

**TARIFF TURMOIL**

Lessons from Trump's trade policies

**TYING THE KNOT**

Planning for the costs of the big day

**RETIREMENT SPENDING**

Reviewing income choices as needs change

**SIGNET** FINANCIAL SERVICES

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SUMMER 2025

## The road to retirement

*Creating sustainable pension plans*





## In this issue...

Investors and governments alike have had a turbulent ride as the effects of President Trump's tariff see-saws play out. Continued international volatility and rising living costs mean taking time to focus on financial planning is increasingly crucial. In this edition of our newsletter we look at key lessons from the US president's 'Liberation Day'. For many people, their pension is their most important, long-term investment. Recent research has highlighted the growing numbers likely to find their pensions unable to fully fund their later years. Our feature considers strategies across the years of pension savings to improve your retirement position. Once you do retire, planning how to take your income to meet spending needs is a big decision. There's no single solution, so tailored plans and regular reviews will help you adjust as circumstances change. If your planning includes hoping to help a child with a wedding or civil partnership, starting to set money aside early is crucial as prices increase. And even if the event doesn't materialise, there's a savings fund ready to help with other milestones.

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INFLATION

# Coming around again: inflation returns

*Inflation jumped sharply in April. What's going on?*

The rollercoaster ride of inflation was set in motion at the start of this decade. In January 2020 the annual inflation rate, as measured by the Consumer Prices Index (CPI), was 1.8%. By August 2020, as Covid-19 took hold, it had dropped to a mere 0.2%. Two years later the Ukraine war was flaring energy prices, increasing inflation above 10% on its way to an October 2022 peak of 11.1%. Since then, annual inflation has been generally on a downward path...and then the April figure was published.

### BANK FORECASTS

April's published 3.5% CPI rate would have been 3.4% (the same as May's), were it not for a calculation error. Either way it meant the Governor of the Bank of England was required to write to the Chancellor – explaining why inflation was over 1% above the Treasury's target and the actions planned to rein it back to 2%. In reality, the letter had probably been drafted several months ago. As far back as early February the Bank was saying that it expected inflation "to rise quite sharply in the near term, to 3.7%".

The Bank's forecast highlights one of the oddities about annual inflation. While longer-term projections are notoriously difficult to get right (as played out over 2022/23), short-term estimates are often much easier to make. For example, annual inflation in three months' time will include nine months of already known price rises. What matters is the inflation difference between the three old months that will disappear and their replacements. In the case of April 2025, the Bank could see two major changes arriving:

- A new Ofgem quarterly utility price cap that would replace the 12.3% fall of a year ago with a rise of 6.4%.
- An Ofwat-determined increase in annual water and sewerage charges for England and Wales that averaged no less than 26%, albeit with large regional variances.

### COUNTERING WEALTH EROSION

Inflation is due to peak in September, then steadily decline to around 2% early in 2027. However, you should not consider 3%-plus inflation as a blip that can be ignored. Inflation always erodes purchasing power: since January 2020 the buying power of £1 has shrivelled to 78.3p. That decline affects every aspect of your financial planning – retirement, savings goals, health and life protection – which has not been inflation-adjusted in the last five and a half years. We can help review your financial goals in case the shifting CPI has knocked you off target.



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## INVESTMENT

# The lessons of 'Liberation Day'

*Investment markets had a wild ride after Trump's tariff announcements. Amidst the turmoil there were lessons to be learned.*



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**“P**ast performance is not a guide to the future.” Those words are probably familiar enough from investment articles and advertisements but are unlikely to have prepared you for the ‘performance’ that followed Donald Trump’s ‘Liberation Day’ tariff announcement. He made his big rate reveal in the White House Rose Garden after the US stock market had closed on 2 April.

The left-hand side of the graph shows US investors’ immediate reaction, which can only be described as a cliff-edge fall, as measured by the professionals’ preferred market index, the S&P 500.

While there had been widespread speculation about the tariffs’ levels and targets, what Trump delivered blind-sided everyone. Tariffs were imposed on islands inhabited only by penguins and the top tariff (50%) was applied to Lesotho, a small, impoverished African

diamond exporter which, unsurprisingly, has little appetite for US imports.

## A DOMINO EFFECT

Most other major stock markets reacted with similar sharp drops. For example, the FTSE 100 fell 10.5% from the end of March to 9 April. That day, a week after the Rose Garden shock, proved to be the turning point as it coincided with a fresh Trump announcement – after UK markets closed – that most tariffs would be suspended for 90 days (to 8 July), albeit with a baseline tariff of 10% staying in place. The relatively quick U-turn was interpreted as cold feet and second thoughts, or clever manoeuvring, depending on who you listened to.

Markets rebounded on the turnaround news because the ‘pause’ was interpreted as an end to high tariffs. This optimism was reinforced when, in mid-May, the US and China agreed a mutual 90-day reduction of 115% in the

blockade level of tariffs they were applying to each other. The result was the US (and other) stock markets climbing back above the levels reached immediately before the initial tariff announcement. It was almost as if the six weeks of rollercoaster ride had never happened.

## TAKING THE LONG VIEW

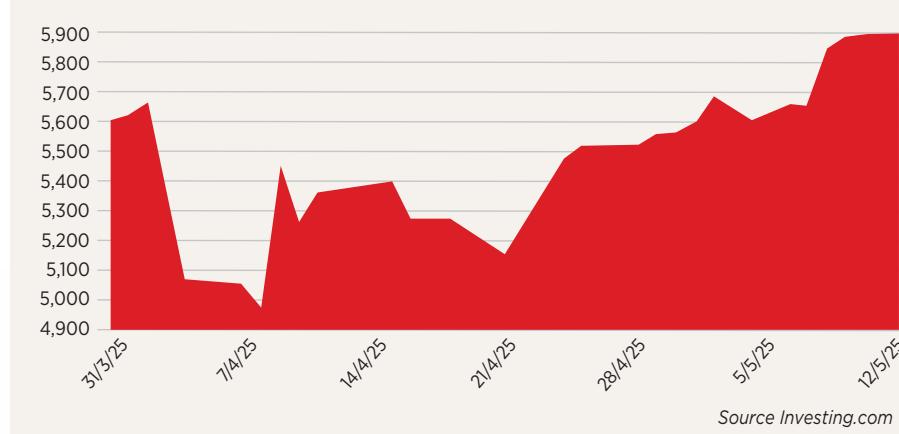
Look again at that graph and it is easy to see how quick and large profits could have been made by selling at the start of April and then buying back a little over a week later. However, such wisdom is purely hypothetical as nobody knew how the tariffs would play out. A more likely outcome is the panicked investor who sold out after the Rose Garden announcement and got stuck holding cash as the market rebounded.

That is a major – and long-standing – lesson of the Trump tariff saga: timing the investment markets, whether buying or selling, is next to impossible without hindsight. Another familiar lesson is, to use a well-worn phrase, don’t panic. Markets have a habit of over-reacting in both directions. A third lesson is to remember investment is about the long term – not just one month, however dramatic.

• *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. Past performance is not a reliable indicator of future performance.*

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

## THE S&P 500 FROM THE START OF APRIL





## PENSIONS

# The long road to retirement – building a sustainable plan

*Whether you are many years from retirement, or just a few, ensuring your pension plans will sustain you when the time comes requires focus, now more than ever.*

**R**ecent research indicates that 1.6 million more people are at risk of hardship in retirement compared to a year ago, due to rising living costs. This comes despite increased levels of pension savings. The research highlights low to middle-income earners, the self-employed, and younger Generation Z savers as those who are particularly facing challenges for the future.

Around half the population are aware they are not building sufficient retirement savings across all ages and income brackets. Many face a significant reduction in living standards after stopping work or will end up working longer than they'd like because they won't be able to afford to retire comfortably.

## THE LONG ROAD

It's certainly never too early to start paying into a pension – or too late. If you're 10 years or more away from retirement, you need to focus on maximising savings and making the most of pension tax relief, especially if you're

a higher-rate taxpayer. Where possible, and as long as attitude to risk and capacity for loss allow, ensure funds are in growth assets, such as equities, which have historically delivered higher returns over longer time periods.

During your working life, it's easy to lose track of multiple pension pots and savings. But you can't build a robust retirement plan without knowing what funds you have and what they are likely to be worth by your planned retirement date.

This includes State pension provision, which for many people can be a sizeable chunk of retirement income. If you're only ten years or fewer from retirement, get a forecast from [gov.uk/check-state-pension](http://gov.uk/check-state-pension). This will also confirm when it will be paid, a key date in your retirement plan.

## COUNTDOWN

As you get nearer to retirement you may find that consolidating separate funds gives a clearer overview of your potential pension

income. However, before making such changes, it is worth checking that you aren't giving up valuable guarantees and looking carefully at the charges and performance of any new scheme. This can be complex, so you should take advice.

Knowing what your savings are worth is only half the picture. You also need to think about what level of income you'll require once you stop working. The Pension and Lifetime Savings Association estimates a single person today needs £31,700 a year for a moderate standard of living (or £43,900 for a couple). Understanding what you are aiming for, and what it will cost, can help you identify shortfalls and take action, such as saving more or delaying retirement.

## THE FINISH LINE

Once you're within five years of retirement, think about how you'll turn your investments into income. This is the time to explore the pros and cons of drawdown, annuities or a combination of the two.



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How you'll use your pension may influence your investment strategy in the final years. If you plan to keep funds invested, you may want to remain in growth assets. But if you want to cash in or buy an annuity, switching to less volatile assets to protect your funds from sudden downturns just before you retire may be advisable.

Seek advice or guidance on all your options, whether you're a decade away or retirement is imminent. These are complex decisions, so regular reviews of your position could make all the difference.

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*Past performance is not a reliable indicator of future performance.*

*Occupational pension schemes are regulated by The Pensions Regulator.*

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

## TAX

# Ready for Making Tax Digital?

*The tax reporting system is changing for the self-employed and property investors.*

**M**

aking Tax Digital (MTD) has been one of those major government IT projects subject to significant

delays. Announced in December 2015, it promised that "...by 2020, HMRC will have moved to a fully digital tax system."

While MTD is now fully operative for VAT, it will not start to come into force for some elements of income tax until April 2026... and that could affect you.

## THRESHOLDS AND IMPLEMENTATION

MTD will apply to you from April 2026 if you are registered for self assessment and:

- You received income from self-employment and/or property investment before 6 April 2025; and
- You had a gross turnover (strictly 'qualifying income') from self-employment and/or property exceeding £50,000 in 2024/25.

A year later, the MTD threshold will be lowered to over £30,000 of qualifying income in 2025/26.

To encourage compliance with the new MTD regime, which demands quarterly reporting, new rates of late payment penalties for MTD for income tax (and VAT) took effect from April 2025. These are (in addition to late payment interest):

- 3% of the tax outstanding where tax is overdue by 15 days; plus
- 3% where tax is overdue by 30 days; plus
- 10% per annum where tax is overdue by 31 days or more.

If MTD is news to you, make sure you are prepared before your 'joining' date arrives.

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



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SAVINGS

# Wedding bells and wedding bills

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*The number of UK couples marrying or forming civil partnerships every year has returned to pre-pandemic levels despite a significant rise in the costs of saying 'I do'. While traditionally the bride's parents were expected to pick up the tab for the celebrations, more couples are paying their own way, with around 70% still having help from parents or wider family.*

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In the UK the average cost of a wedding was over £23,000 last year, with a quarter of couples spending upwards of £30,000.

For parents who plan to make a meaningful contribution, starting to set aside funds early can make the eventual event less stressful.

Savings over a longer period will be less of a drain on your income. If you are saving over a 10-year plus period and your attitude to risk and capacity for loss allows, you can invest in higher-growth assets such as equities, which historically have been more likely to deliver higher returns.

Stocks and shares ISAs are a good option for those saving over these timeframes. Individuals have a £20,000 annual allowance, and there is no capital gains tax or income tax to pay when you cash them in.

As the event draws nearer, consider gradually shifting your savings into lower-risk assets. The last thing you want is a sudden market downturn to disrupt your finances just before the big day. If your timeline is shorter, a cash ISA can be a safer option – just be sure to compare rates to get the best possible return.

It helps to set a realistic goal and work backwards – decide what you can afford, then save a monthly amount that fits your timeframe. Wedding spending can easily get out of hand, so let family know your budget before they get carried away looking at venues or planning the guest list.

## GIFTING AND INHERITANCE TAX

Normally we need to live for seven years for cash gifts to be outside of our estates for inheritance tax (IHT) purposes. However weddings and civil partnerships provide the potential for effective IHT planning. Parents can each gift up to £5,000 towards the costs, which will be completely outside of their estate for IHT purposes. Grandparents can also gift up to £2,500 each, with others able to gift £1,000 under the gifting rules.

**Set a realistic goal and work backwards – decide what you can afford, then save a monthly amount that fits your timeframe and let your family know your budget.**

Saving for the big day before your children are in a serious relationship may seem premature or like tempting fate. But starting early can be the most effective way to help them have the celebration they want, whether it's with confetti and bells or barefoot on a Caribbean beach.

And if they decide married bliss is not for them, you will have created a savings pot that can be used elsewhere – perhaps helping towards a first home, further study or boosting your own retirement funds.

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

*Investments do not offer the same level of capital security as deposit accounts.*

*The value of your investment and the income from it can fall as well as rise and you may not get back the full amount you originally invested.*

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## RETIREMENT

# Understanding retirement income needs

*One of the most complex financial decisions people will make is around income in retirement. But there is no simple, total solution.*

Today's retirees typically have a mix of workplace and private pensions plus savings. These might be defined benefit schemes that pay a guaranteed income linked to earnings or defined contribution plans acting effectively as investment funds, where retirees can choose to draw down a regular income or buy an annuity for a guaranteed lifetime income.

Choosing the right approach is far from straightforward. The most suitable option will depend on factors such as the value of your pension pots, types of schemes held, other financial assets, relationship status as well as your health and attitude to risk.

## SPENDING PATTERNS

Recent research from the University of Bath based on spending patterns going back decades found there is no 'one-size-fits-all' solution. Some retirees, particularly homeowners, spend more in the early years of retirement, but this falls away as they age. They would benefit from flexible options such as drawdown. Others have steadier, often lower spending needs, and may benefit from a guaranteed income solution with some inflation protection.

Understanding the implications of these differences underlines the importance of taking advice, especially as some decisions, such as buying an annuity, are irreversible.

Retirement can last for 25 years or more and needs will change. Regular advice MOTs may also prove useful, particularly as many

retirees now keep funds invested for longer. If markets shift, living costs rise, or personal circumstances change, your strategy may need to adapt.

Reviews are an opportunity to discuss investment strategy and consider future annuity purchases, as well as look at wider planning issues like estate planning, setting up lasting powers of attorney or eligibility for state benefits.

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# Gold gets a glowing review



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*The price of gold has rocketed this year, fueled by geopolitical tensions, stock-market volatility and demand from investors seeking a safe haven for their money amid the turmoil.*

Returns have been impressive for investors. With gold prices hitting a record high in April, this equates to around a 40% gain in just 12 months. While it's easy to be dazzled by these numbers, investors should remember that there have been long periods in recent decades where returns were broadly flat, offering little reward for long-term holders.

## EFFECTS OF CURRENCY CONVERSION

Gold is priced in US dollars, which adds a currency dimension for UK investors. If the dollar weakens against sterling, the value of gold holdings can be depressed when converted back into pounds, even if the gold price rises in dollar terms.

For investors gold may play a role as a diversified asset, but only as part of a broader, balanced portfolio.



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## NEWS ROUND UP

### Half a century ago...

In April a 50th anniversary passed, largely unnoticed. April 1975 was the last time that the basic rate of tax was increased (from 33% to 35%). Ever since the only direction for the basic rate has been down. That's not quite as positive as you might think as it has prompted successive Chancellors to raise revenue in different, less obvious ways. The most recent example is the freezing of tax bands and allowances to create an ever-growing band of higher-rate taxpayers.

### Interest and tax

If you're used to HMRC automatically sorting out any tax due on your bank/building society interest via your PAYE code, be warned. For the 2023/24 tax year, HMRC received around 130 million automatic reports of interest, but could only match 80% of them to taxpayers, a job that was not finished until March 2025. The taxpayer is responsible for paying the correct tax and HMRC is now reminding those who have not received a coding adjustment, they need to report any taxable 2023/24 interest ASAP.

□ The Financial Conduct Authority does not regulate tax advice.

### After the Spending Review...

The Chancellor presented her Spending Review on 11 June covering day-to-day spending over the next three tax years and investment through to 2029/30. Having now defined her spending and investment goals, with the NHS and defence top of the list, these will be hard to shift. Place those expenditure aspirations against her "non-negotiable" fiscal rules and speculation is rife on the likelihood of tax rises when the Chancellor presents her next set piece – the autumn Budget.

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## LATER LIFE

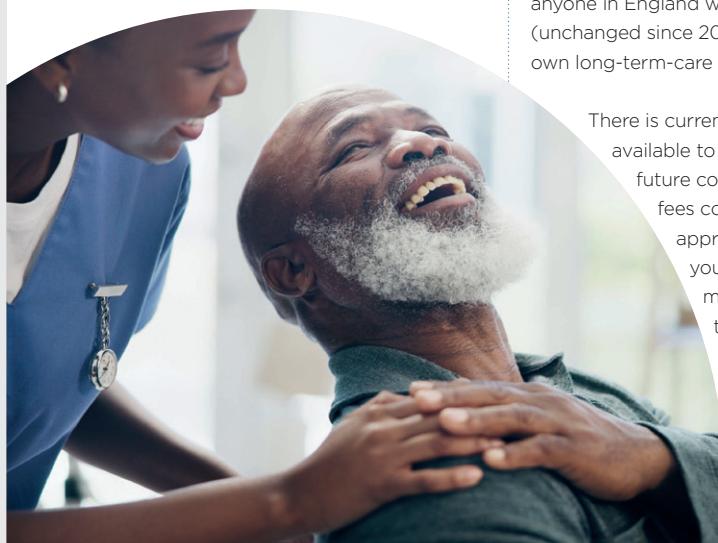
# Funding for long-term care

*A solution for funding social care in England remains many years away.*

**"Time and again, governments have stepped back from reform when faced with the cost. Too much emphasis is put on the cost of change and not enough consideration is given to the human and financial cost of no or incremental change."**

Those words are from the report, *Adult Social Care Reform: the cost of inaction* issued by the House of Commons Health and Social Care Committee in early May. The timing was somewhat ironic as three days before – on the Friday before the early May bank holiday – the government had published the terms of reference for an independent commission into adult social care in England, to be chaired by Baroness Louise Casey.

The commission had been announced in early January, six months after the Chancellor abandoned a plan for a long-term-care funding cap in England which had been due to start in October 2025. The cancellation drew little attention, as the media spotlight was on the Winter Fuel Allowance cut,



announced at the same time. In practice there had been some expectation that the capped funding plan would not go ahead. Its commencement had already been deferred several times since being legislated for in 2014.

### A DISTANT PROSPECT

The terms of reference for the new care commission were surprisingly brief, but buried in them was the statement that the first phase, due to report in 2026, "...should produce tangible, pragmatic recommendations that can be implemented in a phased way over a decade." In other words – not spelt out – a scheme that had been set to start later this year is to be replaced by a new structure that will not be fully operational until 2036 – at least two general elections away.

Until the Casey commission's plan begins, England will be left with a long-term-care funding system which many earlier investigations (including a royal commission at the turn of the century) has said needs reform. The current rules broadly mean that anyone in England with capital of over £23,250 (unchanged since 2010/11) must meet their own long-term-care costs in full.

There is currently no insurance policy available to protect against such future costs. If potential care home fees concern you, the best approach today is to ensure your retirement planning makes some allowance for their possibility. The same principle applies for all constituents of the UK, each of which have their own similar funding rules.

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