HFMC WEALTH

The Wire

Summer 2022

Everyone has a plan until they get punched in the mouth

By Jeremy Hoyland

When world champion boxer Mike Tyson was asked by a reporter some years ago whether he was worried about his opponent Evander Holyfield and his fight plan he answered, *"Everyone has a plan until they get punched in the mouth"*. As it happens whilst Tyson did punch Evander Holyfield many times, Holyfield eventually triumphed.

But what do you do, or could you do, when the best laid plans are swept aside by the unseen, the unexpected?

In our business we prudently operate an actively monitored risk register, where we seek to identify issues that could be a challenge for us, be they around systems, personnel or, in theory, just about anything. And so we should, as this helps prevent minor issues becoming major ones and makes immense sense.

However, as I say to our senior management team almost always, the biggest risks are the ones that we don't see, the Exocet coming out of the blue, be it a global pandemic, a sudden act of war, or in my case, a serious accident. On Sunday the 10th of April, two months before the date of writing this article, the whiteout which had kept my son and two great friends off the mountains in Chamonix, cleared to a bright blue sky with the ski slopes beckoning.

Four hours later I was lying on the ground with my left arm smashed out of my shoulder, with only soft tissue (miraculously intact) connecting it to my body. My son was basically holding my arm, which was at an impossible angle; I was surrounded by doctors from a helicopter and in pain that was literally indescribable.

Past accidents from a long life including a broken nose, a broken wrist, a broken elbow and a broken finger had hurt but this was pain on another level; there was no escape, all one could do was scream and scream until finally relief arrived from an intravenous shot of ketamine and my first, and I hope last, ever drug trip!

This morning, just nine weeks later, I've showered myself, got dressed, made a cup of coffee and some breakfast, driven to the supermarket and back and now I'm writing this article.

Whilst I would never have wished to have the experience of the past two months, I have learned some invaluable lessons which I hope might be helpful to relay.

- Whilst we often cannot control how we initially react to a crisis, we can quickly decide how to respond. Reactions are often determined by our senses and by emotion. These are often unhelpful. However, our rational conscious mind can be used to determine our response, perhaps seconds, minutes or a few hours later.
- Whilst we cannot know the unknown, we can visualise future scenarios and we can prepare for the unexpected.
- During the 21 days I spent in hospital and the six weeks following my surgery, I have had a chance to reflect on how really a lifetime of planning and building an amazing team, it turns out, helped me so much in this situation:

1. **Team:** Years before the accident we had determined that we would always ski as a group, so when I crashed after somebody inadvertently cut across the front of my skis at over 60 kph, my son was by my side within seconds.

2. **Insurance:** We always buy supplementary insurance when we get our ski passes so immediately we had the contact details and the costs covered for emergency helicopter assistance.

3. **Insurance:** When the French hospital admitted me there were no issues with extensive scans as I had my GHIC card.

4. **Insurance:** When the French surgeons advised that having seen the extent of the injuries, they would be unable to operate, my wife was immediately able to contact our travel insurers to claim on our repatriation insurance.

5. **Enough Insurance**: When we learned that there was a threat to my arteries and nerves because of the bone fractures and therefore a need to be transported horizontally back to the UK, the fact that we had £10 million of insurance meant that the best possible transport, two private ambulances and a private medically equipped jet, could be called upon.

6. **Expertise:** Our experience in dealing with the complexities of claims meant that when we made the claim, we had already put together a comprehensive file of all the scans and a doctor's opinion which refuted the insurers initial offer of a taxi and a seat in premium economy to get me back to the UK.

7. **Connecting to the Best Professional Help.** The extent of the injuries made it clear that we would need the best possible surgeon to operate on the injury to have any chance of utilising the arm again. Many we approached said they couldn't do it. Through our network of contacts we got to a star surgeon. Our initial enquiry was met with a "he cannot fit it in", so we found a route to make a face-to-face presentation of the case and he cancelled a clinic to do the work (which incidentally he said could only be done through a major NHS hospital as no private hospital would have had the range of facilities needed for all of the preparation required for the procedure – we had no idea this could be the case).

8. **Technology.** Our commitment to remote working, set up prior to the pandemic as well as being enhanced during the pandemic meant that I was able to be pretty effective in returning to key aspects of my work, even prior to my surgery.

9. **Team.** Both client work and corporate work all functioned perfectly well when I was completely out of action and continues to do so whilst I gradually return to normal hours (aside from a couple of extra hours a day of physio for at least another year).

Actions:

- **Get into response mode** and out of reaction mode as quickly as possible.
- **Build your best possible team:** Key people from your circle of family and friends; proactive experienced professional advisors; people who care when the chips are down and if needed will fight as hard as necessary on your behalf.
- **Make a plan** with your team as soon as possible (and ensure your team can do so without you).
- **Be prepared to adapt,** be open to advice even if you don't like it.
- **Persist until you succeed.** We had some major obstacles in a situation that was completely unknown to us that needed to be overcome; as one surgeon who reluctantly had said if pushed he would do the surgery, this is a one shot deal and you need to get it right first time. We appreciated his invaluable advice and his frankness.
- **Get to the best possible specialists:** ensure your team are very well connected.
- **Have insurance** and have your advisors make sure it is enough.

I'm fortunate and grateful to have an amazing team. First and foremost my wife, who is truly a lioness. Also my children, friends and clients, my doctor, my physio, my trainer and my incredible team at HFMC Wealth. Thanks to all of these people I should get most functions back and maybe, if the nerve damage is reversed and there are some signs that it will be, be able to get back on my bike and perhaps even back into the mountains on a pair of skis.

I'm also fortunate it was only my left arm and not my neck. Many have suffered far worse. For that I must thank providence.

I really hope you all enjoy the rest of the issue, which has some very practical advice on a variety of key financial issues.

Jeremy

Domicile - what is all the fuss about?

By Gina Garman-Jarratt

The term 'domicile' has been back in the news recently, but what is 'domicile' and what does it mean to be 'non-domiciled'?

In short, domicile is, well, complicated! It is a status which is decided under general law and unlike nationality, a person can only ever have one domicile at a time. Broadly speaking a person's domicile can be regarded as the place of their permanent home, however, determining a person's domicile involves many factors.

Domicile is distinct from nationality or citizenship and a person's domicile is often different to their residency. I find the easiest way to explain it, is to think about a person's bloodline - where they came from and where their father came from before them. For many of my clients, this can often involve two or three different countries where a family may have travelled and settled in different jurisdictions along the way and is often a puzzle that only a tax lawyer is qualified to solve.

Every person has a 'domicile of origin' at birth and if their parents were married at that time, they will follow their father's domicile. They will then continue to follow his domicile as a 'domicile of dependency' until they reach 16 years old. After this time, a person can elect a 'domicile of choice' however, this can often be extremely difficult to prove.

The most interesting case was that of the entrepreneur Robert Gaines-Cooper. Mr Gaines-Cooper had a long running dispute with HMRC in respect of both his residency and domicile. He had moved to the Seychelles and had claimed a 'domicile of choice' there, however, HMRC challenged this all the way to the Supreme Court where, by a majority decision, they won the case and the outstanding £30million tax bill. Whilst the case involved the matters of both residency and domicile, the two were closely connected as acquiring a 'domicile of choice' involved the intention of permanent and indefinite residency in Mr Gaines-Cooper's chosen country.

"Many countries wish to attract high income earners - such earners contribute substantial amounts of tax. However, the world is a small place and many high earners are globally mobile; a regime which makes the UK a favourable place for high earners to settle therefore, seems very rational."

So why is domicile important? The clue is the fact that Mr Gaines-Cooper was defending a £30million tax bill. A person's domicile status will determine how much tax they pay and therein lies the reason that the concept of 'domicile' appeared in the news again recently.

Many countries wish to attract high income earners – such earners contribute substantial amounts of tax. However, the world is a small place and many high earners are globally mobile; a regime which makes the UK a favourable place for high earners to settle therefore, seems very rational.

A person who is non-UK domiciled can limit their Income Tax and Capital Gains Tax liabilities for the first seven years of UK tax residency by electing to file their tax returns on the 'remittance basis'. This means that tax is attributed only to income or gains that arise from assets held in the UK; assets retained in other jurisdictions may be excluded so long as funds are not transferred or 'remitted' into the UK.

To continue to enjoy this regime once seven fiscal years of residency has elapsed, a 'remittance basis charge' becomes payable where a flat annual fee of £30,000 is payable, then after twelve tax years this charge increases to £60,000 p.a. Once a person has lived in the UK for fifteen (out of the last twenty) tax years, they automatically become 'deemed domiciled' in the UK. This means that Income Tax and Capital Gains Tax becomes payable on worldwide assets. Prior to becoming 'deemed domiciled' however, planning opportunities can be implemented to shelter or defer future taxes. As the UK tax system (unhelpfully) runs from April to April and the calculation of years is a rolling calculation "15 out of 20 years", clients can often be unsure of when their 'deemed domicile' date is.

If that applies to you, please do get in touch as we can provide clarity and ensure planning solutions are addressed in a timely manner.

It is not just Income Tax and Capital Gains Tax that has an impact; the area where forward planning can really be beneficial is estate planning. Until a non-domiciled person has lived in the UK for fifteen out of the last twenty years only assets held in the UK are subject to UK Inheritance Tax. Thereafter, once a person becomes 'deemed domiciled' their worldwide estate falls into the UK Inheritance Tax net.

Estate planning can be further complicated by the fact that usual spousal exemptions do not apply between married couples if they have different domiciles; many non-domiciled clients are surprised to learn that assets will not pass completely tax free between spouses upon death.

Effective planning, however, can reduce the Inheritance Tax burden ensuring spouses and indeed future generations, can inherit the optimum net estate possible.

Financial planning of this nature requires an understanding of tax law not only in the UK but in other jurisdictions, along with the impact of the Tax Treaty between those countries. We work closely with international tax lawyers to ensure that the solutions we provide take into account not only where our clients are living today, but also where they plan to live in the future – a bit like domicile really, looking at where the assets have come from and planning for where they expect to have a permanent home in the future.

Trust registration deadlines approaching

- here's what you need to know

By Animesh Shrestha

As you may know, new trust registration rules were introduced in October 2020, as part of the UK's implementation of the Fifth Money Laundering Directive (5MLD).

This directive extended the scope of the trust register to all UK and some non-UK trusts that are currently open, with some specific exclusions.

If you're a trustee, you have a legal duty to comply with HMRC reporting requirements. So, it's important that you understand your obligations and when a trust should be registered.

Here's a brief summary of the key points:

All UK and some Non-UK Express trusts have to register

This means that you'll need to register all UK express trusts, unless they are specifically excluded (see below).

You'll also have to register non-UK express trusts that acquire land or property in the UK or have at least one trustee resident in the UK and enter into a "business relationship" within the UK.

You will also need to register a trust if it is liable to paying one of several UK taxes

Under the new directive, trustees or their agents must register a trust using the TRS if the trust is liable to pay any of the following taxes:

- Capital Gains Tax (CGT)
- Income Tax
- Stamp Duty Land Tax (SDLT), Land and Buildings Transaction Tax (in Scotland) or Land Transaction Tax (in Wales)
- Inheritance Tax (IHT).

Deadlines for registration

Trusts that fall under the jurisdiction of the new regime are required to register by the deadlines noted below depending on the type of trust.

Non-taxable trusts

The registration deadline for non-taxable trusts that fall within the expanded TRS regime is 1 September 2022.

Where such trusts only become registrable on or after 4 June 2022, trustees will have to register within 90 days of the trust becoming registrable.

Other trusts liable for UK taxes must be registered by 31 January after the tax year in which the trustees have such a tax liability.

Taxable trusts set up prior to 6 April 2021

Trusts liable for Income Tax or CGT for the first time must be registered by 5 October after the tax year in which the trustees first become liable for either tax.

HMRC has confirmed that non-taxable trusts set up on or after 6 October 2020 but wound up before 1 September 2021 will still need to register on the TRS.

Taxable trusts set up on or after 6 April 2021

These trusts must now be registered by 1 September 2022 if trustees become liable to pay UK tax before 4 June 2022.

In all other cases they must be registered within 90 days of the trustees becoming liable to pay UK tax.

Where non-taxable trusts that fall within the expanded TRS regime have already registered before they have UK tax liability, further information would have to be provided when such trusts become taxable trusts. The deadline for providing the further information would be as per above depending on whether the trust was set up before or after 6 April 2021.

Trustees have 90 days to update the register

Trustees have 90 days to update the TRS after becoming aware of any changes to the information held on the register.

Examples of changes may include the retirement or appointment of new trustees or a change to the class of beneficiaries.

As part of the filing of the annual UK tax return, trustees need to declare that the trust's information is up to date on the TRS.

Trusts that do not need to be registered

Certain trusts do not need to register unless they are liable to pay UK tax. These include:

- Trusts used to hold money or assets of a UK-registered pension scheme, such as an occupational pension scheme
- Charitable trusts that are registered as a charity in the UK, or are not required to register as a charity
- Trusts used to hold life or retirement policies providing that the policy only pays out on death, terminal or critical illness, or permanent disablement, or to meet the healthcare costs of the life assured
- Trusts holding insurance policy benefits received after the death of the life assured, providing the benefits are paid out from the trust within two years of the death
- "Pilot" trusts set up before 6 October 2020 and which hold no more than £100 (note that pilot trusts set up after 6 October 2020 will need to register)
- Trusts imposed by statute such as on intestacy or bankruptcy
- Co-ownership trusts where the legal and beneficial owners are the same persons (commonly found where a couple jointly own their home or have a joint bank account)
- Financial or commercial trusts created in the course of professional services or business transactions for holding client money or other assets.

It is important to make sure you register your trust in time

If you are required to register a trust, it's important that you start the process in plenty of time.

The gathering of information from beneficiaries can take time and it is important that you meet your registration obligations. A failure to register a trust or to notify any change of information by the due date can result in penalties being charged.

As inflation hits a 40-year high, here's how it affects you and your wealth

By Louise Shepherd

Despite a European war and an ongoing global pandemic, the cost of living has become the number one political issue for many in the UK in 2022.

The latest data from the Office for National Statistics (ONS) shows that inflation rose to 9% in April – its highest level since the early 1980s and significantly above the Bank of England's 2% target.

Whilst the Bank of England (BoE) has reacted by raising interest rates to 1% – with more hikes likely this year – there remains a big gap between interest rates and inflation.

From 18 May 2022, Moneyfacts reports that the best interest rate on an easy access savings account is just 1.52%.

As the war in Ukraine continues and energy prices remain stubbornly high, the difference between returns on deposits and inflation will become an increasing problem.

Your "personal inflation" rate could be even higher

Currently, the ONS calculates inflation using around 180,000 separate price quotations covering around 730 representative consumer goods and services.

So, while the average rate of inflation might be 9%, your personal inflation rate could be different to this, depending on what you buy.

For example, 2021 research published by the *Daily Telegraph* shows that the cost of a private education has risen by almost 50% over the past 10 years, bringing the average fee for a day pupil up to £14,289 a year.

Compare that to the average annual rate of inflation, which was just 1.8% between 2011 and 2021.

Many luxury brands have also raised their prices sharply this year and benefited from increasing revenues.

LVMH (Louis Vuitton Moët Hennessy) sold €18 billion worth of goods in 2022's first quarter, equivalent to a 29% increase on the same period in 2021. Hermès posted a turnover of €2.76 billion (up 33%), Kering €4.96 billion (up 27%), and L'Oréal more than €9 billion (up 19%).

If you enjoy eating out, then you're also likely to have a higher personal inflation rate. The ONS report that the prices of restaurants and hotels rose, overall, by 2% between February and March 2022, the largest change between these months since records began in 1988.

The ONS also say that high-income households also spend a higher proportion of their expenditure on transport, which has seen the highest price increases across the basket in recent months.

If you're looking at your longer-term financial security, understanding your own personal inflation rate could be constructive and merit input into your personal financial planning.

The impact of inflation if you're already retired

Once you're retired you may have a finite pot from which to draw your income. So, high inflation can mean you deplete your fund more quickly than you intended.

In simple terms, if you drew £100,000 last year, you may need to draw £109,000 this year – more if your personal inflation rate is higher – just to maintain the same standard of living.

Over a long retirement that could run into 20, 30, or 40 years, the effect of inflation can be significant.

If inflation were to remain in line with the BoE's target of 2% per annum, over time your money would only have two-thirds of its buying power after 20 years and less than half after 40 years.

However, if inflation exceeds the target, as it has done recently, the impact will be even greater. Hence having regular reviews with your adviser to evaluate your financial planning can be very helpful.

Investing can help you to inflation-proof your wealth

In a world where cash interest rates are significantly lower than the rate of inflation, reducing the amount you hold in cash is a sensible way to inflation-proof your wealth over time.

Whilst we believe in a diversified approach when constructing an investment portfolio to mitigate volatility and give consistency of returns, the below table illustrates the returns that could have been achieved had you invested 100% of your assets in any of the below indices.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
MSCI Europe ex-UK	20%	24.2%	7.4%	9.1%	3.2%	14.5%	-10.6%	27.5%	2.1%	24.4%
US S&P 500	16%	32.4%	13.7%	1.4%	12%	21.8%	-4.4%	31.5%	18.4%	28.7%
FTSE All-Share	12.3%	20.8%	1.2%	1%	16.8%	13.1%	-9.5%	19.2%	-9.8%	18.3%

Source: JP Morgan. FTSE, MSCI, Standard & Poor's. All indices are total return in local currency. Past performance is not a reliable indicator of current and future results. Data as of 30 April 2022.

You can see that, with the odd exception, a balanced portfolio produced positive, inflation-beating returns during this period, helping your wealth to retain its purchasing power over time.

Get in touch

If you would like a review with your adviser on this topic, please get in touch!

Student loan repayments set to change - how this could affect your children and grandchildren

By Luis Amato

If your child or grandchild is planning to head off to further education straight from school, they are not alone.

The latest figures show that going to university is a more popular choice than ever. The *Guardian* reports that, according to the UCAS university admissions service, 320,000 sixth formers applied for 2022 university places by January's deadline, up from 306,000 in 2021.

The appetite for higher education remains undimmed, despite the increasing amount of debt that many students face when they graduate. Official government statistics show that the average debt among the cohort of borrowers who finished their courses in 2020 was £45,000.

You may have recently read about changes to student loans, in terms of how the interest is calculated and when graduates will have to repay. Read on to find out more, and for some useful guidance concerning how you might best support your child or grandchild through their further education.

Student loan interest set to exceed 10% in some cases

Research from the Institute for Fiscal Studies (IFS) has revealed that, without government intervention, graduates are in for a "roller coaster ride" over the next few years when it comes to the interest charged on their student loans.

The recent rise in inflation means that the maximum interest rate, which is charged to current students and graduates earning more than £49,130, will rise from its current level of 4.5% to a staggering 12% for half a year unless policy changes.

The interest rates for low earners will rise from 1.5% to 9%. This is because, depending on a graduate's earnings, the interest rate charged is between the rate of RPI inflation and the rate of RPI inflation plus 3%.

As the chart below shows, with a typical debt of around £50,000, a high-earning recent graduate would incur around £3,000 additional interest over six months.

The IFS say that the maximum student loan interest rate is then likely to fall to around 7% in March 2023 and fluctuate between 7% and 9% for a year and a half. In September 2024, it is then predicted to fall to around 0% before rising again to around 5% in March 2025.

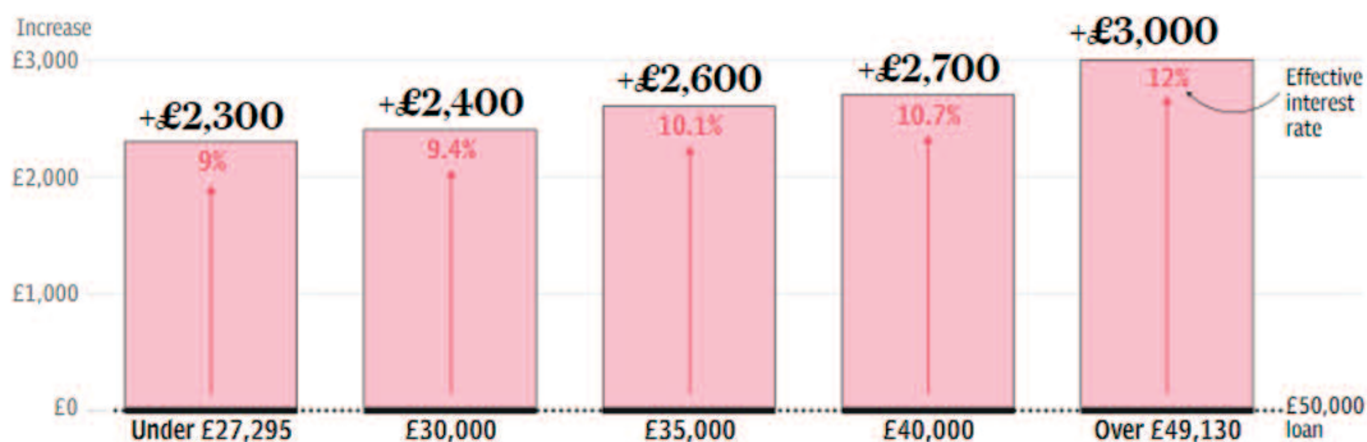
The IFS say: "These wild swings in interest rates will arise from the combination of high inflation and an interest rate cap that takes half a year to come into operation."

Students set to pay back loans over a longer term

In addition to a steep rise in interest rates, recently announced Treasury reforms mean that students in England will have to pay back university loans over 40 years instead of 30.

This will result in the number of students expected to pay back their loan in full doubling from under a quarter (23%) to more than half (52%).

Martin Lewis, founder of MoneySavingExpert.com, warned that most graduates would pay thousands of pounds more for their degrees over their lifetime than they do now, calling it "effectively a lifelong graduate tax for most".



Source: the Telegraph

Graduates will also be asked to start paying off their debt sooner after the government confirmed the repayment threshold will be cut from £27,295 to £25,000 for new borrowers starting courses from September 2023.

Why repaying students loans for a child/grandchild isn't always the best idea

If you want to help your child or grandchild through further education, you may be considering paying back some or all their student debt.

However, it's worth considering this warning from the IFS:

"Current borrowers may spend large sums on paying back their student loans early to avoid sky-high interest rates, unaware that they will be compensated by lower interest rates later or even that their loans will be written off with no adverse consequences after 30 years."

It's worth remembering that, even according to official estimates, only around half of all graduates are expected to repay their student debts in full. For example, all debts are wiped after 30 years, on death, or if a graduate becomes permanently unfit to work.

In addition, students don't repay unless they are earning over a certain amount (£27,295 in the 2022/23 tax year). Then, they only pay a percentage of their income (currently 9%) above this threshold.

So, any student earning below the threshold (or not earning at all, for example if they are raising a family or undertaking voluntary work) won't pay anything back. Students above the threshold only pay a small amount.

Here's an example.

Let's use the scenario of a £45,000 student loan and assume your child or grandchild started their course on or after 1 September 2012. If they get a job paying £35,000 a year after graduation, they will repay 9% of £7,705 each year.

This is the difference between their earnings and the threshold income level at which repayments become applicable.

Assuming nothing changes, this means they will repay £693.45 a year, or around £20,800 after 30 years, resulting in the outstanding £24,200 being written off.

While this simple example does not consider salary increases and the government's planned reduction to the threshold at which repayments begin, they highlight an important point. If you repay the loan, you could pay back tens of thousands of pounds that may never become due.

So, in this instance, there may be better ways of you passing your wealth to the next generation. Options might include:

- Repaying any high interest debt, such as credit cards or loans
- Helping your child or grandchild onto the property ladder, by gifting/loaning a deposit or assisting with their mortgage
- Helping them to start a new business venture
- Investing the money. As student loan interest rate is linked to inflation (with a lag), if you can find ways of investing your capital that outstrip inflation then it's likely you'll earn more on your cash then the interest you'd pay on the student loan anyway.

It may be safer to wait

For many who graduate from university and subsequently earn low to moderate salaries, it could be a waste of money to pay upfront. However, for those on high salaries and with the prospect of steep pay increases, it would make sense financially to pay upfront.

It's impossible to tell what the future may hold and for many who end up in high paying roles, they might decide to change their line of work or become a full-time parent instead.

With that in mind, it could make sense to adopt a wait and see approach to find out what their prospects are after university.

Get in touch

If you are considering gifting money to your child or grandchild, we can help you understand your options. For the reasons above, there may be more sensible options than paying off student debt, so talk to us before you make any decisions.

Additionally, if you are considering saving for university fees for your child or grandchild, we can help put planning at the forefront of the discussion and discuss the most efficient route to take.

The Platinum Jubilee:

From shillings to contactless payments in 70 years

By Phil Patient

This summer the Queen celebrated an incredible 70 years on the throne. Since her reign began in 1952, the world has changed a lot - who in the 1950s would've thought it would be normal to carry a computer in your pocket that lets you make calls, access the internet, and a whole lot more?

During that time, money has changed enormously too, from how it looks right through to how we use it. Here are some of the ways money has changed during the Queen's reign.

The changing portraits of the Queen

The Queen's portrait has been a common feature on money for almost 70 years and there have been several changes over the decades.

It wasn't until 1960 that the Queen's portrait appeared on a note. The image of the young queen was used on £1 notes, and then a 10 shilling note in 1961. The portrait was criticised for being severe and having an unrealistic likeness.

An updated portrait used for £5 notes in 1963 received a more favourable response.

The current image on notes and coins has been used since 1990 and shows the Queen aged 64.

Adding the likeness of the monarch isn't just for tradition. The Bank of England (BoE) explains that using a familiar image is a useful anti-counterfeiting feature. People can detect changes in pictures of faces, especially well-known ones, much more easily than in other types of patterns.

Modern polymer notes also use the Queen's portrait on a small, see-through window with "£5 Bank of England" printed twice around the edge as a security feature.

Decimalisation day: Adopting a base-10 currency in 1971

Perhaps the biggest change to money in the last 70 years occurred on 15 February 1971, dubbed "decimalisation day".

For centuries Britain had used a coinage system of pounds, shillings and pence – 12 pennies made a shilling, and 20 shillings made a pound.

After more than 50 years of dealing with a currency based on units of 10, it can be hard to appreciate the mental arithmetic older generations were adept at doing every time they made a purchase.

Images: portraits of the queen used in 1960, 1963, and 1990.

The debate of changing to a simpler currency had been going on since 1847.

An MP at the time, Sir John Bowring said: “Every man who looks at his 10 fingers, saw an argument for its use, and evidence of its practicability.”

A year later, the nation’s first decimal coin appeared – the florin, which was one-tenth of a pound. But that’s as far as decimalisation went until more than a century later.

While decimalisation day on 15 February 1971 was a milestone and represented a huge change, the transition was a little more gradual than the name suggests.

5p and 10p coins had entered circulation in 1968 and had the same value as shillings and florins. The last pre-decimal coin, the florin, wasn’t pulled from circulation until 1993. To help customers, some shops also ran dual prices for a while.

Even with a transition, it was vital that everyone knew about the change and how the new coins would work. So, the government commissioned performer Max Bygraves to record a song for the occasion.

The lyrics included: “They’ve made it easy for every citizen / ‘Cos all we have to do is count from one to ten!” If you want a trip down memory lane, you can listen to the decimalisation song online.

The rise of cashless payments

In recent years, the shift towards not using money at all has accelerated, particularly during the last two years due to the pandemic.

Barclays issued the UK’s first credit card in 1966, with debit cards following in 1987. These first cards required a signature and used a magnetic strip that could be swiped.

This trend evolved over the decades, with chip and PIN introduced in 2003 and contactless payments in 2007.

With customers now able to make contactless payments up to £100, a life without physical money is already a reality for many people in the UK.

According to the latest figures from UK Finance, more than a quarter of all payments in the UK are made using contactless methods. In contrast, cash is falling out of favour. In 2010, it accounted for 56% of all payments, although by 2020 that had reduced to 17%.

Whilst cash is likely to play an important role for years to come, its use is becoming rarer.

Average annual inflation of 5.1% has affected how far your money will go

It’s not just the appearance of money and how we pay for goods that have changed – the value of the money in your pocket has too.

Over the last 70 years, the rate of inflation has differed. Inflation is currently higher than it has been in recent years, reaching 9% in April. Older generations will well remember inflation entering double digits in the 1970s.

Inflation means the cost of goods and services rises. Day-to-day, you may not notice how much costs are rising, while over 70 years it’s clear the effect inflation has.

Annually, between 1952 and 2021, inflation has averaged 5.1%. The BoE’s inflation calculator finds that if you had £1,000 when Queen Elizabeth II began her reign, you’d need more than £30,000 now to have the same spending power.

Money has changed hugely over the last 70 years, but what remains important is setting out your goals and getting the most out of your assets. If you’d like to talk about your financial plan, please contact us.

Sources:

https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator

https://www.ukfinance.or

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