dennehy wealth

December 2022

# Keeping in touch

At the dawn of 2022, we all might have thought we deserved a better year after the two years of pandemic upheaval. What we got was a new set of problems! Russian war mongering, nasty climate extremes around the globe, and our parochial political drama(s).

But here at DW we took some significant and positive steps forward.

The re-brand to Dennehy Wealth marks our evolution (not revolution) as we head into our 36th year.

We said goodbye and thank you to Linden Weller. We have retained all of the good things for which she helped lay the foundation from 1987.

We have welcomed: Gus Lart, a highly experienced adviser with a volume of valuable experience; Hayley Sasserath, our new paraplanner providing energetic support to advisers and clients alike; and James Newstead, bringing wide-ranging technical knowledge to the investment research team.

A very important part of that transition has been the launch of our long-planned discretionary fund management (DFM) service.

I am confident that we are now in an even stronger position to provide you with outstanding advice across a range of matters in 2023, and, importantly, to respond confidently and incisively, whatever investment markets throw at us.

Best wishes,

Brian

**Brian Dennehy LLB FPFS**
Chartered Financial Planner

## What's inside:

# Opportunities Rising, Like The Phoenix From The Ashes

## By Brian Dennehy

A 40 year cycle is ending. It ended with crazy extremes for stock markets and bond valuations, and extreme lows for interest rates and inflation. In 2022 all of these extremes have *begun* to be unwound, and with something of a bump.

Getting out of this hole was always going to be painful, and not just for investors. Even before interest rates get close to their peak, there is a *global* cost-of-living crisis, aided and abetted by the pandemic and the Russian invasion of Ukraine.

The most obvious precedent for where we are today is the 1970's, a notably difficult decade for financial markets. This highlights the uncomfortable truth that no central bankers or politicians, nor anyone working in the investment industry, has any practical experience of the new era we have just entered.

To add any value, these individuals are going to have to unlearn much of what appeared to work in the last four decades. For most, that will not be easy.

It is easier for those who have a broad knowledge of financial market history, and aren't too wedded to one approach. For wealth managers and fund managers, it is also important that they have a clear and disciplined approach to investing, and robust research. We believe Dennehy Wealth meet all these needs as we peer into 2023 and beyond.

In prior years, we have consistently highlighted the risks which are now emerging. We regularly highlighted up-coming problems in bond markets. But we didn't anticipate that the sleepiest corner (UK index-linked gilts) would be down nearly 50% in less than a year.

We warned on 17th June:

*"Complex financial webs and fraud will be revealed and victims will be many... Many younger investors were sucked into the murky world of crypto currencies...Is the biggest fraud in financial history unfolding before us?"*

The latest such fraud is still emerging today. A company valued at $32 billion (FTX) disappeared in a puff of smoke, leaving around one million investors with massive losses. There will be more huge failures to come within and beyond the crypto world, including over-indebted household names.

Yet bad news will be good news. The greater the cleansing which takes place, the greater the investment opportunities which will emerge.

In fact we believe that some of the best opportunities of our lifetime lie not too far ahead. For example, there is already considerable value in parts of the UK stock market, and beyond in selected pockets. Our shopping list is growing.


# How to reduce Inheritance Tax?

## By Gus Lart and Hayley Sasserath

This is a tax on the value of your assets when you die, and it is paid by your beneficiaries. The standard rate is 40% and is charged on any portion of the estate that exceeds the nil-rate band of £325,000.

For example, if your estate is worth £600,000, 40% will be deducted from the remaining £275,000. This payment needs to be made directly out of the estate to HMRC within 6 months of death and before probate can be issued.

## What you can do to reduce your Inheritance Tax liability

1 **Update your will.** The best way to avoid IHT altogether is to leave your assets to a spouse or civil partner. A surviving spouse, in most cases, inherits an entire estate without paying any tax.

If the whole estate is left in this way to the surviving spouse, the un-used nil rate band also passes to that spouse. This means that on their death they have two nil rate bands from which they benefit i.e. no tax is payable unless the estate exceeds £650,000. This nil rate band might be higher still, up to another £350,000, if the Residence Nil Rate Band applies - ask your adviser or solicitor whether this might apply to you.

2 **Lump sum gifts in your lifetime.** Some of these gifts are exempt, for example:

- For gifts up to £3,000 each tax year.
- This £3,000 can be given to one person or split between several people.
- If unused, this can be carried forward for one tax year only.

Gifts in consideration of marriage or civil partnership can also be exempt:

Usually made before the marriage or civil partnership takes place.

- Each parent can give £5,000.
- Each grandparent can give £2,500.
- Any other person can give £1,000.

Other than these exempt gifts, if you make any other gifts in your lifetime, and survive for seven years after making them, their value will not be counted as part of your estate on death, and will be exempt from IHT. Such a lifetime gift has no upper limit.

3 **Regular gifts out of income**. This is perhaps the most under-utilised way to reduce your inheritance tax, combined with the most useful gift for the next generation – a regular sum. This type of gift is immediately exempt, and there is no upper limit to the size – it is only limited by the amount of your (the donors) surplus income. For this to work, after allowing for these regular payments, you must be left with sufficient income to maintain your usual standard of living.

4 **Write investments into trust** - If you have investments that you are unlikely to ever need, a surplus of monies, trusts will ensure the direct payment of funds to your beneficiaries, avoiding delays associated with probate. If the gift into the trust is made 7 years before your death, it will also be free of IHT. We can use our cashflow analysis tool to help you identify whether there will be such a surplus of capital.

With your pensions, you should check that your scheme is set up within a master trust, so your funds are deemed outside of your estate. Life insurance policies must also be written into trust, so that pay-outs are both outside of the estate and can be used to quickly pay any IHT liabilities.

In both the latter cases, you must complete a nomination of beneficiaries form, so the trustees are made aware of where to send your funds on death.

**IHT can be a tricky one to navigate, and the above only gives an outline of the most practical and widely relevant options. If you feel you need more help with this topic, please do not hesitate to speak to one of our advisers who would be happy to set up a free consultation with you to discuss further.**

# Reading list for kids

## By Tara Dennehy

Sadly, none of us were taught about money and how to save when we were at school. By this I'm referring to the absolute basics – where does money come from? Why does money exist? How should I treat money?

One of the main reason I wanted to produce these newsletters was not only to provide our clients with valuable insights around investing, protection and financial planning, but also so that they had something that they could share with their children and grandchildren.

I was surprised at the lack of books that cover the basics of money – and I really do mean the basics. I wasn't looking for anything complex, just the fundamentals of money and something that could potentially shape kids attitudes towards money. The psychological element of investing is one that Brian covers regularly, which got me thinking, how can we change the way people view money, surely it starts at a young age?

I have sought a range of books that cover a range of age groups, so there really is something for everyone. For those kids who need a bit more convincing to read, there's also a couple of fiction suggestions which deliver more subtle messages.

## Save it!

Suggested reading age: 2-6 years

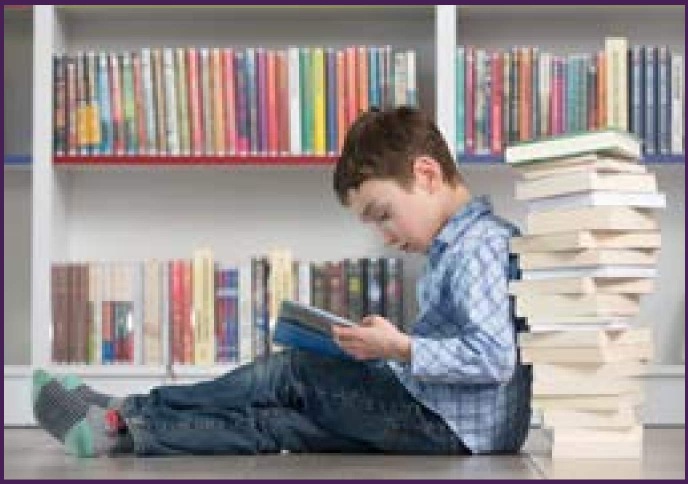
I wish there were more books like this. It comes as a set of three along with "Earn It" and "Spend It" and they all deliver valuable messages to young kids. It's engaging, educational, and the best rated book from my list.

## Billionaire Boy

Suggested reading age: 7-10 years

David Walliam's took children's literature by storm and has been credited for his humour and wit whilst also getting across important life lessons.

If you're looking for a fictional book that delivers a subtle message about how to treat money, then this book could be a good one for friends and relatives. There's also the added bonus that this is quite an entertaining read for adults too!



## Investing for Kids: How to Save, Invest and Grow Money

Suggested reading age: 8-12 years (I think for much older too)

This book really breaks down the basics of money, but also of investing. It addresses the most obvious questions such as "where does money come from?", and later goes on to explain how you can grow your money.

Personally I think this book can be read by people much older than 12, I know of a few people who would find this useful – and they're in their 60s!

## Millions

Suggested reading age: 9-11 years

Perhaps the most appropriate book in the list for those kids who need a bit more convincing to pick books up – and for those who like to read something with a bit more action.

'Millions' brings together the scandal of a train robbery alongside the dilemma of how two young boys would spend bags of money before it becomes worthless the next day.

## What Is Money?: Personal Finance for Kids

Suggested reading age: 3-6 years

Another one with great reviews - "the first time we read the book, it intrigued a 30 min conversation about selling cookies and how to make money/save money afterwards." Encouraging these types of conversations with your kids is the best part of reading these books, and it will allow them to think more creatively about money, hopefully encouraging a positive relationship with money as they grow older.

# My experience with dementia

## By Kylie Woods

I decided to take part in this year's Alzheimer's Society Memory Walk because dementia is affecting our family and I wanted to do something to help, at a time when myself and family feel totally helpless.

My mother-in-law has recently been diagnosed with dementia and it has been devastating watching a once vibrant, sociable and loving individual slowly change. Her love for her family is still as strong as ever but seeing her unable to recognise close friends that she has known for years is heart breaking to see.

Immediately after her diagnosis she was very much in denial of what was happening. She would continue to take herself off shopping, hopping on several different buses to get to where she wanted to go, making the family more and more anxious! This has thankfully now stopped although she still enjoys walking her little dog to the local shops each morning, hanging onto her fierce independence.

I also have an elderly aunt who is much further along in her dementia illness. She is now in a care home as her husband and full-time carer died during Covid. It is always a mixture of emotions for everyone who visits her. Some days she is happy to see you and has no problem remembering who you are, then the next time she is angry, abusive, and asking why she is where she is! On good days she will happily talk at length about the childhood she spent in Wales after being evacuated there during the war, or happily sing and dance along to the juke box.

What I have realised is that no dementia story is the same. As much as it is hard watching our loved ones change so much, it must be terrifying for them as they slowly lose themselves to this awful disease.

*Did you know that we're member of the Dementia Friendly Community? This means that as a company we're committed to becoming dementia friendly and that any person with dementia will be welcomed, treated with respect and support.*

dW

# Why it is important to choose a Chartered Financial Planner

Over a number of decades, Dennehy Wealth are probably best known for our investment advice and high quality research.

But as one of the small proportion of firms with Chartered Financial Planner status, our professional services, and their quality, are both broader and deeper.

By choosing a Chartered firm, you are selecting a business that has reached the highest standard of technical knowledge and conduct, is publicly committed to superior professional standards, and must maintain standards of excellence in qualifications, ethics, and professional development.

**Our Chartered status is our long-term professional commitment to you.**


**Contact us today**

020 8467 1666

enquiries@dennehywealth.co.uk

dennehywealth.co.uk


If you have a moment, it would be greatly appreciated if you could leave us a Google review. We're also on Facebook, Instagram and Twitter, take a look at the icons below to find our social media pages.

@DennehyWealth

@dennehywealth

@Brian_Dennehy