CREATE FINANCIAL MANAGEMENT
INDEPENDENT FINANCIAL ADVISERS

HOYL

HOYL CAPITAL WEALTH

CLIENT NEWSLETTER - MARCH 2024

WELCOME

This month our Newsletter focusses on investment as we near the end of the 2023/24 tax year. Next time we will look at how changes in the Spring Budget, the last before the nation is expected to go to the polls, may affect you, and begin covering a range of financial planning areas and challenges sure to be of interest.

BULL MARKET? BEAR MARKET? SOMETHING ELSE?

The terms “bull” and “bear” are often used to describe market conditions, and while these are simple terms, their causes are incredibly complex. A bull market is one on the rise (so called as a bull tosses its unfortunate target up in the air!), while a bear market is one in decline (as a bear attacks by swiping downwards).

Some potential economic obstacles in 2024 could still delay the start of a sustained bull market, which for equity markets needs a prolonged increase of 20% or more in company share prices to truly be considered bullish.

The levels of volatility seen over the past couple of years are never nice to experience, as global investment markets have continued to be affected by some geo-political events unlike any seen in our lifetime. It is understandable that these lower investment returns, when combined with rising interest rates, have led some to consider cashing in their investments for the potential safety offered by deposit-based accounts.

Events move fast these days, tempting some investors to react to the latest breaking news or an influential tweet. For those seeking a quick financial return this may well be justified, but for pensions, ISAs and many other investments it is the longer term that matters.

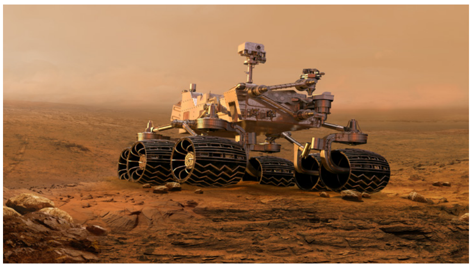
This is why, as your financial advisers, we have a duty to remind you that investing should always be viewed with a longer-term mind-set, and help you to keep short term market volatility in perspective while remaining focussed on your long-term goals.

WHAT DO HIGHER INTEREST RATES MEAN FOR INVESTORS?

Even though interest rates in the UK are very attractive, the 'real return' on cash (after inflation) has plummeted to its lowest level in decades. While you may earn as much as 5% or so on your cash savings, that return is less impressive should your outgoings increase by more than that.

Rising interest rates have also helped bring inflation down to 4.0% in January, although this is still double the government's 2% target, and created renewed interest in the role annuities can play in retirement planning, with the guaranteed income provided becoming an attractive option for many given the cost-of-living crisis, which has made the purchasing power of everyone's income more uncertain.

This has created a boom in applications for many annuity providers, although this may changes if, as currently predicted, interest rates have now peaked and begin to fall from around May onwards.



WHAT CAN WE EXPECT DURING 2024?

The challenging backdrop for equities remains, together with inflation tension, complex geopolitics, and shifting demographics in China which are having implications for global labour costs. Still, these are exciting prospects for the managers of active funds, who see plenty of reasons for optimism.

While there is currently steady growth in the markets, at some point this year they will fall. Someone will make an extraordinary amount of money investing in something, whether it is artificial intelligence (AI), the latest unmanned mission to Mars, a new wonder drug or crypto currency. Articles will be written about them, which may make you think "This could have been me!"

However, far more people will lose large amounts of money investing in things that you didn't. It might be AI that goes wrong, an rocket bound for Mars that explodes, a new wonder-drug that fails. Some will almost certainly lose money in yet another crypto currency that turns out to be a scam. You won't hear about them. They don't have articles written about them – in fact, they won't want to tell their stories. But if they did, you would certainly think "I'm so glad that wasn't me!"

For every big winner, there are lots more people who tried and failed. There might be areas of your life where you feel you want to do that, but investing should not be one of them.

WITH THIS IN MIND

As a client, you will have sat down with your adviser and together come up with a sensible investment plan, one based on your individual goals, objectives and timeframe. This will have also taken into account the history of the investment markets right up until you invested, and what might happen in the future.

Still, it is important to remember there is no perfect investment portfolio. However, what we and the discretionary fund managers we work closely with (all with impressive track records) can do is look at what has happened, take note of the valuable lessons, then translate them into investment decisions that enable our recommended investment solutions to grow in every environment.

That way, as our client you can sleep soundly, regardless of what's happening.

And finally, given the unknowns which may lay ahead, let's end with one thing we can be sure about...

The 2023–24 tax year ends on 5th April

The reduction in individual capital gains annual allowance from £6,000 to a permanently fixed £3,000 from 6th April 2024 made it more important than ever to make the most of your annual allowances during the current tax year.

Your adviser will always discuss ways of maximising your allowances as part of your annual review, but if you can take advantage of, for example, your £20,000 ISA allowance at the start of each tax year, this means you can benefit from almost an additional 12 months of investment growth each year.