

NMA Top 100 2022

We are delighted to announce that we have made the 2022 New Model Adviser Top 100 list for the 11th year in a row! There is only one other company in addition to Eldon to feature every year since the inception of Citywire's accolade.

Citywire's New Model Adviser® magazine provides news on personal and business development, and insights into the financial services industry. The assessment process for their Top 100 list includes a range of criteria such as professional qualifications, investment philosophy, staff training, fees, community engagement, and client education.

The award recognises outstanding achievements and prominent leaders in the UK financial planning profession.

Congratulations to the Eldon team and thank you to our clients – we couldn't have achieved it without you!



Welcome George!

Tom Babbé and his fiancée Rachael welcomed the newest member of the Eldon family, as they became parents for the first time.



George was born on 14th September weighing 8lb 10oz and became a little brother to Phoebe the Labrador.

George has grown a lot more since then and is now much more alert and smiley. Having dressed up as a pumpkin and a bat for Halloween, no doubt he will be donning a reindeer or elf costume for Christmas!

Congratulations James & Alex

James and his fiancée Alex finally got married, after having to delay due to the pandemic, on a very sunny Saturday 15th May.

The wedding was held in the stunning countryside at Woodstock Weddings & Events at Shipton by Beningbrough, just outside York. Following this, they spent a few days at a lodge on the Scottish Borders with their dog, Reggie.



Autumn Statement 2022

After the chaos that ensued following the mini-budget in September, we eagerly awaited the new Chancellor, Jeremy Hunt's Autumn Statement which had been delayed from 31st October to 17th November.

It was finally announced that the 'Triple Lock' for the State Pension would indeed be reinstated, with State Pensions receiving the full inflationary increase of 10.1% (September 2022 CPI), from April 2023.

Inflation was announced the day prior to the Statement, with the Consumer Price Index (CPI) rising by 11.1% over the 12 months to the end of October 2022; the highest level for over 40 years. This, and the likelihood of recession, set the tone for the Autumn Statement, and we provided a summary of the key announcements in our website news:

<https://www.eldonfinancial.co.uk/autumn-statement-2022/>

We have also discussed a range of current topics that may be of interest on our website in the news section: <https://www.eldonfinancial.co.uk/news/>



Giving Back

At the end of 2021, we at Eldon set up a charitable endowment fund with the County Durham Community Foundation (CDCF), contributing an initial sum of £50,000 which was matched by a third party donor.

The goal was to establish a sustainable way of giving back into our community over the long-term, using our Fund to provide grants to local charities tackling poverty, debt management, and financial education.

Over the year so far, we have provided grants to some remarkable charities, and would like to bring further attention to them here:

- **First Stop Darlington**

Through one-to-one sessions, workshops, and other activities, this group offers guidance to those in the Darlington area facing financial and emotional difficulty. This can include homelessness, issues around debt, gaining re-employment, and general wellbeing.

- **Moving on Durham**

As Durham's leading youth homelessness charity, this organisation supports young people who are experiencing, or are at risk of, homelessness. The charity takes a two-pronged approach, working on prevention by supporting those susceptible to becoming homeless, and providing supported accommodation to those already in need.

- **Lifeline Community Action**

This organisation provides emergency aid and ongoing support to those in need across County Durham and Darlington, focusing primarily on Newton Aycliffe and the South Durham area. The group runs various programmes; for instance their Helping Hands project provides aid packs to local households in need of things like cleaning materials, non-perishable goods, and baby supplies.

Our Own Fundraising

The Eldon team has also been hard at work raising further support for charity this year.

James kicked off the fundraising by completing the 'Three Peaks in 24 Hours' challenge in support of the Eve Appeal, raising over £2,000.

Shortly after this the entire team completed our self-set '20 Miles for 20 Years' challenge, celebrating Eldon's 20th anniversary with a 20-mile walk around Ullswater. Against near-extreme weather during storm Ian, we completed the challenge within 9 hours – a feat for a route that can typically take up to 12 hours! We raised over £2,500, which has been directed towards the CDCF's 2022 Poverty Hurts Appeal.

Eldon will be matching James' fundraising, as well as that for the group walk. In addition, the CDCF match 50% of the funds for their Appeal, giving an effective tripling of our donations to this cause.

We would like to thank all who have supported us in our efforts for some great causes this year; such support is more important than ever in the current climate. Here's to more charitable events to come!



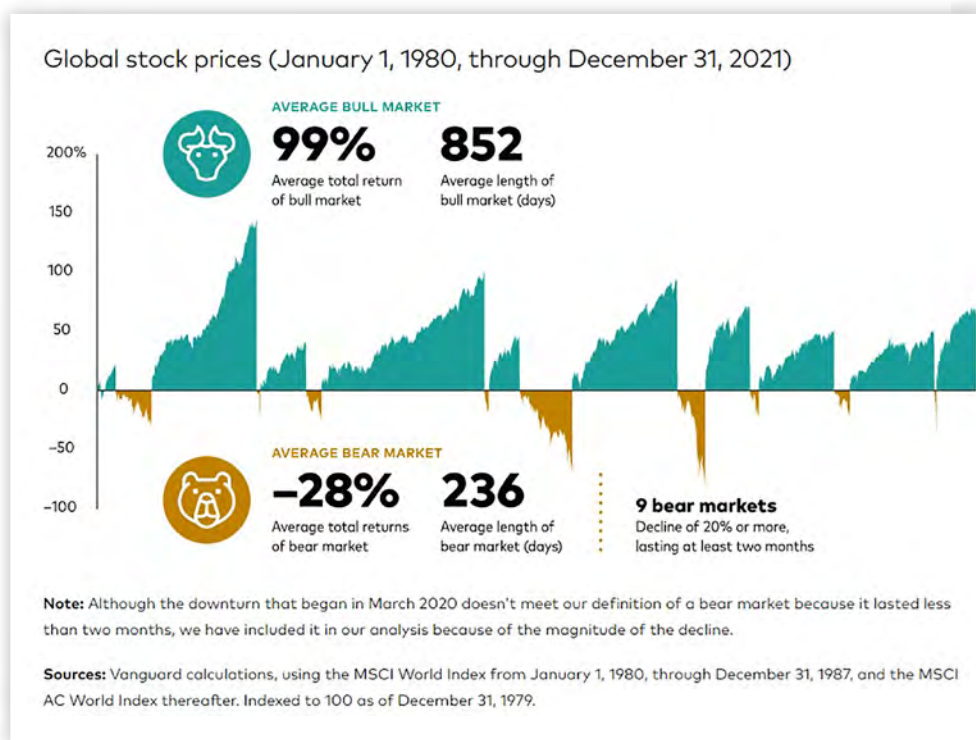
There are decades where nothing happens; and there are weeks where decades happen

The levels of volatility we have seen this year have been a surprise, particularly as the decade between 2010 to 2020 almost lulled us into a false sense of complacency. Downturns aren't rare events however, and you are likely to experience many investment dips throughout your lifetime.

Bull and Bear Markets

Although part of the normal course of investing, it is still painful to watch your assets decline in value, but it's important to keep a long-term perspective and stay invested in order to participate in the recoveries that typically follow.

History shows that larger downturns, specifically known as 'bear' markets, are uncommon and temporary. Bear markets are on average shorter than their opposite, 'bull' markets. Some bear markets since 1980 have been sharp, but many bull market surges have been even more dramatic, often lasting longer, leaving equity investors well compensated over the long term for the risk they took on.



Trying to 'time' the market runs the risk of missing the best performing days. The best and worst trading days often happen close together and occur irrespective of the overall market performance for the year.

Recession

Recession is when a country's economy shrinks rather than grows. It's typically a time when consumer confidence falls, meaning people spend less as they are uncertain of their employment and financial prospects. This in turn affects businesses as sales fall, shrinking profits.

In all likelihood, the UK is probably already in recession, but we won't know if this downturn can be given that name for another three months. In mid-February next year, we may find that we've been in a recession since last July, but this is a backward-looking indicator of the economy's strength or weakness.

In other words, recession is not like a gathering storm that builds and suddenly breaks over the economy; instead, it reflects the economic decisions we are witnessing around us and which many of us are already making with our own finances.

Recession is commonly associated with market downturns, with these sometimes veering into bear markets. But recessions and stock markets don't move in tandem, with stock markets tending to fall well in advance of an actual recession and recovering quickly, usually before recessions are over, despite economic data taking much longer to come through.



Inflation

Inflation has been historically low for most of the last 40 years, so the level of inflation we're experiencing now is unsettling. It is important to note that inflation is not just a UK issue; it's global.

When inflation increases, interest rates rise, which can cause both bond and equity prices to fluctuate. This can be especially challenging for companies as they plan capital expenditures, budgets, and payrolls.

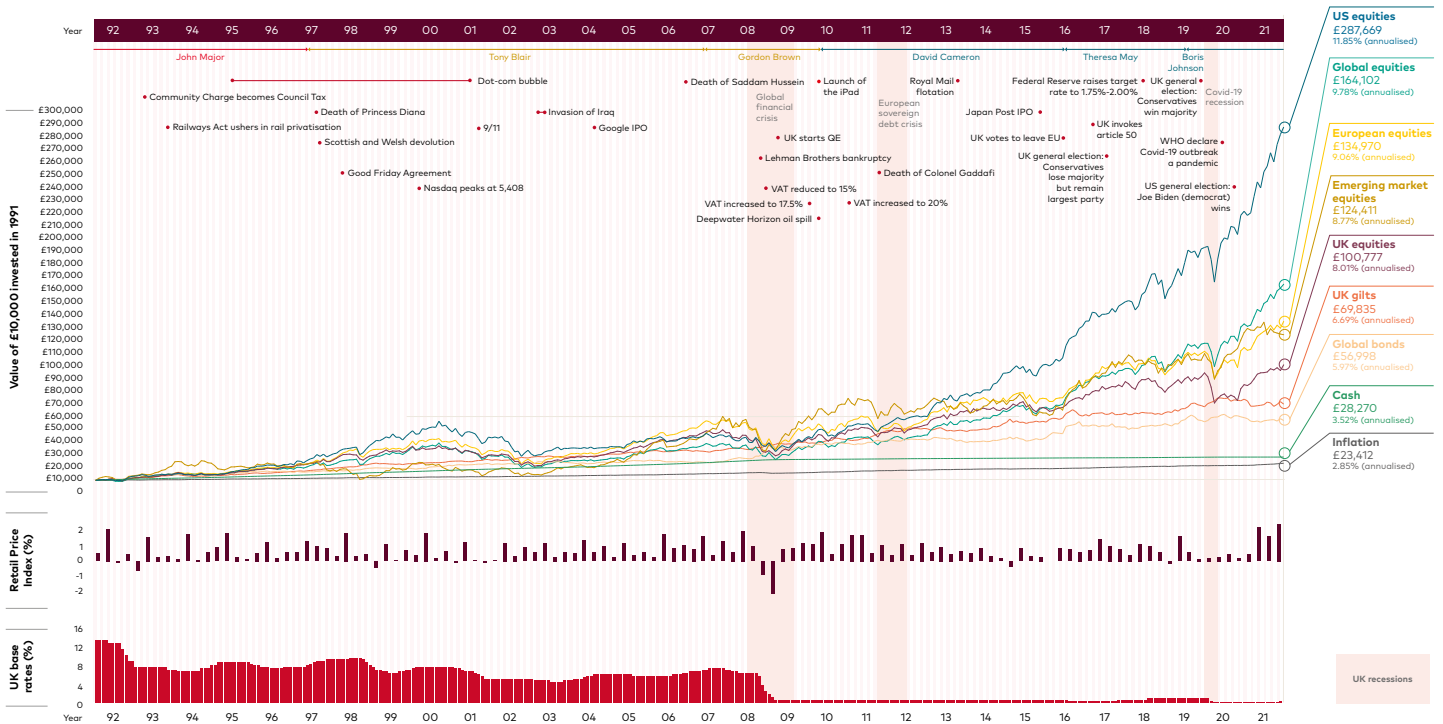
In previous decades, cash deposit accounts offered competitive rates that could counter the impact of inflation. But currently, there are no cash accounts offering rates that provide protection against inflation. A diversified portfolio gives investors the best odds of increasing purchasing power over the longer term, even in a high-inflation world. Inflation saps our purchasing power, but historically equities have increased in value and increased their dividends at a much greater rate.

You can see how the market has performed throughout various events on the graph below.



Vanguard 2022 Index Chart

MARKET RETURNS – 31 DECEMBER 1991 TO 31 DECEMBER 2021



Past performance is not a reliable indicator of future results. Source: Bloomberg, Factset and Bank of England, as at 31 December 2021. Notes: Cash = ICE LIBOR - GBP 3 month; Global equities = the MSCI World Index; US equities = S&P 500; UK equities = FTSE All-Share; inflation = Retail Price Index, (Jan 1987-100); Global bonds = Bloomberg Global Aggregate; European equities = MSCI Europe; UK gilts = ICE BofA UK gilt (local total return); Emerging market equities = MSCI emerging markets; all shown gross of taxes and of fees and in GBP. The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

Diversification

Broad diversification means reducing exposure to the worst-performing areas of the market in the event of a downturn. It is impossible to predict in advance which asset classes will do well and which ones will not.

The chart below shows the performance of various asset classes over the past ten years. You can see that persistence among asset classes is fleeting, with top-performing investments from one year often falling to the bottom of the rankings in subsequent years.

Key bond and share index returns (%), ranked by performance

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
17.4	28.3	19.6	8.8	35.4	21.1	0.8	26.5	16.5	28.1	Top-performing asset class
15.5	24.0	18.8	5.5	34.1	17.2	0.5	22.3	13.0	20.0	
12.7	21.0	14.6	5.4	29.6	16.9	0.1	21.3	12.8	18.3	
12.3	20.8	12.5	4.0	25.5	13.8	-0.4	19.2	11.9	17.6	
12.0	13.6	11.3	1.4	25.4	13.1	-2.2	15.9	11.3	4.0	
11.2	1.6	7.9	1.0	21.2	11.3	-3.4	14.0	9.1	2.5	Bottom-performing asset class
10.7	0.6	7.87	0.7	16.8	4.9	-7.6	11.0	8.9	1.0	
5.9	0.0	2.8	0.5	12.3	2.5	-8.0	7.2	7.8	-1.5	
2.9	-4.2	1.2	-1.1	10.7	2.0	-9.1	6.5	5.0	-3.3	
0.6	-5.3	-1.4	-10.3	3.7	1.9	-9.5	6.3	-9.8	-5.3	

Past performance is not a reliable indicator of future results.

Source: Vanguard calculations as at 31 December 2021, using data from Barclays Capital and Thompson Reuters Datastream and FactSet. Global equities as the FTSE All World Index, North American equities as the FTSE World North America Index, Emerging market equities as the FTSE FTSE All-World Emerging Index, Developed Asia equities as the FTSE All World Developed Asia Pacific Index, European equities as the FTSE All World Europe ex-UK Index, UK equities as defined as the FTSE All Share Index, UK government bonds as Bloomberg Sterling Gilt Index, UK index-linked gilts as Bloomberg UK Govt Inflation-Linked UK Index, UK investment grade corporate bonds as Bloomberg Sterling Aggregate Non-Gilts – Corporate Index, Hedged global bonds as Bloomberg Global Aggregate Index (hedged in GBP). Performance shown is cumulative and denominated in GBP. It includes the reinvestment of all dividends and any capital gains distributions. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares. Basis of fund performance NAV to NAV.

- Global equities
- UK equities
- North American equities
- UK government bonds
- Emerging market equities
- UK index-linked gilts
- Developed Asia equities
- UK investment grade corporate bonds
- European equities
- Hedged global bonds

Financial Planning

The moral of this story is that nobody can possibly know what's around the corner, but we do know that staying invested over the long term diminishes the chances of a negative return.

There is an analogy of being at sea: weeks in a boat with no waves can make a just small wave seem scary. However, we must remember that the sea is unpredictable and true storms will happen as part of the natural course of events. Good preparation means that we can still sail through these and arrive safely at our destination.

The same is true of investment markets. When investment is made for the longer term it can be left to weather the storms, ride out volatility and 'do its job' of pursuing real returns over time. With good planning, a storm need not affect your day-to-day life. A cash reserve equips you with the means to continue with plans for your own life, whatever the weather.



Transferable Nil Rate Band

For inheritance tax purposes, spouses/civil partners can pass assets to each other on death free of inheritance tax. Any assets passing to other people, including children, will be subject to the standard inheritance tax rules.

Everyone has a nil rate band of £325,000 and those leaving a house to children may also have a residence nil rate band of up to £175,000.

When a spouse/civil partner passes away, any unused allowance can be used by the survivor against their own estate. If the entire estate is inherited by the surviving spouse/civil partner they will then have a nil rate band of £650,000 to offset against their combined estate.

Where the family home is left to children up to a further £350,000 of allowance may be available giving total allowances of up to £1m.

More detail can be found on the following website or we recommend that you consult your solicitor for guidance: <https://www.gov.uk/guidance/inheritance-tax-transfer-of-threshold>

It is important that when someone passes away that the following documents are retained with the surviving spouse's/civil partner's will:

- Death certificate
- Grant of probate
- The deceased spouse's/civil partner's will
- Marriage/civil partnership certificate

These documents are used when applying for the unused nil rate band and an IHT402 form must be completed. The application must be made by the executors of the survivor's estate no later than 2 years after their death.

It is important to note that the information above relates to UK domiciled individuals, the rules are different where a person or their spouse/civil partner is not UK domiciled.

Keep Us Posted

At Eldon, we maintain strong relationships with our clients, and we love hearing from you. Whether you are retiring, moving house, planning a family wedding or are considering a change of direction, we like to know. This helps us to help you with appropriate financial planning to give you the best possible outlook on your future.

In the same vein, we also like to be 'kept in the loop' when there are other more mundane changes to your details, as follows:



Contact numbers - if you have changed your mobile phone number or no longer use your landline phone, please let us know so that we can update our records.



Email addresses - similarly, if you have created a new email address or no longer use a previous one, please update us so we that may effectively communicate with you when we have information to share.



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