

UNDERSTANDING INFLATION

Headline shifts obscure real inflation impact

WELL ENOUGH TO WORK

Protecting your wellbeing in employment

MISSING TAX UNCOVERED

HMRC tax recovery strategy strengthened



Financial FOCUS

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WINTER 2025

Untangling the Autumn Budget

After all the rumours, what's really in store for taxpayers?



In this issue...

The Autumn Budget, a winter Budget in all but name appearing as it has only six weeks from Christmas, wasn't too full of festive cheer, with the headline changes being a further extension to the Conservative-introduced freeze on income tax thresholds and personal allowances, now scheduled to remain at current levels into the next decade. A cap on tax-free pension contributions will be introduced from 2029, and in 2028 the High Value Council Tax Surcharge is introduced for all owners of property over £2 million. These changes appear as inflation levels are gradually inching closer to the government's 2% target. But do you really have a grasp of the cumulative inflation of the past five years? Annual CPI figures can obscure the bigger picture, making things appear rosier than they really are. If you have money earmarked for a financial gift to a child or grandchild this Christmas, consider how the structure of the product will achieve its goals to avoid it drifting from targets as has been the fate of some maturing child trust funds.

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Quarterly Investment Committee Update

As we approach the end of the year, we're pleased to share an update on the work undertaken by our Investment Committee over the recent quarter.

SYSTEM ENHANCEMENTS

This year, we completed a comprehensive update of the investment-tracking process used at Radcliffe and Co. This tool is central to how we monitor your portfolios, and over the past 12 months it has undergone a series of improvements at each quarterly review. With the final stage of the revamp now complete, we are equipped with a more efficient and accurate system to support informed decision-making on your behalf.

DUE DILIGENCE AND PROVIDER REVIEWS

In November, we carried out our 6-monthly due diligence meetings over two days, involving discussions with six key investment providers and platforms. These sessions covered a broad range of topics, including service levels, business performance, costs, and various technical considerations. We're pleased to report that the meetings were highly productive and provided us with valuable insights to carry forward.

ONGOING MONITORING AND OVERSIGHT

In line with our commitment to robust governance, we revisited our historic monitoring documents to ensure they remain aligned with modern standards. Our monitoring process continues to use a traffic-light system based on the well-established "8 Ps" framework, enabling consistent and transparent evaluation of the funds and investment houses we work with. This remains an integral part of our review process and ensures fair and balanced monitoring across the full range of investments.

LOOKING AHEAD TO 2026

We already have several projects planned for the year ahead, including a review of our cash-flow planning software and an assessment of potential alternative investments that may offer additional value within our panels. We are also maintaining close engagement with pension providers to ensure we are well prepared for any changes or opportunities that arise.

With the Government's recent budget announcement, we are now preparing for any actions that may affect your financial planning—a topic that has understandably featured prominently in recent client conversations.



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INVESTMENT

Market Update



As winter settles in, investors are navigating a landscape shaped by policy uncertainty, cooling labour markets and episodes of market volatility. The past couple of months have been marked by an extended US government shutdown, trade tension flare-ups and a gradual softening in economic momentum. Yet markets have shown remarkable resilience, and our diversified portfolios continuing to support clients well through these crosswinds.

The protracted US government shutdown, which was the longest in history, delayed key data releases and cast a cloud of uncertainty that weighed on business and consumer confidence. Private-sector indicators during October and early November told a mixed but increasingly cautious story: job cuts surged, small-business optimism slipped and hiring plans were scaled back. Some private payroll estimates even pointed to outright contraction in certain weeks, reinforcing signs of slowing growth. With the government shutdown ending in mid-November, investors now await a backlog of official data that is expected to confirm this softening trend. In the UK, the labour market has also weakened. Unemployment rate has risen, payrolls saw their steepest monthly drop since 2020, and third-quarter GDP growth slowed to just +0.1%.

On a more positive note, inflation continues to moderate. In the US, core inflation is easing, rent growth is slowing, and the Federal Reserve (Fed) delivered another 25 basis point rate cut in October. The Bank of England (BoE), meanwhile, held rates steady at 4% in a narrow vote, suggesting a cautious stance. BoE officials noted that September's 3.8% inflation reading was 'likely the peak'.

Additionally, US-China trade relations moved from tension to cautious cooperation. Markets were rattled by the announcement of potential 100% tariffs on all Chinese imports, only to recover after a framework agreement extended the trade truce, eased rare-earth restrictions, and reopened some export channels. While this was a welcome development, it underscored the unpredictable nature of US trade policy. Tariffs with most of US's trade partners remain elevated at 10-20%, and the average effective rate across all imports is now the highest in nearly a century. This uncertainty continues to weigh on corporate investment and hiring decisions, contributing to the softer employment trends we now observe.

Recent market turbulence in the AI space highlighted growing unease around valuations that are increasingly stretched after several years of extraordinary gains. Investor enthusiasm has cooled as questions

emerged over the sustainability of the current pace of capital expenditure across the broader AI ecosystem. Vast sums continue to be committed to datacentre build-out, chip production and power infrastructure, yet the returns on much of this spending remain distant and uncertain. At the same time, a degree of circular financing has become apparent: a relatively concentrated group of hyperscalers, chip designers and infrastructure providers are simultaneously customers, investors and suppliers to one another, creating interconnectedness that can amplify both upside and downside moves. While the long-term transformative potential of AI remains, these dynamics have prompted a more cautious stance. We continue to maintain thematic exposure to the technology theme where valuations appear more reasonable, but we have deliberate underweights in areas where momentum has outrun fundamentals or where leverage has risen. Diversification across regions, styles and asset classes remains central to managing these evolving risks effectively.

The final weeks of the year will bring a flurry of economic data as US statistical agencies work through their backlogs. These official data releases may confirm a softening labour market in the US. At the same time the UK Chancellor will set out the Autumn Budget in late November, which could influence domestic growth and sentiment. Meanwhile, trade policy remains a key area of uncertainty, with legal challenges to presidential tariff authority still unfolding.

In summary, the environment calls for vigilance rather than alarm. Growth is slowing and policy uncertainty is elevated, yet inflation is trending lower, central banks are supportive and corporate balance sheets remain generally solid. Our balanced, multi-asset, globally diversified approach is designed precisely for periods such as this. We aim to capture upside when sentiment improves while reducing downside during bouts of volatility.

PLANNING

Understanding the inflation factor

Credit: darksoul72/Shutterstock.com

September's 3.8% inflation rate was probably the peak. How does it affect your planning?

The rate of inflation is one economic number that is familiar to most people. Every month, usually on a middle Wednesday, the Office for National Statistics (ONS) releases the latest Consumer Prices Index (CPI) along with a raft of other inflation statistics. The focus is always on one piece of the ONS data dump, the yearly CPI inflation rate. Since the start of the decade it has ranged between 0.2% and 11.1%, while the current consensus is that after peaking in September 2025, inflation will fall in 2026.

For all the attention that it receives, yearly CPI inflation is poorly understood. For example:

- It is a gauge of the 12-month difference in the overall price of a basket of 752 goods and services. So, the October 2025 inflation rate shows how much higher prices are than in October 2024.

- While food price inflation grabs the headlines, 'Food (and non-alcoholic drinks)' is only the fifth largest of the CPI's twelve price sectors. The largest, at nearly 15% of the index, is 'Recreation and culture'.

- The CPI takes no account of mortgage interest or other costs associated with home ownership. There is an inflation index which covers owner occupied housing costs, CPIH, but it is not widely used. In October 2025, yearly CPIH inflation was 3.8%, 0.2% higher than annual CPI inflation.

- A falling rate of inflation means that price growth is slowing – it does not mean that prices are falling.

LONG-TERM IMPACT

That final point is key to understanding the long-term impact of inflation. While the price of individual items in the CPI can go up and down, it is extremely rare for the overall CPI to drop over the year. You can see this in the graph below, where the purple line is yearly CPI inflation and the grey area is the cumulative

rise in prices since January 2020. The 2022 surge in inflation pushed up the cumulative increase, but as annual inflation declined, the cumulative figure kept on heading upwards, albeit not so steeply.

CUMULATIVE RISE OF 30%

The result is that as the end of 2025 approaches, overall prices (based on October's CPI) are almost 30% higher than in January 2020 – an effective average yearly inflation rate of 5.5%. Those numbers have important consequences for your financial planning:

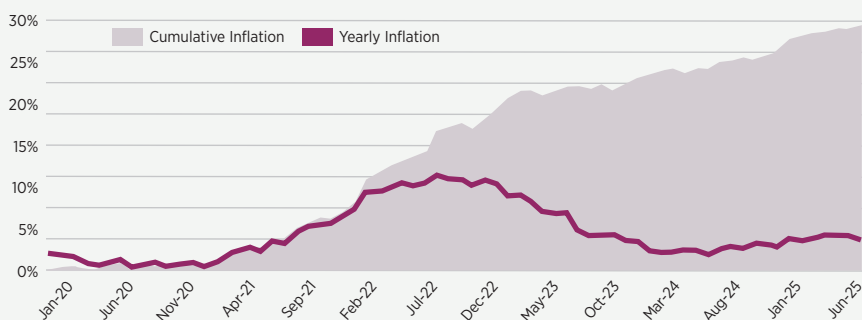
- All other things being equal, any life cover or income protection that you have in place should be at a level 30% higher than it was at the start of 2020. If all other things are not equal – changed family circumstances, for instance – the increase may need to be greater.
- Your retirement planning and other future savings goals probably need to be reviewed and contributions increased. When they were set up, it is unlikely an allowance was made for the inflation of the past half decade.

Even though inflation outlook has improved, do not think that because it now appears to be on the way down you can ignore inflation's past effects.

❖ *The value of your investment and the 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.

CPI INFLATION FROM JANUARY 2020



Source: ONS

TAX

Untangling the Autumn Budget

Credit: Oxana A / Shutterstock.com

The protracted, rumour-filled wait for Rachel Reeves' second Budget finally revealed fewer headline tax changes in favour of a range of measures aimed at shoring up public finances.

Long gone are the days of 'Budget purdah' during which the government avoided giving the smallest clue about its Budget contents. The twelve-week period from Rachel Reeves announcing her end of November Budget date was awash with leaks and speculation. An armada of possible Budget measures floated into the media from the Downing Street environs, although some were later subject to torpedoes, fired from the same source. You could be forgiven for some confusion about which rumours sailed into the Chancellor's Budget speech and which sunk en route.

Once the Chancellor had abandoned a straightforward rise in income tax rates, it was

inevitable that there would be a raft of tax changes. These complicate the tax system still further and make advice more important than ever. For example:

■ **Income tax freeze extended:** A further three years have been added to the freeze on income tax bands and the personal allowances, taking it to the end of 2030/31 – one year longer than the rumour mill had suggested. The extended freeze will mean more taxpayers in general and more higher- and additional-rate taxpayers specifically.

If you are married or in a civil partnership, you should review whether you can save tax by transferring the ownership of investments (and thus their income and

capital gains) to your spouse/partner. There may also be scope for reducing taxable income without reducing your spendable income by restructuring how you hold your investments. If you are an owner director of a private company, changing the way you extract profits could be beneficial.

■ **Salary sacrifice to change:** A £2,000 cap on the amount of salary that can be tax-efficiently sacrificed for pension contributions will be introduced from 2029/30. Any amount over the cap will be liable to national insurance contributions for both employer and employee.

This may appear a buy-now-while-stocks-last opportunity, but while pensions remain highly tax-efficient, very large contributions may push some individuals above the lump-sum allowance, limiting how much tax-free cash they can take at retirement. With IHT rules changing from April 2027, those

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expecting very large pots should consider how much they expect to draw personally versus leave to beneficiaries.

■ **Dividend tax increasing:** The rate of tax on dividends for basic-rate and higher-rate taxpayers increases by two percentage points to 10.75% to 35.75%, respectively from 6 April 2026. The dividend tax rate is unchanged at 39.35% for additional rate taxpayers, as is the dividend allowance of £500.

ISAs are an obvious route to shelter dividend income from tax, but their frozen contribution ceiling of £20,000 limits the scope for moving funds across a large portfolio. Other investments can be used to shield dividends from an immediate tax charge, but whether they are right for you depends on your current and future circumstances and some complex number crunching.

■ **Property and savings income:** One year after the dividend tax increase, all tax bands for property income and savings income will be subject to a two-percentage-point rise. At the same time there will be a reduction to £12,000 in the maximum subscription to a cash ISA for anyone aged under 65.

If you hold a large cash buffer on deposit, the higher tax on interest should prompt a review of whether you can reduce the reserve or hold it in a way which defers or lowers the tax you will incur.

For more information on how any of these changes affect you, please contact us.

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The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested.

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

Past performance is not a reliable indicator of future performance.

INVESTMENTS

Child trust funds: a Christmas lesson

If you are making financial gifts to children this Christmas, think beyond December.

By any measure, £1,500,000,000 is a lot of money. It is also the amount sitting unclaimed in just over 750,000 child trust fund (CTF) accounts as of April 2025. Some of those accounts matured more than five years ago, as the first children eligible for a CTF were born in September 2002. HMRC statistics also show that 10,000 of the unclaimed accounts had a value of at least £20,000, although the average value of all the unclaimed accounts was about £2,000.

ROLLOVER RELIEFS

Fortunately, the previous government anticipated that many CTFs would go unclaimed and introduced legislation allowing them to continue beyond age 18 with the same tax reliefs that applied before maturity. Nevertheless, a post-18 CTF may not be the best form of savings for its adult owner because of the charges levied and/or the underlying investment.

The story of neglected CTFs is food for thought if you are thinking of

making a financial gift to minor children (or grandchildren) this Christmas. An investment for a child needs a structure to ensure it achieves its goals. That in turn will usually mean advice is necessary – something many CTF owners (and their parents) never received.

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Footnote: To trace a lost CTF, go to <https://www.gov.uk/child-trust-funds/find-a-child-trust-fund>





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PENSIONS

Can you afford your retirement?

The State pension has enjoyed some bumper increases in recent years and is set to rise by 4.8% next April. But how far will that go?

Despite this inflation-busting update, next year's full State pension will be worth just over £240 a week – an amount many of us would struggle to live on. Building up your own retirement funds is fundamental, particularly for those starting out on their pension saving journey and many years from retirement.

The State pension is currently supported by the triple lock, which guarantees that this benefit rises by whichever is the higher of inflation, average earnings or 2.5%. Surveys, however, suggest that many don't expect the triple lock to continue. In fact, recent research found 51% of adults don't expect there to be any State pension by the time they retire.

Most people are accumulating retirement savings through workplace pensions, SIPPs and ISAs. Keeping track of whether these will deliver an adequate income in retirement is crucial.

OUTLIVING YOUR PENSION?

A retirement plan needs to look at more than just how much you've accumulated to date. It also needs to project forward, to understand how your savings might grow over time,

what level of income they could generate in retirement, and how long the funds need to last.

It is clear many people underestimate this last factor, running the risk of outliving their savings by failing to save enough during their working lives, or spending their money too quickly in the early years of retirement.

Research by the insurance company Aviva highlighted this issue. One third of people in their 70s said they had already lived longer than they expected. Almost seven out of 10 of these retirees said they did not expect to live beyond 85. In reality, a man aged 70 can expect to live to 86, and women aged 70 to the age of 88. Both men and women aged 70 have a one in four chance of reaching their 92nd birthday – so clearly need sufficient retirement savings to cover this eventuality.

To return to that £240 a week State pension – if that isn't enough, what sort of income should you be targeting for retirement?

A good starting point is Pensions UK's Retirement Living Standards. These estimate the amount of money people will need to cover



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daily living expenses. For a 'moderate' standard of living – which might include holidays and regular meals out – it calculates that a single person will need £31,700 a year (and a couple £43,900). This translates to a weekly income of around £610 a week for a single person, or £844 for a couple, significantly more than the State pension currently pays. It's clearly time to get serious about savings.

❖ *The value of pensions and investments and the income from them can fall as well as rise. You may get back less than you invested.*

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Occupational pension schemes are regulated by The Pensions Regulator.

PROTECTION

Help for healthy working

A total of 2.8 million working-age adults are unable to work due to poor health – a figure that has risen by 40% since 2019.

The surge in younger adults (those under 35) who are economically inactive due to mental health issues is most striking. This number has risen by 76% compared to data compiled in 2019, before the Covid-19 pandemic.

SUPPORT FROM EMPLOYERS

A recent government-sponsored report, *Keep Britain Working*, made a number of recommendations to address these issues. It suggests employers could do more around prevention, and ensure proper systems are in place so that employees who experience physical or mental health problems can access appropriate treatment to help them get back to work.

Occupational health programmes and insurance-based products are a good way of offering appropriate interventions. As well as providing treatment and financial support for those that are ill, they can also allow access to a range of services, from regular health check-ups to private GPs, physiotherapy and counselling services, plus meditation and exercise apps, designed to promote healthier lifestyles.

If you work for a larger employer it is worth checking if such services are currently available, as many employees aren't aware of these benefits, or know how to access them.

If your employer does not currently offer such provision, or if you are self-employed, it is worth looking at what options are available privately, given the prevalence of ill-health and the potential delays when it comes to accessing NHS treatment, particularly for mental health issues.

PROTECTING YOUR LIFESTYLE

One option is an income protection policy, designed to provide a replacement income, should you find yourself unable to work through ill-health. You can insure a fixed monthly amount, usually paid after a deferral period, to ensure essential bills get paid.

Such insurance can provide valuable breathing space to re-set for those experiencing physical or mental health problems, without exacerbating these issues by rushing back to work.

As well as paying a replacement income, some policies offer additional support services. They can include rehabilitation support, to help policyholders with their recovery, or apps offering health and wellbeing information. These 'add-ons' vary from provider to provider, so check terms and conditions in advance.

Policies can be tailored to suit circumstances in terms of the deferral period or the maximum payout period. Limiting this to just one or two years will lower the cost of this insurance.



Pensions and IHT: don't forget last year's Budget

The focus now is on what happened in the 2025 Budget, but some of 2024's changes have yet to take effect.



Changes announced in the Budget do not always take effect immediately or even at the start of the following tax year. As a result, they can be forgotten or ignored until they suddenly hit. A good example is the reform of the inheritance tax (IHT) treatment of unused pension funds on death. Currently, these are free of IHT in most instances, but from 6 April 2027, they will become taxed as part of the estate.

REVIEW YOUR POSITION

If you have plans to pass your pension savings on to your family and perhaps have taken limited withdrawals from your pension as a result, that strategy now needs to be revisited. It may still be appropriate, but for some it might be better to adopt a radically different approach, such as taking pension withdrawals and giving them to your beneficiaries. The complexities of the changes are such that individual advice is essential.

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NEWS ROUND UP

Cap lifted on tuition fees

In England, university tuition fees for the 2025/26 academic year rose for the first time since 2017. However, the £285 rise (to £9,535) will not be the last for another eight years. In October the government announced that fees will rise in line with forecast inflation for the next two academic years by which time fresh legislation would trigger automatic yearly increases in line with inflation. The £10,000+ tuition fee may be only two years away...

PAYE collection for HICBC

The High Income Child Benefit Charge (HICBC) was introduced in January 2013 as a way to claw back child benefit via the tax system. It has always caused administrative problems for HMRC and taxpaying families, as it dragged many employees into the self-assessment regime simply to pay their HICBC. At long last, HMRC has launched a system to allow the charge to be collected through PAYE without the need for a full tax return. For more information, see <https://www.gov.uk/child-benefit-tax-charge/pay-tax-charge-pay>

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TAX

HMRC turns the screws

The tax authorities are finding new ways to close the 'tax gap'.

A Budget would not be a Budget without a raft of measures designed to 'close the tax gap' (estimated at £46.8bn in 2023/24) and 'collect tax that is due'. As the overall burden of tax rises, chasing down the tax that should have been paid rather than raising fresh taxes becomes an ever more attractive option for the Chancellor.

PROACTIVE MEASURES

One consequence is that HMRC has grown increasingly zealous in its search for missing tax. For example, it regularly sends out 'nudge' letters covering areas such as:

- **Dividends** Some self-assessment taxpayers received a letter recently asking them to check that their tax return included all dividends received in 2023/24. Unlike bank and building society interest, there is no automatic reporting to HMRC of dividends, something that has become more significant following the drastic cuts to the dividend allowance.
- **Crypto** Last tax year HMRC sent out 65,000 letters to people suspected of not declaring gains on cryptocurrencies, such as Bitcoin. Normally crypto gains are subject to capital gains tax, but active traders can face an income tax charge.
- **Online marketplace earnings** Early in 2025 HMRC mailed people which it thought had earnings from an online marketplace (for

example, eBay) made before 6 April 2023 and had not yet paid tax on their sales.

- **Overseas income and gains** Most countries, including the main tax havens, automatically send HMRC details each year of offshore accounts held by UK residents. In 2024/25 HMRC received over 10 million reports, issued 20,000 letters and collected £80.1 million in 'compliance yield'.

Alongside 'nudge' letters, HMRC is using its own big data system, Connect, to join the dots and identify anomalies in tax returns. In October 2025, a Freedom of Information request revealed that in 2024/25 Connect had enabled HMRC to find 540,000 cases of undeclared tax, producing £4.6 billion for the Exchequer. A recently announced partnership with a leading US data analytics company, Palantir, means that in the future more powerful artificial intelligence will become available to exploit Connect data.

With the 2024/25 self-assessment deadline nearing, HMRC's growing ability to spot errors is a reminder to take great care when assembling the information for your tax return. It may also be a reminder that you should review whether you can simplify your tax affairs by restructuring how you hold investments.

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