

BEACON WEALTH MANAGEMENT

SPRING BUDGET SUMMARY 2022



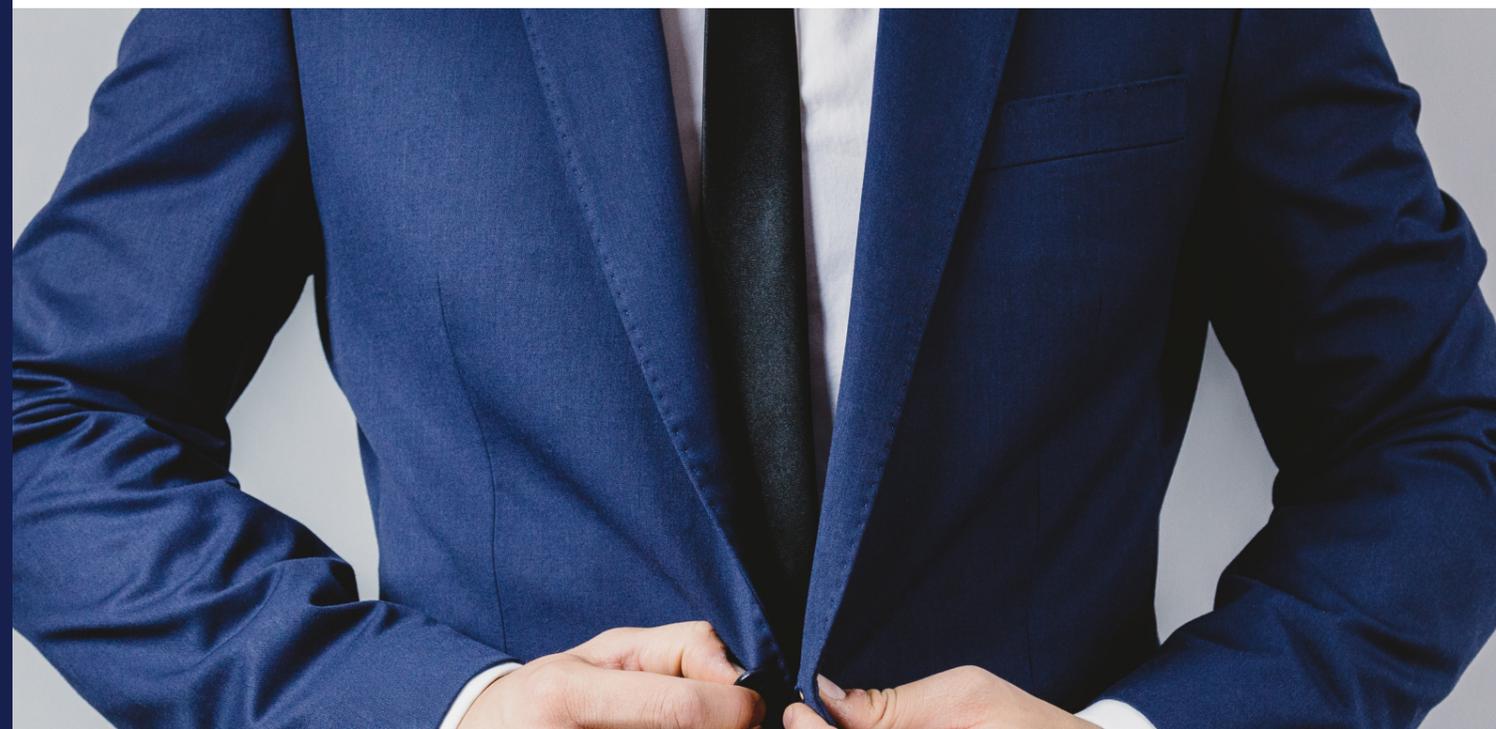
BEACON
WEALTH MANAGEMENT



Let Us Be Your Guiding Light

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WELCOME

Overview of the Spring Budget 2022.



Tony Larkins CFP, APFS, CMgr
FCMI, MCSI
Group Managing Director

The Spring Budget was only meant to be a brief explanation of where the economy is now, with no new announcements to be made.

But the Chancellor was put under pressure in the lead up to today's budget, with growing concerns of the cost of living rising, with calls for him to do more to help UK households.

Due to this Mr Sunak made fewer adjustments to the budget, than expected, but did he go far enough?

In this summary we look at what the Chancellor has done to help ease the costs and what he has in store for us over the coming years.

Thank you once again to everyone who is a Keyworker and member of the NHS, for your dedication in keeping everyone safe and the economy moving.



ECONOMY SITUATION

Consumer prices rose by 6.2% in the 12 months to February - the fastest for 30 years.

- Statements from the Spring Budget 2022: Background briefing.

The economy's recovery from the worst of the pandemic has been strong, despite early fears of the Omicron variant bringing it to a halt, the effects on the economy were less than predicted and were "short lived". GDP growth rebounded strongly in January 2022 and business activity picked up in February, unemployment was falling and employment was rising.

The new crisis is now Russia's invasion on Ukraine.

Inflation

Inflation was high and rising, even before the crisis, consumer prices rose by 6.2% in the 12 months to February - the fastest for 30 years. The invasion on Ukraine could push energy and food prices even higher.

The impact

There is, of course, a military, political and humanitarian impact of the invasion which will lead to implications of the

world economy, including the UK. Russia is one of the world's largest exporters of oil and gas, while Russia and Ukraine are important producers of various agricultural products such as wheat.

the conflict will lead to inflation in the UK rising even further than expected previously.

Forecast

The Office for Budget Responsibility (OBR) forecasts

Inflation rose to 30-year high in January 2022



Source: ONS, CPI annual inflation rate, series D7GZ [16 Feb 2022 update]

Further rises

Since the conflict began, prices in many commodities markets – including in energy, food and metals – have risen but have been volatile. It seems likely that

inflation to average 7.4%, the highest since August 1991, with a peak of 8.7% in the final quarter of 2022. It had previously forecast Consumer Prices Index inflation to average 4% in 2022.

The risks

The main risk for the UK economy is that, as the cost of living rises it will reduce the consumer spending growth, which is a key driver of economic growth.

Biggest fall in income

As inflation rises, so do the taxes leading to a fall in household incomes, The Resolution Foundation, a living standards think tank, estimates inflation in 2022/23 could cause the biggest annual fall in household income since the 1970s. Combined with the higher prices on key goods such as energy, food and metals it will no doubt lead to people cutting costs on spending.

Business costs

Business costs will also rise with no energy cap in place, potentially stalling an expected recovery in business investment, which already remains well below pre-pandemic levels.

Government borrowing

The difference between public spending and income raised from taxes and other sources – reached a peacetime record in 2020/21. It has been falling since.

In 2021/22, government spending is decreasing as the public health emergency of the pandemic becomes less acute. Government revenues are increasing as the economy is open. While borrowing in 2021/22 will be lower than in the previous year, it will still be higher than normal.

Borrowing forecast

Borrowing is forecast to fall further over the coming years, as all Government pandemic-related support ends and tax revenues improve on the back of a growing economy. Tax rises

announced by the Chancellor in 2021 will bring in extra government revenues.

Borrowing as a percentage of GDP is expected to fall from 83.5% of GDP in 2022/23 to 79.8% in 2026/27.

Debt

Government debt (which is the stock of past borrowing) has grown from just over 80% of GDP pre-pandemic to

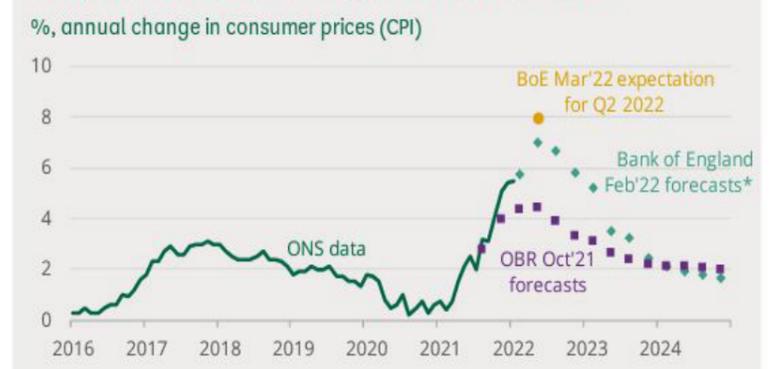
Unemployment

Unemployment continues to drop as it has done steadily over the last 12 months to its pre-pandemic levels.

Summary

To summarise, Inflation was already on the rise for a number of reasons including an increase in fuel prices, and with the current situation in Ukraine this is likely to rise

Inflation forecast to rise to at least 8% in 2022



*BoE quarterly forecasts, made before the Ukraine conflict, based on market expectations of interest rates; ONS outturn data up to Jan 2022 is monthly

around 96% of GDP today. Debt has been higher in the past, particularly after periods of war.

Government's spending on debt interest had reached historic lows during the pandemic, but it has increased recently, as around a quarter of the total is linked to inflation.

The government is forecast to spend £83bn on debt interest in the next financial year, the highest on record.

Economy growth

The OBR previously predicted the UK economy to grow by 6.0% but has released a new, revised figure for growth to be 3.8% in 2022. It then forecasts the economy to grow by 1.8% in 2023 and 2.1% in 2024.

further before recovering. A rise of 6.2% in the 12 months to February is the fastest for 30 years.

Along with it, energy prices will rise in April (with a cap of 54%) and then again in October (with no current cap set).

Due to Russia's invasion on Ukraine, rises in fuel, food and metal are expected to surge.

But Government debt is falling and unemployment is too.

The Chancellor addresses these issues in his following statements.



THE COST OF LIVING

February 2022

In February 2022 the Chancellor announced measures to help households with the cost of living, following a rise in the energy price cap.

These included a Energy Bills Rebate which would create a discount worth £200 on energy bills, that would be repayable in annual instalments from 2023/24, also a council tax rebate of £150 to those in bands A to D, which would not be repayable.

Today

In addition to the above, the Chancellor has announced today that he will go further to help with cost of living by doing the following:

Fuel Duty

Fuel duty will be cut by 5p per litre from 6pm on 23rd March 2022 and will remain so until March 2023. This is the biggest cut ever on record.

Energy Efficiency

For the next five years, VAT on energy efficiency materials for homeowners, such as solar panels, heat pumps or insulation will be abolished. This was introduced by EU laws that the UK can now break free from.

Household Support Fund

A further £500 million of new funding will be issued to local authorities from April. This will create an overall £1 billion fund to help vulnerable households with rising living costs.

TAXES

National Insurance

From July 2022 the threshold at which employees will pay National Insurance will rise by £3000, to £12,570. This is the largest increase ever recorded and one that Mr Sunak says will be a tax cut for employees worth over £330 a year.

Businesses

The Employment Allowance for smaller businesses will increase from £4000 to £5000 in April.

Business Rates

The above is in addition to the 50% discount on Business rates which come into force next week and the 50% discount on buying new software.

Autumn Budget

In his statement relating to "the people, ideas and capital", the Chancellor indicated that the Autumn Budget will be looking at how we invest in our employees, cut tax rate on business development and reform RnD benefits.

Income Tax Cut

And finally Mr Sunak finished his round of announcements with a planned Income Tax Cut of 20p in the £1 to 19p in the £1 by the end of parliament in 2024. This is the first time the tax has been cut in 16 years.



UPDATES

Updates to our business.

Adviser Vacancy



We have an exciting opportunity for an experienced Adviser to join the team.

If you, or anyone you may know could be interested in this opportunity please contact Pippa at:
pellis@beaconwealth.co.uk
[01480 869466](tel:01480869466)

CLIENT DISCOUNTS

Looking after you.

We pride ourselves on offering clients a connected group of services. As part of this service you can benefit from the following discounts.

Blue Light Card



All Bluelight Card holders receive a 10% discount across our services.

Simply quote Ref: **BWM**.

Armed Forces Discount



Beacon Wealth offer a 10% discount for current and former military, across our services.

Simply quote Ref: **BWG**.



Click to see the Chapel Renovation video, which is now available on our website.



Beacon Wealth Management

The Old Chapel
Thrapston Road
Kimbolton
Cambridgeshire
PE29 0HW

01480 869466

info@beaconwealth.co.uk

www.beaconwm.co.uk