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**Business Owner / Employee / Investor / Saver**

## Good pensions news for gig workers

The Pensions Regulator (TPR) chief executive, Charles Counsell, has urged companies in the gig economy to proactively begin work on enrolling their employees into pension schemes, rather than dealing with the issue on a "case by case basis". The comments, made as part of TPR's podcast series, follow the High Court's recent ruling that declared that Uber's employees were classed as workers and are entitled to employment rights, including being enrolled in a pension scheme. Commentators believe the comments should be a wake-up call to gig economy companies that they need to carry out a careful assessment of their workforce to ensure they comply with their auto-enrolment obligations. Under the relevant legislation, the term 'worker' is very widely defined and may well encompass many individuals who work for these companies. Depending on their ages and earnings, these workers are entitled to be provided with pension benefits by these companies. It will be short sighted for a company to bury its head in the sand as this will just be storing up problems for the future. Apart from potential litigation from disgruntled workers, it may also find that future investors (be it during a funding round or an IPO) may look at this compliance issue carefully as, apart from reputational concerns, the potential costs to the company could be substantial. Industry experts have also backed the call for action, with Now Pensions chair of trustees, Joanne Segars, adding: "We support this call as our research shows that the self-employed and multiple job holders are vastly under-pensioned and reach retirement with private pension wealth just 15% of the UK average." Now Pensions is lobbying the government to remove the £10,000 auto-enrolment trigger and to help more people access private pension saving.

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## Investor / Saver

### Hedging with gold

Without question, we are now seeing a resurgence of above average inflation and commentators believe it will only get worse. Some have been saying for a while that investors should find assets that will protect their portfolio from the ravages of inflation, and gold is potentially one of the best options. Some may disagree that gold is an effective hedge against inflation. For example, if we analyse the period from 1980 to 2000, one could jump to the conclusion that there is not a strong correlation between the Consumer Price Index and gold, and therefore, gold must be a poor inflation hedge, given that the metal declined over 43% during those 20 years while the CPI increased by 119.4%. However, data and basic economic principles refute this conclusion. It is important to understand that inflation is almost always on the rise over a 12-month period, but not all inflation is the same. The environment today is not anything like the 1980-2000 period. This could be a 1970-redux, or even worse. Which means gold could perform extraordinarily well and potentially be a good hedge against the depreciating currencies. Monetary inflation is the expansion of the money supply and in a non-gold-backed currency and normal economic environment, money supply is constantly increasing. Price inflation (or what the CPI measures) is the end result of monetary inflation. We are referring to overall long-term trends in price inflation, not transitory spikes or lulls in prices in certain industries or assets due to supply/demand imbalances caused by short-term phenomena. The CPI always lags money supply growth as it takes time for monetary inflation to permeate the economy. For example, from 1970 to 1980, every surge in the money stock was followed 2-3 years later by a surge in consumer prices — like clockwork. What determines gold's value is monetary inflation. Money supply continually increases over time, and gold follows money supply higher over the decades, with the metal going through its own bull/bear cycles along the way. Sometimes it trades well above fair value, sometimes below. However, real interest rates also impact gold, but it is more over the short to medium term. Gold didn't work well in the 1980s and 1990s because the inflation rate was on the decline (i.e., there was disinflation) and eventually moved to historic lows, yet interest rates remained fairly elevated. This positive real interest rate environment made gold less attractive as an investment. Other factors such as typical action during boom/bust cycles, a significant increase in annual mine supply, stagnant money supply, and producer hedging, all acted as additional headwinds. In today's environment, the exact opposite is occurring. Inflation is aggressively building and the Fed remains behind the curve — maintaining ZIRP and potentially implementing yield curve control (i.e., imposing interest rate caps on long-term Treasuries) — which has created another period of deeply negative real interest rates. Gold is responding because of its ability to protect purchasing power in this environment. Investing in gold is considered to be a high risk strategy.

**Property Owner**

## What next for the property market?

It is generally regarded as a truism that the UK is embroiled in a love affair with property. This has been put to the test more rigorously than ever before over the past 15 months, with the Covid-19 crisis and sudden implementation of Brexit putting the brakes on much of the UK economy. The property market, though, has been in buoyant form since the first lockdown ended. In fact, the market has fared so strongly that it is now said that we are in a property bubble. This reflects on the striking rises in both values and the volume of transactional activity recorded. While much of this can be accredited to the introduction of the Stamp Duty Land Tax holiday in July 2020, it also echoes the maxim of UK property's supremacy as a perceived safe investment. The figures tell their own story. The ONS recently reported a year-on-year increase in UK average house prices of 10.2% in March 2021 – the largest rate of annual growth the UK has seen since 2007. The question is whether this remarkable growth can be, or should be, sustained in the long term. There is consensus among commentators that the market will struggle to maintain the boom in prices and activity at this rate – a plateau must be expected. However, it is not necessarily true that boom must precede bust. Indeed, with considerate and appropriate measures, gaining a better control of the current property bubble need not result in prices tumbling. Of course, there are harbingers of doom who predict a sharp decline in the foreseeable future. One particular date of interest will be 1 July, when the stamp duty holiday is due to begin tapering down before a return to the previous rate as of 1 October. This is assuming the chancellor does not prolong the holiday further; something that certainly cannot be ruled out. Certainly, this tax relief has played a major part in catalysing the property bubble we see today. It should be expected that the bullish growth of property as a sector will eventually hit a ceiling. It must also be noted that its cessation is highly unlikely to herald a decline in demand and activity on the levels required to instigate a market 'crash'. Investors and developers, as well as buyers and sellers, will have less incentive to invest at pace in property, but the market will still hold broad appeal as an investment asset. While the conditions of the pandemic and its associated economic reforms have certainly accelerated the rate of growth, a steady rise in property value has been a more or less unbroken trend for years now. Whether buyers seek to purchase for personal occupancy or as an asset for rental yield and capital speculation, healthy levels of demand will continue even as we emerge into a more predictable and certain marketplace.

**Investor / Saver**

## Fresh concerns over cryptocurrencies

It was almost cryptocurrency's Black Wednesday. As of now, Bitcoin is far from its all-time high of more than $63,000, reached just last month, and has lost about 27% of its value in the last week. The rest of the top cryptocurrencies are a sea of red; at one point, about 20% of the entire market's value had been wiped out, according to CoinMarketCap. Crypto-connected stocks like Tesla and MicroStrategy declined. The exchanges Coinbase, Kraken, and Gemini all had technical issues that hindered trading. Equal measures of fear and resolve spread through Twitter and other social media, as true believers separated themselves from panic sellers. No matter how you parse it, now is a rough time to be a cryptocurrency investor. After reaching its epic April high, Bitcoin's price has been sliding for a month, losing about 27% of its value in the last week. While Bitcoin partisans claim that they are holding for the long term and these are merely momentary blips, Bitcoin's recent profound volatility signals the essential vulnerabilities of cryptocurrencies: namely, they are unstable assets built on speculation and market manipulation—including ad hoc social media campaigns designed to keep skittish investors from engaging in a mass selloff that would further tank prices. Requiring constant public urging from prominent influencers to keep retail investors engaged, cryptocurrencies may never be ready for the kind of widespread adoption their fans believe is inevitable. Some portfolios will survive, some won't. Promoters of so-called altcoins may have little rhetorical ballast to support their positions—many traders would admit that they're looking for quick gains, not investing for the long term, and that now they're reaping the consequences of their decisions. But the same can't be said of Bitcoin fanatics, who despite facing enormous losses over recent weeks, with volatility to match, have taken to expressing overwhelming confidence in their positions. Investing in cryptocurrencies is considered to be a high risk strategy.

**All**

## Inflation doubles

A surge in oil prices and a rise in household gas and electricity bills pushed UK inflation to 1.5% in April, its highest level since the start of the coronavirus pandemic in March 2020, according to official figures. An increase in the cost of clothing and footwear also played a part in the jump from 0.7% in the previous month as the government eased restrictions and more retailers opened on the high street. The rate of inflation remains below the Bank of England target of 2% and most price increases relate to a turnaround from falls last year rather than more recent price pressures, but the latest figures will fuel concerns that the cost of living is on a rising trend. Crude oil prices have tripled over the past year after dropping to almost $20 (£14.08) a barrel last April. Some of this rise has passed through to the pumps, the Office for National Statistics said, taking the average price of petrol in April to 125.5p a litre, up 1.8p on the previous month. The ONS said the lifting of the price cap on gas and electricity prices had also increased household utility bills. The Bank of England governor, Andrew Bailey, said recently that the central bank was sticking by its forecast that inflation would remain only slightly above target over the next year – as the economy recovered – before falling back in 2022. Some analysts have voiced fears that inflation will escalate as consumers spend an estimated £150bn of savings accumulated over the last 14 months. They are concerned central bank policymakers will respond by increasing interest rates to limit the spending spree with the effect that more firms will go bust and unemployment will grow. However, the Bank of England has argued that spending is likely to be more modest, putting less pressure on prices.

**All**

## Crackdown on financial fraud

The city watchdog has vowed to 'up its game' after a Money Mail investigation exposed how easily fraudsters can scam thousands of victims online. Last month, ThisisMoney revealed how a fake website they created, that promoted returns of 9.5% on bonds, had lured in around 1,700 potential victims within five days. Google were paid just £95.88 to advertise the website under search terms such as 'Isa best buys'. Extraordinarily, the advert was approved despite it being flagged as suspicious. The Financial Conduct Authority (FCA) yesterday praised Money Mail for highlighting the 'scourge' of online scams. Mark Steward, Executive Director of Enforcement and Market Oversight at the FCA, said the fake website, best2invest.co.uk, was 'typical' of the sort of investment scams that have spiked over the last year. He told the FCA Investigations & Enforcement summit: 'The best2invest example demonstrates the velocity of online harm, achieving in days what took months with an 'old school' cold calling boiler room.' The Mail is campaigning to clamp-down on online financial fraud. Criminals are increasingly using 'bond comparison' sites — such as best2invest — to avoid checks. These sites don't have to be explicit about what they sell; asking customers for their details to pass on to 'investment partners'. In reality, fraudsters are given the details. Last year the FCA issued 1,204 warnings on such scams — twice the number in 2019. Its 2021 tally is on track to double again. It is thought £1.7 billion was lost to fraud in 2020, with 85 per cent of cases carried out online.

**Investor / Saver / Retired**

## Hedging against inflation

What are we to make of the latest inflation numbers from the US, given that rising inflation is supposed to lead to rising interest rates? CPI inflation came in at an annualised rate of 4.2% for April, well over double the 2% rate the Federal Reserve tells us it targets (in a flexible sort of way). Core CPI was 3% – the highest rate in 25 years. Is it transitory? A lot of analysts think so. They will tell you that business does not have much pricing power at the moment, that there is plenty of slack in the labour market and the rise of disruptive technology is going to keep a lid on pricing power. They will also point out that much of the 4.6% number is based on prices normalising after being temporarily slashed in the miseries of pandemic panic last year. Airfares and hotel rooms were, for a brief moment, practically free. That effect will shortly work its way out of the system. But while these base effects might have added on one or two percentage points, they are far from the whole story. Most people will tell you they can feel the rising demand (like UK households, US households accumulated significant piles of extra cash, some $1.7trn, during the pandemic) and tight supply dynamics (shortages, bottlenecks and low inventories) pushing up prices. Be it 2%, 5% or 7%, you need to protect your purchasing power. How? Some say the answer is bitcoin, which they reckon is the "new gold". Note that at the same time that the US inflation numbers came out, Elon Musk was telling the world that he wasn't that into bitcoin any more. He has noticed that its energy usage is not madly environmentally friendly. Bitcoin promptly fell 17%. You may want to stake your retirement on a virtual currency that reacts more to the Twitter feed whims of an eccentric billionaire than to verifiable macro data. That is, of course, your choice. it may be better to buy the kind of stocks that actually compensate you for inflation by regularly paying dividends that beat it. Our latest bout of inflation looks likely to coincide with the introduction of a new kind of money – the central bank digital currency (CBDC). Most central banks are looking at how to create and use some kind of virtual currency with a view both to get rid of pesky banknotes and coins forever while exercising more control over our finances. But if we are to be forced to say goodbye to notes and coins as current legal tender, perhaps we should say hello to an interesting (if niche) investment – collectable coins.

**All**

## HMRC spends on cyber security

THM Revenue & Customs has spent £262,251 on cyber security training for its staff over the two most recent financial years, according to official figures. This data was obtained and analysed under the Freedom of Information (FOI) act by the Parliament Street think tank. The FOI response from HMRC revealed that £150,456 was spent on security training in FY 19-20, compared to £111,795 in the most recent financial year. This equated to 80 training enrolments in FY 20-21, and 69 in FY 19-20 for staffers operating in the Chief Digital and Information Officer Group – however, all HMRC staff (approx. 9,500 according to the FOI response) were made to complete a compulsory course on 'Phishing attacks', which was free of charge. The most popular security training course amongst staffers in the Chief Digital and Information Officer Group was to become certified in the Art of Hacking, which saw 12 attendants for a cost of £15,978. The most expensive security training course in FY 20-21, which was not available in FY 19-20, was a residential course to become a Certified Cloud Security Professional. This cost £34,103 to train seven staffers. Additionally, 11 staffers went on a six-day boot camp to become a Certified Information Systems Security Professional, two trained to become certified in Ethical Hacking, and nine enrolled in an 'introduction to Cyber Security' course.

Past performance is not a guarantee to future performance. You may get back less than invested.

Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts and reliefs from taxation are subject to change. The FCA does not regulate tax advice.

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