



3D Financial Planning

Independent Financial Advisors

Newsletter
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Market Update

August was broadly positive for global markets, with most major equity markets delivering gains. Emerging markets and Asia were among the strongest performers, while US shares also rose as company profits remained healthy and enthusiasm around technology and artificial intelligence continued.

The UK and Europe also moved higher, although UK gains were more modest. Bond markets had a more difficult month as persistent inflation, higher energy prices and uncertainty over the path of interest rates pushed borrowing costs higher. Commodities performed strongly, helped by agricultural prices, while oil remained elevated amid continued tensions in the Middle East.

US Equities

US equities rose during August, helped by stronger-than-expected company profits and continued investment in artificial intelligence and the infrastructure needed to support it.

Technology, energy and materials companies were among the strongest performers. Energy companies benefited from higher oil prices, while areas traditionally viewed as more defensive, such as utilities, were weaker as bond yields rose.

Eurozone Equities

European equities also moved higher during the month. Technology, communications and financial companies performed particularly well, while property, utilities and companies selling everyday consumer goods were weaker.

Inflation remained above the European Central Bank's 2% target, keeping the possibility of further interest-rate increases in focus. There were, however, some encouraging signs from the economy, with manufacturing activity showing modest improvement.

UK Equities

UK equities made a smaller gain in August and lagged many overseas markets. Materials companies performed particularly well, while healthcare, energy and consumer staples were weaker. Smaller UK companies generally fared better.

The UK economy grew during the second quarter, although inflation increased in July, partly as a result of higher energy costs.

Emerging Market Equities

Emerging markets were among the strongest-performing areas during August. Technology companies, a weaker US dollar and higher commodity prices all provided support.

South Africa, Taiwan and South Korea performed particularly well. India, China and Brazil were weaker, with concerns including higher oil prices, economic growth and relatively high company valuations.



Japanese and Asia Equities

Asian markets generally performed well, helped by continued investment in technology and strong demand for the semiconductors used in artificial intelligence and other computing applications. Taiwan and South Korea were notable beneficiaries because of their important roles in semiconductor production, while Singapore was supported by strength in its banking sector. China and India were slightly weaker.

Japanese equities also rose. Better-than-expected company results helped investor confidence, while technology companies benefited from continued spending on AI infrastructure. Japanese banks also performed well as investors considered the possibility of further interest-rate rises in Japan.

Global Bonds

Global bond markets remained under pressure during August. Persistent inflation, higher energy prices and uncertainty over future interest-rate decisions pushed bond yields higher and prices lower.

Longer-term borrowing costs increased across the US, Europe, UK and Japan. Higher-quality corporate bonds were relatively stable, helped by generally healthy company finances. Although falling bond prices created a more difficult environment during the month, higher yields continued to provide investors with more attractive levels of income.

Commodities

Commodities performed strongly during August, with agricultural products leading the gains. Concerns that the El Niño weather pattern could damage crops and reduce food supplies contributed to higher prices, while disruption to agricultural exports from Russia and Ukraine added to these concerns.

Oil prices remained high amid ongoing tensions in the Middle East, while gold also performed well as some investors sought assets traditionally regarded as safer during periods of uncertainty.

Source: Schroder Investment Solutions (September update)



In the Spotlight

Should You Act Before the Budget?

With the Autumn Budget now less than a month away, speculation about what the Chancellor might announce is gathering pace.

For anyone following the financial pages, the coming weeks are likely to bring plenty of headlines about possible changes to tax, pensions, investments and property. Some may ultimately prove accurate. Others almost certainly won't.

This year's Budget also arrives against a challenging economic backdrop.

The Chancellor's Balancing Act

The latest public finance figures show government borrowing running ahead of previous forecasts, while inflation remains above the Bank of England's 2% target. Together with the Government's commitment to its fiscal rules, that has inevitably led to considerable discussion about where the Chancellor might choose to raise revenue.

And that is likely to mean plenty of speculation between now and Budget Day.

For individuals and families trying to make sensible long-term financial decisions, however, there is an important distinction to make:

Rumour is not policy.

A newspaper report suggesting that a tax rule *might* change is very different from legislation actually changing. Making significant or irreversible financial decisions based purely on speculation can create unintended consequences of its own.

Taking money from a pension, selling an investment, making a substantial gift or reorganising assets can all have wider tax and financial implications. Acting simply because the rules *might* change can therefore be just as problematic as failing to respond when a change genuinely does require attention.

Preparing Is Different From Predicting

That doesn't mean we ignore potential changes.

As financial planners, part of our job is to keep abreast of developments that could affect our clients and their financial plans. But there is a difference between understanding what might change and changing a financial plan because of something that might happen.

Where a change is confirmed, we can assess what it actually means for an individual client. A good current example is pensions.

From 6 April 2027, most unused pension funds and pension death benefits will be brought within an individual's estate for Inheritance Tax purposes. This represents a significant change to the way pensions can interact with estate planning, although importantly, it will not result



in an Inheritance Tax liability for everyone. HMRC estimates that most estates will continue to have no Inheritance Tax liability after the changes take effect.

The important question, therefore, isn't simply:

"The rules are changing — what should I do?"

It is:

"Do these changes affect my financial plan, and if they do, what are my options?"

The Plan Comes First

For some clients, the pension changes may mean revisiting how different assets are used to provide retirement income. For others, they may prompt a wider conversation about estate planning, gifting or how wealth is eventually passed to the next generation.

For many, they may require little or no immediate change at all.

That's why we don't believe financial planning should be driven by tax rules alone.

Our starting point remains the same: ***what are you trying to achieve?***

From there, we regularly revisit the plan as circumstances change. That includes changes in your own life (your income, expenditure, family, retirement plans or priorities) but also changes in the world around you, including tax legislation and government policy.

Where those changes create a potential negative impact, we can consider the options available and whether an adjustment would help. Where they don't materially affect the plan, there may be no reason to change course.

The objective is not necessarily to pay the least possible amount of tax at all costs. It is to keep your financial arrangements suitable for what you are trying to achieve and, within that, make use of the allowances, reliefs and planning opportunities legitimately available to you.

Planning in a Changing Landscape

The pension changes are also a useful reminder of why financial planning isn't a one-off exercise.

A plan that was appropriate five years ago cannot simply be put in a drawer and assumed to remain appropriate indefinitely. Your circumstances change. Your objectives can change. Investment markets change. And governments change the rules within which we plan.

We can't control the last of those, and we can't reliably predict what every future Chancellor will do.

What we *can* do is keep up with those changes, understand how they interact with each client's circumstances and regularly review the plan so that it continues to reflect what matters to them.

That is the approach we'll take to the forthcoming Budget too.



Rather than responding to every rumour between now and 28 October, we'll continue to monitor developments. Once the Chancellor has spoken and the detail is available, we'll review what has actually changed and issue our usual Budget update explaining the measures we believe are most relevant to our clients.

Until then, perhaps the most important principle is this:

Your objectives should drive your financial plan. Tax and policy changes may alter the route, but they shouldn't determine the destination.

*Sources: HM Treasury; Office for National Statistics; Office for Budget Responsibility;
Bank of England; HM Revenue & Customs.*



Planning in Practice

When Saving Becomes the Hard Habit to Break

For most of our working lives, the financial message is fairly consistent: earn, save, invest and build for the future.

Then retirement arrives and, almost overnight, we are expected to do something very different.

We stop accumulating and start drawing on what we have built.

On paper, that transition can look straightforward. In practice, it can be anything but.

Retirement Is More Than a Financial Event

Author Bruce Feiler uses the term “**lifequake**” to describe the major transitions in our lives that can disrupt our sense of identity, purpose and direction.

Retirement can certainly feel like one.

The change isn't simply that a salary stops arriving. After perhaps 30 or 40 years of working, someone's routine, priorities and relationship with money can all change at once.

And there is a financial contradiction at the heart of it.

The habits that helped someone successfully build wealth - being careful, living within their means, saving rather than spending and watching their investments grow - don't simply disappear on the day they retire.

Yet suddenly the financial plan may be asking them to do precisely the opposite.

When Watching the Number Fall Feels Wrong

We see this regularly in our conversations with clients.

Someone may have accumulated sufficient pensions, investments and savings to support the lifestyle they want, yet still feel uncomfortable drawing from them.

After decades of seeing a rising pension or investment balance as evidence that things are going well, watching that balance reduce can instinctively feel like something is going wrong. Even when it is happening entirely according to plan.

There is also an important psychological difference between spending money while working and spending it in retirement. While you're earning, money spent this month can be replaced by next month's salary. Once you've retired, it can feel as though every pound spent has gone forever.

So perhaps it isn't surprising that the transition can create anxiety.



“But What If I Need It Later?”

Of course, reluctance to spend isn't always simply about habit.

Retirement contains uncertainties that no financial plan can remove completely.

- How long will I live?
- What happens if markets fall?
- What if inflation is higher than expected?
- Could I need expensive care later in life?
- What if I want to help my children or grandchildren?

And for some people, leaving a meaningful inheritance is itself an important objective.

These are perfectly legitimate reasons to want financial security. The answer isn't to tell someone they have “too much money” and should simply go out and spend it.

Instead, good planning can help put those concerns into context.

We can consider what resources may be required to provide a sustainable income, allow for unexpected expenditure and maintain an appropriate reserve for later life. We can also incorporate money that someone consciously wants to leave to family.

Once those objectives have been considered, we can begin to understand what the rest of someone's wealth is actually there to do.

If Not Now, When?

This can sometimes lead to a surprisingly difficult question.

If you aren't prepared to spend some of the money you've accumulated now, when will you be?

That doesn't mean buying things simply for the sake of spending.

Financial freedom doesn't have to mean a new sports car, expensive jewellery or an around-the-world cruise. If those things don't make you happy, there is little point buying them simply because a financial plan says you can afford to.

For one person, enjoying their wealth might mean travelling more. For another, it could mean taking the family away once a year, pursuing a hobby, helping children while they are young enough for that help to make a meaningful difference, or simply being able to say yes more often without worrying about the cost.

Sometimes it might mean spending very little differently at all.

There is no correct way to enjoy the wealth you've built.

The important thing is that fear of spending doesn't unnecessarily prevent you from living the life you actually want.



From Accumulation to Confidence

This is one of the areas where we believe financial planning can make a real difference.

A financial forecast cannot tell us exactly what will happen over the next 20 or 30 years. Markets will behave differently from our assumptions, inflation will vary and life itself will inevitably contain surprises.

But we can model different possibilities.

We can ask what happens if markets have a difficult period. We can allow for different levels of expenditure. We can consider future care costs, gifts to family or the desire to leave an inheritance. And, importantly, we can revisit those assumptions regularly as life unfolds.

The purpose isn't to provide certainty where certainty doesn't exist. It is to give someone enough information and context to make decisions with greater confidence.

Sometimes that conversation results in a client deciding not to spend the money after all. That's absolutely fine. Our job isn't to persuade somebody to spend simply because they can.

But if the only thing stopping someone from doing something they genuinely want to do is the fear that they might run out of money, a financial plan can help us examine whether that fear is supported by the numbers.

What Is the Money For?

Perhaps this is ultimately the question at the heart of retirement planning.

For decades, financial success can mean watching the numbers go up.

Later in life, success may look different.

It might mean having sufficient resources to feel secure, knowing that the people you care about will be provided for, and having the confidence to use some of what remains to enjoy the life you've worked hard to build.

After all, the objective isn't to finish life with the largest possible pension or investment portfolio.

Nor is it to spend everything simply because you can.

True financial freedom is having the confidence to live the life you want without constantly worrying that doing so will jeopardise your future.

For some people, achieving that means saving more. For others, particularly after a lifetime of careful accumulation, it can mean learning that it's OK to spend.

Further reading: Bruce Feiler, Life Is in the Transitions: Mastering Change at Any Age (Penguin Press, 2020).



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