INVESTMENTS • ADVICE • PLANNING

Edition
01

# The Wealth Manager

## Winter 2024 newsletter

Now, for tomorrow

**Welcome to the first edition of The Wealth Manager.**

**Brought to you by the MHA Wealth team, The Wealth Manager will provide you with key updates each quarter from the world of investment and financial planning.**

In our flagship edition, our investment team reflect on why the last quarter was a mixed bag of optimism and caution, and our financial planners look ahead to where your investment and planning opportunities lie in 2025.

Should you wish to discuss any topics in further detail or have any queries on the matters raised, please contact your usual MHA financial adviser (see p18-19 for team details), or get in touch with us on wealth@mha.co.uk.

We look forward to accompanying you on your financial journey in 2025!

**Best wishes,**

**The MHA Wealth team.**

# The full list of topics in this edition include:


**04**

Quarterly Investment Market Overview: Batteries not included

**09**

Hitting the mid-20s – what's next?

**10**

An uphill climb? Tackling the Autumn Budget outcomes

**11**

Time to review your estate planning?

**12**

Investment in a world of higher capital gains tax

**13**

CTFs grown up –the importance of children's savings

**14**

Could you afford to live to 100?

**15**

Strike (class) 3 – last call for NICs top up

Gold price hits new heights

**16**

News round up

# Batteries not included

**As we reflect on investment markets in the fourth quarter of 2024, it is clear that this period was defined by a blend of optimism and caution.**

The quarter began with markets buoyed by the prospect of interest rate cuts from major central banks, including the Federal Reserve, which indeed materialised and supported both equities and bonds. Technology stocks, especially those leveraging AI and cloud computing, remained the market darlings. Small cap and value stocks, which had been out of favour, saw a resurgence, suggesting a broadening of market leadership beyond the tech giants going forward.

But the narrative was not uniformly positive. The US presidential election introduced significant uncertainty and geopolitical tensions, notably in the Middle East and Ukraine, continued to influence commodity markets. Oil prices experienced unpredictable swings and Gold served as a safe haven, gaining traction amidst global instability.

Indeed, while the Magnificent Seven stocks had yet another excellent quarter leading US stock markets to record highs, investors hoping for a so-called Santa Claus rally, instead found no batteries included. While every major industry succumbed to the slide, it was the seven mega cap technology stocks (Nvidia, Tesla, Meta, Alphabet, Amazon, Microsoft, Apple) which felt the brunt of the selling, failing to add to gains made prior to Christmas..

In summary, Q4 2024 was a period where diversification and active management played pivotal roles. Investors had to navigate through economic recovery signals, policy changes and geopolitical risks, trying to balance potentially high returns with the ever-present spectre of volatility.

## 1 Global Equities

**In the final quarter of 2024, global equities presented a landscape of contrasts. US markets continued their bullish trend, while international markets demonstrated a patchwork of performance influenced by economic policies, sector-specific developments and political uncertainty.**

The S&P 500 concluded 2024 with an impressive double digit quarterly gain (11.25% in sterling terms). The rally was fuelled by valuation expansions, with the market's performance less about earnings growth and more about investor optimism regarding future economic stability and AI-driven innovations. The Nasdaq, buoyed by the tech giants, soared over 14% highlighting significant tech sector growth. Small and mid-cap stocks also performed well, suggesting a broadening of market participation. However, with valuations nearing historic highs, investors remained cautious, looking for signs of sustainable earnings growth to support these levels.

European equities struggled to keep pace with the returns generated by their US counterparts. While Central bank policies (particularly from the ECB and Bank of England) remained positive for equities, political uncertainty dampened investor appetite. European market indices (FTSE All-Share, CAC, Eurostoxx) finished in negative territory over the quarter, with the DAX the only major market index in the positive (1.29% in sterling terms). It is likely that investors will cautiously navigate the evolving political landscape in Europe, watching for outcomes that could either unlock growth or introduce new hurdles.

In Asia, Japan's Nikkei also fell over the period (in sterling terms), investors saw marked volatility due to profit taking and a strengthening yen affecting exporters. China's markets were particularly turbulent, with government measures to stimulate the economy providing a temporary boost but leaving long-term growth uncertain. The MSCI China Index saw a 30% rally in one week due to stimulus announcements, but this was not sustained throughout the quarter.

Emerging market equities saw a modest gain over the period, with the MSCI Emerging markets index showing a slight increase but again underperforming relative to the US. Investors focused on country and sector selection, looking for markets with improving fundamentals or those benefiting from global trends, like digitalisation.

Q4 2024 was a testament to the resilience of global equities amidst a backdrop of economic normalisation, policy adjustments, and geopolitical shifts. While the US markets remained the beacon of growth, the global equity landscape required nuanced approaches.

## 2 Fixed Interest

**It was a quarter of quarters to end the year, as central banks around the world made cuts to their interest rates in quarter of a percentage point increments.**

The European Central Bank and Federal Reserve both made two cuts each since September, bringing rates to a range of 4.25% to 4.50% in the US and to 3.00% in the Eurozone, the latter of which is at its lowest rate since March 2023. The Bank of England bucked the trend slightly by only implementing one reduction in rates in November and holding in December, to end the year at 4.75%.

The fixed interest market favoured higher risk assets, as high yield debt outperformed investment grade and government debt. This was largely as hopes for further rate cuts were pared back in light of solid economic data, particularly from the US, and a slight uptick in inflation. UK Gilts were the worst performing government debt over the quarter, as the longer duration profile of UK government debt makes it particularly sensitive to rising yields. In her first budget, UK Chancellor Rachel Reeves also confirmed changes to the Treasury's 'fiscal rules' to enable extra borrowing, which has also caused some short-term effects. European government bonds outperformed US Treasury Bills as yields fell off the back of weak economic data, mainly out of Germany, which increased market confidence in further interest rates cuts by the ECB in 2025.

## 3 Alternatives

**Gold ended the final quarter of 2024 little changed from where it started, although this still meant that the yellow metal was one of the best performing assets across the full year with an increase of almost 27%.**

Despite the flat performance overall, the gold price did exhibit a relatively high degree of volatility over the three months, reaching an all-time record high price of $2,790 at the end of October, before falling sharply in the wake of the US election result as the US dollar and US stocks both soared.

The listed UK Infrastructure companies recorded a weak end to the year, against the backdrop of rising UK government bond yields. The diversified infrastructure trusts were down by about 5% on average, whilst the renewable energy infrastructure vehicles were more heavily sold-off with an average fall of 10%. With Net Asset Values little changed over the quarter, the share price falls in the latter sector pushed out the average discount to Net Asset Value to around 36%.

## 4 Commercial Property

**The Global REIT (Real Estate Investment Trust) sector suffered a pullback in the final quarter, with the FTSE NAREIT Global REIT Index falling about 9% to dampen the annual return from the sector to just under 3%. The decline in values was largely seen in December as government bond yields rose due to changing expectations of central bank rates cuts.**

In the UK, the listed diversified REIT sector was more stable, with share prices up slightly on average over the quarter. Despite an increase in UK government bond yields, the sector remained in demand due to the attractive yields on offer and the potential for more takeover and merger activity, a key feature of the sector in 2024. Returns have been somewhat inconsistent however, with many of the specialized sectors seeing declining values over the quarter - the UK logistics sector coming under particular pressure and recording a double-digit decrease.

## 5 Outlook

**The outlook for investment markets in 2025 appears cautiously optimistic, balancing growth opportunities with potential volatility.**

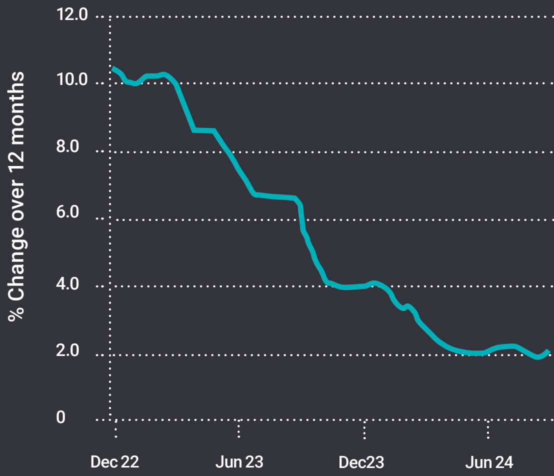
Policy easing supports a soft landing in the US, modest recovery in Europe, and continued growth in Asia, led by China's stimulus. Inflation pressures might persist, fuelled by policy shifts in the US, particularly around tariffs and immigration.

Equities look set for selective growth, with US stocks likely to maintain momentum due to pro-business policies, though valuations are high, suggesting a potential pivot towards international markets for better risk-adjusted returns. Investors expect technology and AI-driven sectors to lead, although we may see more broadening in market leadership beyond the mega-cap stocks.

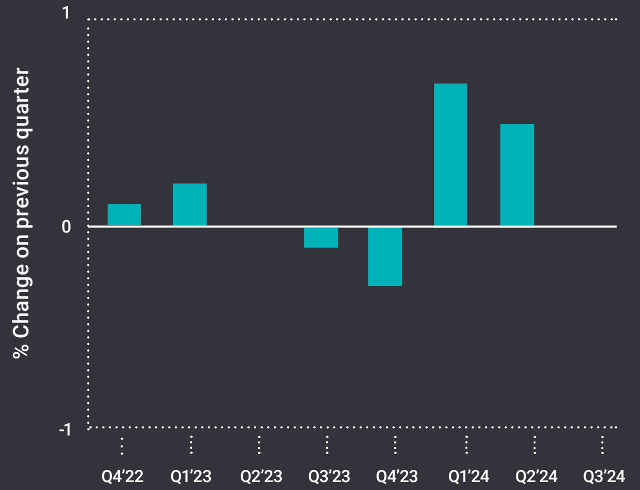
Fixed income offers a compelling outlook with higher yields. Government and investment-grade bonds remain attractive in an environment where central banks are likely to continue cutting interest rates. This should mean favourable conditions, especially at the shorter end of the curve. Investors will need to weigh risks carefully given the potential for credit dispersion, amidst tight credit spreads.

In 2025 investors should prepare for volatility, focusing on diversification and quality. The key will be balancing the allure of growth assets with the safety of income-generating investments, all while navigating geopolitical and policy risks that could shape market sentiment.

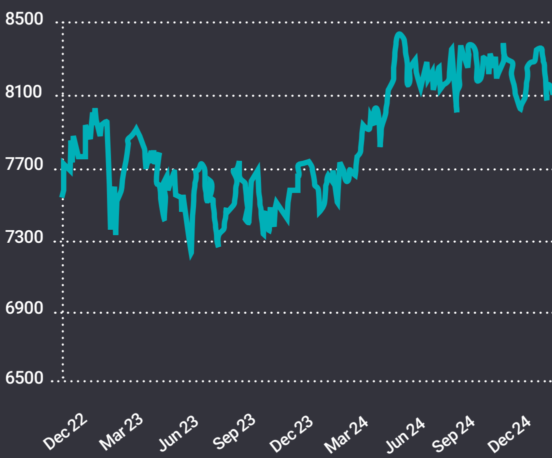
## UK Consumer Prices Index (CPI)




## UK Gross Domestic Product




## FTSE 100 Index




## S&P 500 Index

# Contributors

## Investment Management Team

**Andrew Cockerill**

**Chartered FCSI**
Partner
Head of Investment Committee

**Andrea Wood**

**Chartered MCSI**
Associate
Investment Manager

**Steve Willerton**

**Chartered Wealth Manager**
Director
Investment Manager

**Paul Mansfield**

**Chartered FCSI**
Investment Manager

# Hitting the mid-20s – what's next?

**Five years from the start of the 2020s, it's time to take stock and look forward.**

Think back to 1 January 2020. Boris Johnson had won a December election with a majority of 80 seats. Covid-19 had broken out in China but was almost a month away from being declared a public health emergency of international concern. The Bank of England Bank Rate was just 0.75%.

As 2025 approaches, the picture is radically different. Three prime ministers later, Sir Kier Starmer is now in Downing Street, having gained a majority of over 150 in July. While today Covid-19 is of little concern, it's economic consequences remain. As the pandemic took hold, the Bank of England was prompted to cut rates to 0.1% in March 2020. However, from December 2021 rates started to climb, reaching 5.25% before reversing direction in 2024 to their current 4.75%.

## Impact of inflation

The reason for the long upward march of interest rates was a pandemic-induced inflationary surge. UK inflation peaked at 11.1% in October 2022, a 41-year high, but is now back to around January 2020's 1.8%. Inflation's return to a norm of around 2% is no solace for most people, who feel price rises over longer periods than the 12 months favoured by economists. In the UK, prices will have risen by around a quarter in the first half of the decade.

Cumulative inflation, higher interest rates and a changed government mean the backdrop for the second half of the 2020s is substantially different. Have your financial plans taken account of the new landscape? For example, the 2020's wedge of inflation means the funds you need for a comfortable retirement are correspondingly higher. At the same time, higher interest rates and a harsher tax environment could require a reassessment of your investment approach.

This halfway point is a good time to pause, review and prepare for whatever the next five years might bring.

# An uphill climb? Tackling the Autumn Budget outcomes

**The first Budget from a Labour government in over 14 years was one for the record books.**

"…And the only way to drive economic growth… is to invest, invest, invest." So said Rachel Reeves, early on in her first Budget on 30 October. The corollary, which emerged later in her speech, was that to invest, invest, invest also meant the government would need to borrow, borrow, borrow and tax, tax, tax.

### There were three major tax highlights:

#### 1 Employer's National Insurance Contributions (NICs)

There were two main increases and one small mitigation. From 2025/26:

- The main rate will rise from 13.8% to 15.0%.
- The secondary earnings threshold, below which no employer's NICs are levied, will fall from £9,100 to £5,000 and be frozen until April 2028.
- The employment allowance, effectively an annual NIC rebate, will rise from £5,000 to £10,500. However, this remains unavailable for companies with a single director employee or if the employee is providing domestic services (e.g. a nanny).

Combined with a 6.7% increase in the National Living Wage from April 2025, the higher NICs will mean a significant additional cost for employers, particularly those operating in low wage sectors, such as retail and hospitality.

One notable upshot is that salary sacrifice schemes involving low emission cars or pension contributions will be more attractive from 2025/26 because of the employer NIC savings they offer.

#### 2 Capital Gains Tax (CGT)

Changes to CGT proved to be less dramatic than some had predicted:

- The main rates rose from 10% to 18% for basic- and nil-rate taxpayers and from 20% to 24% for higher and additional rate taxpayers, effective from Budget Day. The move brings the rates into line with those already applying to residential property.
- The rate for business assets disposal relief (BADR) will increase from 10% to 14% for 2025/26 and 18% thereafter, while the BADR lifetime limit stays at £1 million.

Some consequences of these increased tax rates are considered later in the newsletter.

#### 3 Inheritance Tax (IHT)

Like CGT, changes to IHT were widely predicted, and they lived up to, if not exceeded, expectations:

- The nil-rate band (£325,000 since 6 April 2009), residence nil-rate band (£175,000 since 6 April 2020) and its taper threshold (£2 million since 6 April 2017) will all be frozen for a further two years, until 6 April 2030.
- From 6 April 2026, 100% agricultural relief and 100% business relief will be capped at a non-transferable £1 million. Above that level, relief will be at 50%. From the same 2026 date, relief on certain shares listed on AIM will be halved to 50% in all instances.
- From April 2027, death benefits from pension arrangements (including death in service benefits) will be included in the estate for IHT purposes, meaning that in some instances, they will be liable to both income tax and inheritance tax.

These changes will make little difference for some people, but will upend estate planning for others, something examined further in 'Time to review your estate planning?'.

# Time to review your estate planning?

**The October Budget could mean a radical rethink in your estate planning.**

Changes to inheritance tax (IHT) coming over the next three years, outlined in our feature article on the Autumn Budget, could mean that a review of your estate planning is required. There are two main areas that need to be examined.

## Pensions

If part of your estate planning involves pension benefits paid on death, then the new rules from the 2027/28 tax year could significantly increase the IHT liability on your estate. (This is currently under consultation and is therefore subject to change).

Pensions become subject to IHT, also increasing the overall value of the estate, which may lead to a loss of some or all of the residence nil-rate band. What can be done to mitigate the extra IHT liability depends upon a variety of factors, not least of which is where you are on the retirement journey.

## Business and agricultural reliefs

If you own shares in a private business, a partnership interest or agricultural land, the £1 million overall cap on 100% IHT relief means you can no longer assume these will pass to your beneficiaries free of IHT if you die after 5 April 2026. Relief of 50% will be available above the cap and the IHT can be paid over ten years in interest-free instalments.

In theory, a married couple or civil partners can transfer business assets and/or agricultural land worth £2 million before IHT bites, but as the £1 million limit is not transferable, each partner would need to make their own bequest. As a result, it could be necessary to restructure ownership and revise wills before 6 April 2026 arrives. Alternative strategies are available, but as with pensions, any approach must be tailored to your personal circumstances and financial goals.

# Investment in a world of higher capital gains tax

**Investors face higher tax on investment gains after the rates of capital gains tax (CGT) were increased in the Autumn Budget.**

The Budget raised the main CGT rates to 18% or 24% (from 10% and 20%). This follows a cut to the CGT annual exempt amount (AEA) last year to just £3,000. This makes tax-efficient savings vehicles like ISAs and pensions more attractive as there is no CGT to pay on gains made in either wrapper.

## Utilise pensions or sell shares

Other ways to potentially reduce future CGT liabilities, include making additional contributions to pensions which are not within the CGT regime, and making strategic use of the CGT AEA. If you are looking to realise a large gain, it may be worth selling shares in tranches over two or more years to utilise each year's CGT AEA, as it cannot be carried forward.

## Offset against losses

Capital losses can offset capital gains, and losses can be carried forward indefinitely to offset future gains if reported to HMRC within four years of the end of the tax year in which the asset was disposed of.

Transfers of assets between married couples and civil partners are CGT free, so there is scope to arrange finances as a couple, potentially reducing the total tax paid. Owning assets jointly is also effective as any gain is split equally.

As always, take advice before making key decisions about your finances.

# CTFs grown up – the importance of children's savings

**Young adults, and their parents, are being urged to track down lost Child Trust Funds (CTFs), which have an estimated £1.4bn sitting unclaimed in dormant accounts.**

CTFs were opened for all children born between 1 September 2002 and 2 January 2011. Parents received a £250 voucher and could open a cash or investment CTF, with low-income families receiving £500. Accounts were opened automatically for children if parents failed to take action, and the government made a further payment on the child's 7th birthday.

Parents, grandparents and family friends can contribute to these accounts, currently up to £9,000 a year, meaning many CTFs have sizeable balances on maturity. A CTF reverts to the child at 16, and they can access this money at 18 or transfer it to an adult ISA.

Government data shows 670,000 of these maturing CTFs are untouched — with the average balance standing at £2,212. The online tool on gov.uk is designed to identify lost accounts. If you don't know the CTF provider, account holders will need other key details, including home address (at birth) and national insurance number. Individuals can then get in touch with the provider to find out the balance of the account and how to access the fund or transfer it into another savings vehicle.

# Could you afford to live to 100?

**The number of people reaching their 100th birthday is expected to treble over the next 25 years, raising a long-term financial-planning challenge. How can savers ensure they have sufficient funds to maintain living standards through a potentially far longer retirement?**

This problem was made significantly harder with the government announcement that it was cancelling planned reforms to long-term care funding in England, due to the cost.

## Planning for the twilight years

This makes planning for the twilight years difficult. While people's spending on essential bills remains fairly constant through retirement, discretionary spending on travel and entertaining for example, is higher in the early years of retirement, but typically declines as people enter their 80s. However, it can rise steeply if care is needed, whether at home or in a residential setting.

Building a decent retirement fund can provide flexibility through retirement, regardless of circumstances. It can help to save what you can while working to build up funds. Starting early means your savings benefit from compound growth. Retiring later, or working part-time in retirement, can help these savings go further.

Seeking advice when it comes to retirement income options is imperative. Annuities offer a secure income and will continue to be paid for life, however long that is, but may represent poor value if you die young. Drawdown, where funds remain invested, offers more flexibility but less security. Many will opt for a blend of the two.

## Consider all your assets

It can also help to take a holistic view of your finances. For many people it is unrealistic to save enough to cover day-to-day living expenses through retirement plus potential care costs. Other assets, such as a property, could be sold to pay for care should the need arise.

# Strike (class) 3 – last call for NICs top up

## The third and likely final deadline for backfilling your National Insurance contributions (NICs) record to boost your state pension is under four months away.

### Significant change to eligibility terms

Eleven years ago, when the coalition government was legislating for the new state pension, it made an important concession. With the minimum NICs record for any state pension entitlement moving from one year to ten years, a temporary relaxation was introduced to NICs backdating rules. This allowed missed NICs dating back to 2006/07 to be paid at any time up until 5 April 2023. Beyond that date, the old rules would apply, limiting the maximum backdating period to six tax years.

The trouble with putting a deadline a decade away was that most people ignored it as there was clearly no rush. The result was that when 2023 arrived, there was a stampede of enquiries about NIC records which the Department for Work and Pensions (DWP) and HMRC could not manage. The inevitable result was that the deadline got moved – to 5 July 2023. When that too proved administratively impossible to handle, a third deadline was set: 5 April 2025, giving HMRC and DWP the time to improve their systems.

### Two months left

The clock is now ticking on that third deadline, which is unlikely to be extended again. If you have not reached state pension age (now 66 but rising soon) or reached it after 5 April 2017, this is the time to check your NICs record, if you have not already done so.

i If you are under 66 is the starting point is found **here**

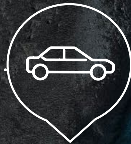
# Gold price hits new heights

## The price of gold rose strongly during 2024, hitting a number of record highs.

Although gold prices fell back following the US election, they remain higher than in previous years. This may strike some as unusual, given that gold is typically seen as a 'safe haven' asset, with demand rising during periods of stock market turbulence. Notably, previous highs occurred after the Covid pandemic and global financial crash.

Last year's rise comes during a time when global equities have also performed well – although investors may remain nervous about wider political instabilities. Exchange Traded Funds (ETFs) tracking the spot price offer a low-cost and tradeable way to gain exposure to this asset. Investors should remember though that gold investments don't yield any income, and the performance this year is no guarantee of future returns.

# News Round Up



### New bank rules on fraud

Under new rules, banks and building societies must reimburse customers tricked into authorising a payment to fraudsters. Scammers persuade people they are talking to their bank, HMRC, or another legitimate organisation. The rules also cover those caught by 'romance' scams and paying for goods that don't exist. The maximum refund is £85,000, although banks can refuse if they can prove the customer has shown a 'significant degree of carelessness'.

### Company car tax

The tax on most company cars will start rising from April 2025, after a three year freeze. Increases are scheduled for the following two years, and will impact all vehicles, including electric and hybrid cars, although the latter will still have a lower tax rate than more polluting vehicles. Electric cars with zero emissions are currently taxed at 2%, but this will rise 1 percentage point each year to stand at 5% by the 2027/28 tax year.

### UK Government borrowing costs

UK government borrowing costs rose to the highest level since the 2008 global financial crisis in January, as investors worried about the government's ability to meet self-imposed fiscal rules and ensure the stability of public finances. The increase in rates has wiped out the headroom that chancellor Rachel Reeves has to work with based on the current budget framework. If yields remain high, the government will have to take corrective action to keep budget policy on track, with this most likely taking the form of spending cuts rather than tax increases.

# Our financial planners

**Graham Gordon**
Head of Wealth Management for the MHA Group
**North West**

**Simon Harvey**
COO
MHA Wealth
**Northampton**

**Liz Hall**
Financial Planning Partner
**North West**

**Ben Harrison**
Financial Planning Director
**North West**

**Lee Salter**
Financial Planning Director
**North West**

**Peter Brydon (APFS)**
Chartered Financial Planner, Director
**Northampton**

**Gregg Taffs (APFS)**
Chartered Financial Planner, Associate Director
**Northampton**

**Charlotte Elgar (FPFS)**
Independent Financial Adviser, Chartered Financial Planner, STEP Affiliate
**London, Maidstone & Colchester**

**David Hume (Chartered FCSI)**
Independent Financial Adviser, Chartered Wealth Manager
**London**

**Dominic Thackray (DipPFS)**
Independent Financial Adviser
**Thames Valley**

**Gary Doolan (DipPFS)**
Independent Financial Adviser
**Birmingham, Cardiff & Swansea**

**Continued**

# Our financial planners

**Marcus Bull (DipPFS)**
Independent Financial Adviser
**Milton Keynes & Peterborough**

**Scott Kent (APFS)**
Chartered Financial Planner, Associate
**Peterborough & Northampton**

**Scott Newbould (CFP™)**
Certified Financial Planner, Associate
**Leicester & London**

**Rob Houghton**
Senior Consultant, Financial Planning
**North West**

**Roy Osbourne (DipPFS)**
Independent Financial Adviser
**Northampton**

**Ian Aldred**
Financial Planning Consultant
**North West**

**Phil Brook**
Consultant, Financial Planning
**North West**

**Adam Norris**
Financial Planning Associate Consultant
**North West**

**mha.co.uk**

London, Midlands, South East,
North West, Wales, Scotland.

MHA-UK

**Risk warnings**

The Financial Conduct Authority does not regulate tax advice. Tax treatment varies according to individual circumstances and is subject to change.

The Financial Conduct Authority does not regulate will writing and some forms of estate planning.

The value of your investment and any income from it can go down as well as up and you may not get back the full amount you invested.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

Past performance is not a reliable indicator of future performance.

Occupational pension schemes are regulated by The Pensions Regulator.

MHA Wealth is the trading name of MHA Wealth Ltd, a company registered in England (1916615) with registered office at The Pinnacle, 150 Midsummer Boulevard, Milton Keynes, MK9 1LZ. MHA Wealth is authorised and regulated by the Financial Conduct Authority (FCA) with registered number 143715 and is a member of the London Stock Exchange. MHA Wealth is a member of the MHA group. Further information on the MHA group can be found at www.mha.co.uk/about-mha-group

This communication is for general information only, is a marketing communication, and is not intended to be individual investment advice, a recommendation, tax, or legal advice. The views expressed in this article are those of MHA Wealth or its staff and should not be considered as advice or a recommendation to buy, sell or hold a particular investment or product. In particular, the information provided will not address your personal circumstances, objectives, and attitude towards risk.

This information represents our understanding at the time of publication of current law and HM Revenue & Customs practice. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. You are therefore recommended to seek professional regulated advice before taking any action.

MHA is an independent member of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity, and each describes itself as such. MHA is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, MHA, nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. Arrandco Investments Limited is the registered owner of the UK trademark for Baker Tilly and its associated logo.

**Now, for tomorrow**