

Investor confidence returns



A recent survey¹ suggests investors are becoming more confident despite ongoing challenges on the economic front. While this is certainly encouraging, maintaining a long-term outlook and retaining a strong sense of discipline in investment positioning remains a prerequisite for any successful investor.

An air of optimism

It's fair to say 2022 was a turbulent year for global markets with the war in Ukraine, soaring inflation and rising interest rates weighing heavily on a difficult 12-month period. Towards the end of the year, however, markets did stage a cautious recovery despite ongoing fears of a looming recession.

Inflation expected to fall

The final quarter of last year also witnessed a rebound in investor sentiment, with the same survey reporting a seven-percentage point rise in confidence in the global economy, although this was before the recent woes in the banking sector. This optimism was driven by hopes that inflation has now peaked and is set to continue falling in the months ahead; a view reflected in the International Monetary Fund's latest economic musings² which predict global inflation will drop from 8.8% in 2022 to 6.6% this year and 4.3% in 2024.

Young guns

Data from the survey also revealed a majority of investors were either positive or ambivalent about last year's market volatility and its impact on their investing mindset. This was particularly true for younger investors with three-quarters of 18 to 34-year-olds either positive or indifferent compared to six in ten over-55s. This variation will partly reflect differing retirement time horizons, with younger investors more able to adopt a longer-term view.

Investor discipline is key

This is clearly encouraging as maintaining a long-term philosophy based on prudent risk management principles and avoiding panicked decisions has always been a key element for successful investing, maintaining discipline in investment positioning. In practice, this means achieving an appropriate level of diversification and understanding how to blend investments – that's what we do. 🌱

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

¹eToro, 2023

²IMF, 2023

Taking steps to offset fiscal drag



The gradual reduction of disposable income due to inflation and changes in tax brackets, or frozen tax allowances, will weigh on your finances, causing 'fiscal drag.'

By implementing various strategies, you can potentially reduce the impact of fiscal drag on your investments and increase your chances of achieving your long-term financial goals.

The worst thing to do is – nothing. By succumbing to inertia, you are more likely to pay increased levels of tax, whether in relation to Income Tax due to the frozen personal allowances and reduced Dividend Allowance, or other taxes including Capital Gains Tax (CGT) and Inheritance Tax (IHT).

The good news – there are legitimate mitigation strategies and, depending on your personal circumstances, allowances and tax reliefs available. By using your Individual Savings Account (ISA) allowance or making your pension contributions early in a new tax year, you could benefit from extra potential growth, as well as receiving an element of your tax relief earlier on your pension and any pension contributions. Consider tax-efficient investments, diversify your portfolio and rebalance regularly to ensure your asset allocation remains aligned with your objectives and attitude to risk; rebalancing will help minimise the impact of fiscal drag over time. 🌱

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