

Divorce can be an emotionally turbulent time, often clouded by misconceptions about its financial implications. It's crucial to separate fact from fiction, especially when it comes to your investments, pensions, and mortgage. Let's debunk some common myths and shed light on the financial realities of divorce.

Myth 1: "All assets are split 50/50 in a divorce"

Reality: While an equal split might seem logical, it's not always the case. The division of assets, including investments and pensions, is based on various factors such as:

- Length of the marriage
- Each party's financial needs
- Contributions to the marriage (financial and non-financial)
- Future earning potential

Myth 2: "Pensions aren't considered in divorce settlements"

Reality: Pensions are often one of the most valuable assets in a marriage and are indeed factored into divorce settlements. Options for dealing with pensions include:

- Pension sharing: A percentage of one party's pension is transferred to the other
- Pension offsetting: The value of the pension is offset against other assets
- Pension earmarking: A portion of pension income is paid to the ex-spouse upon retirement.

Myth 3: "I'll have to sell our home immediately"

Reality: While the family home is often a significant asset, there are several options available:

- One party buys out the other's share
- The home is sold and proceeds are divided
- One party continues to live in the home for a set period (e.g., until children reach adulthood)

The Importance of Professional Advice

Navigating the financial aspects of divorce can be complex and emotionally challenging. Your financial adviser is an invaluable resource during this time, offering:

- Objective analysis of your financial situation
- Expert guidance on asset division and long-term planning
- Strategies to minimise the financial impact of divorce
- Support in making informed decisions about your financial future

Remember, while divorce may feel like an ending, it's also an opportunity to take control of your financial destiny. With the right guidance and planning, you can emerge from this transition on solid financial footing, ready to embrace the next chapter of your life.

info@scottfyffewm.co.uk

IMPORTANT INFORMATION

The content of this newsletter is for your general information purposes only and does not constitute investment advice. It is not an offer to purchase or sell any particular asset and it does not contain all of the information which an investor may require in order to make an investment decision. Please obtain professional advice before entering into any new arrangement.

Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles.

Scott Fyffe Wealth Management Ltd is an appointed representative of Lyncombe Consultants Ltd which is authorised and regulated by the Financial Conduct Authority. Registered Address: Unit 9C City Quay, Camperdown Street, Dundee, DD1 3JA Registered in Scotland No.: SC669958