



## Money for social care

In a move designed to fund the spiralling cost of social care, the Government announced a controversial increase to National Insurance contributions (NICs) in the form of a 1.25% “Health and Social Care Levy”.

Although pensioners do not pay NICs, workers of state pensionable age will have to pay the levy, which will take effect from April 2022. The Government announced an increase of 1.25% in tax on dividend income. This means that tax on dividend income will increase from 7.5% to 8.75% for basic rate taxpayers, from 32.5% to 33.75% for higher rate taxpayers, and from 38.1% to 39.35% for additional rate taxpayers.

At present, there appears to be no change to the annual tax-free dividend allowance of £2,000. Many companies suspended their dividends in order to preserve capital during the Covid-19 pandemic, and have only recently reinstated their payouts, much to the relief of investors in equity income strategies. However, this new policy will affect individuals whose investments generate over £2,000 in dividends that are not sheltered in a tax-efficient wrapper like an ISA.

The measures are expected to raise £36 billion over three years to fund social care and the NHS. The Government also confirmed that the “triple lock” – which guarantees that increases in state pension rise by the rate of consumer price inflation or average earnings or 2.5%, whichever is the highest – will disregard the average earnings element during the 2022-23 financial year.



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## MARKET UPDATE

The team at LGT Vestra has set out their views on the recent volatility and we felt that this summarised things well so we are sharing it with you.

News over the weekend around the tensions between Russia and Ukraine / 'The West' have heightened. This is an incredibly fast-moving situation with discussions ongoing. Russia's annexation of Ukraine's Crimean peninsula in 2014 created plenty of volatility, but nothing that sent global markets into a correction and despite the aggressive rhetoric, it is unlikely that the Kremlin will want an outright war especially considering the very strong counterpoints made by Europe and the US.

This, combined with enduring concerns around the Federal Reserve (Fed) tightening, sent global markets into a frenzy on Monday (24th January 2022). However, the Nasdaq Composite ended in slightly positive territory after dropping 4.9% at session lows. Earlier in the day, the S&P 500 was off by more than 10% from its record closing high from January 3rd, before recouping declines. The Dow recovered losses of more than 1,100 points to end nearly 100 points higher. Those three examples alone over one trading period really highlight the amount of volatility we are seeing in markets right now.

So far, the real extremes of the sell-off have been contained to the riskiest parts of the market and the more speculative stocks that have done well in the last two years typically US based tech companies. Other companies will not be immune from any tech related sell-off but they have the business models to survive and thrive once the correction has run its course.

Also, it is worth remembering that the economic backdrop does look robust and could improve further once the virus loosens its grip. We may even see the Fed deciding not to slam on the brakes as they had planned to do, rather taking matters slow and steady so not as to spook markets further.

It can be difficult to remain calm under these circumstances of heightened volatility so please do not hesitate to contact us if you wish to discuss this further.

We are having visitors in the office by appointment only so if you would like to arrange a meeting please do give us a call.

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We are authorised and regulated by the Financial Conduct Authority.

### Office News

Thanks to client reviews, Claire has achieved Top Rated adviser status from VouchedFor for the third year running.

At the time of writing we are still working from home part time but we anticipate a return to the office, rules permitting, in the Spring. Whilst we will be taking a cautious approach to protect our staff and visitors we are looking forward to seeing you face to face soon.

## Interest rates likely

Despite the spread of the Omicron variant of Covid-19, major equity markets around the world ended 2021 in positive territory, boosted by mounting hopes that the variant would prove less serious than initially feared.

In the US, the Dow Jones Industrial Average Index rose by 5.4% during December and by 18.7% over 2021, reaching a new all-time high towards the end of the month. As food and energy prices continued to rise, US inflation continued to surge – the rate of consumer price inflation soared to 6.8% year on year in November, representing its steepest annual increase since June 1982. Meanwhile, the Federal Reserve announced that it intends to accelerate the winding-down of its asset purchase programme, indicating that the programme will end in mid-March. The news fuelled expectations of higher interest rates this year.

Nevertheless, President of the European Central Bank Christine Lagarde maintained that current inflation is temporary and is caused by “passing phenomena”. Elsewhere, economic sentiment in Germany deteriorated during December, according to the ZEW Indicator of Economic Sentiment, which fell into negative territory for the first time since June 2021 as bottlenecks in supply continued to weigh on production and retail trade. The DAX Index climbed by 5.2% in December and rose by 15.8% over 2021 as a whole.

The economic outlook for Japan has improved, according to the country’s government, which reported stronger activity as the impact of Covid-19 continues to ease. Private consumption, employment, and business confidence are picking up, although exports are “almost flat”, and headwinds remain in the form of supply-side constraints and raw material prices. Confidence amongst Japanese businesses improved in December, according to the Bank of Japan’s quarterly Tankan survey; however, Japan’s economy contracted more severely than previously calculated during the third quarter of 2021, shrinking by 3.6% rather than by 3.1%. The Nikkei 225 Index increased by 3.5% during December and by 4.9% over the year.



## Inheritance Tax Planning

In many cases, Inheritance Tax (IHT) planning involves reducing the Estate by gifting.

The IHT legislation offers a range of exemptions, some of which are tax year sensitive. For example, the annual £3,000 exemption and the small gifts exemption of £250 are available every year and if they are not used in any one then the exemption for that year is lost.

Other larger gifts are classed as Potentially Exempt Transfers (PETs) and only fall outside of an Estate after 7 years. In an ideal world, IHT planning should be undertaken sooner rather than later and larger gifts should be made as soon as possible so that the 'seven year clock' starts ticking.

If you would like to discuss this further please do give us a call.



## Quality not Quantity

Quality of life is a highly subjective measure of happiness that is an essential component of many financial decisions. Factors that play a role in the quality of life vary according to personal preferences, but they often include financial security, job satisfaction, family life, health, and safety.

Financial decisions can often involve a tradeoff wherein quality of life is decreased to save money or earn more money. Conversely, quality of life can be increased by spending more money.

### Key Points

- \* Quality of life can be directly related to job satisfaction.
- \* It measures non-financial aspects of a job that might lead to worker happiness or unhappiness.
- \* A common quality of life factor includes free time, commute, weather, and harmonious relationships with others.
- \* Canada and many Scandinavian countries rank high for the quality of life for its citizens.
- \* Individuals may have different metrics for their quality of life.

### How to Improve Quality of Life

If you feel your quality of life lacks in some areas, taking stock of how you define a good quality of life is an excellent first step towards improvement. While everyone’s idea of a high-quality life varies, there are some universal markers.

These markers may include access to good healthcare, loving relationships, meaningful work or volunteerism, making time for hobbies you enjoy, good rest, healthy food, and the ability to perform an enjoyable form of exercise all help to improve the quality of one’s life.

In addition, studies have found that practicing gratitude, meditation, and treating any mental health disorders, can improve your quality of life. Experts recommend adequate sleep (at the very least seven hours per night) to improve the quality of life and better control mood and energy levels.

### How Is Quality of Life Calculated?

Quality of life can be calculated in many ways. Still, suppose you want an official definition. In that case, the World Health Organization describes it as: "WHO defines Quality of Life as an individual's perception of their position in life in the context of the culture and value systems in which they live and in relation to their goals, expectations, standards, and concerns."