

Circular October 2026

The importance of the little things when we give advice

Whilst our advice generally focuses on investment and savings solutions, we always cover other important aspects such as medical insurance and emergency funds. We ask whether you have sufficient medical cover as needed in the country you live. We ask that you ensure you have 3 to 6 months cash before you start investing, in case your circumstances change without warning, such as in ill health.

Both points can merge if you are diagnosed with serious illness. If your insurance either doesn't cover everything, or you must pay up front and claim back, the bills can get very high, very quickly for such things as cancer, heart attack, and transplants.

If you are not sufficiently covered and/or you don't have sufficient cash to cover bills until claims are paid, it can give you serious issues in the short term. You may have to disinvest long term investments or savings plans or move monies between countries.

There can be serious repercussions changing short- and long-term plans, so please do take these points seriously and review your own position.

Global changing times

While investors often view the world through a US lens, growth and innovation are increasingly coming from multiple directions.

The fact the US now must compete harder for investors' attention may also have influenced the decision by the US Federal Reserve to raise interest rates.

Historically, higher interest rates are used to cool an overheating economy. Today's inflation pressures are not solely domestic. Energy prices around the world have been pushed higher by conflict in the Middle East, food prices remain vulnerable to climate disruptions, and the global race to build AI infrastructure has created enormous demand for technology components and power.

Increasing US interest rates won't produce more oil, improve harvests or reduce demand for data centres. So why raise them?

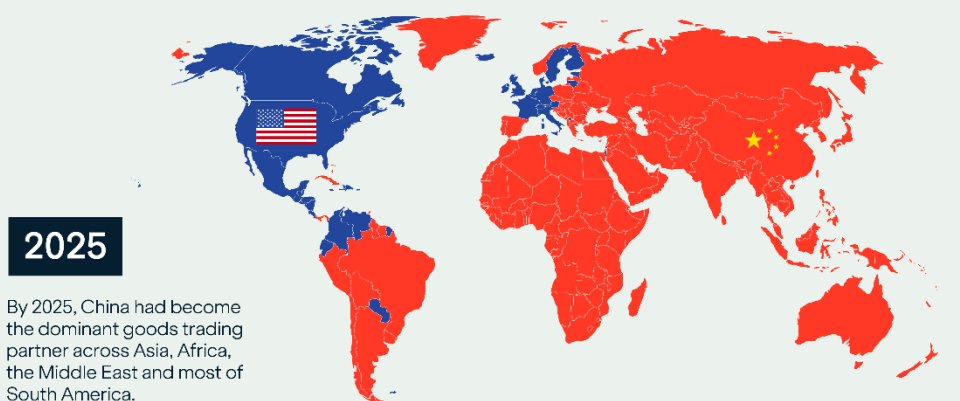
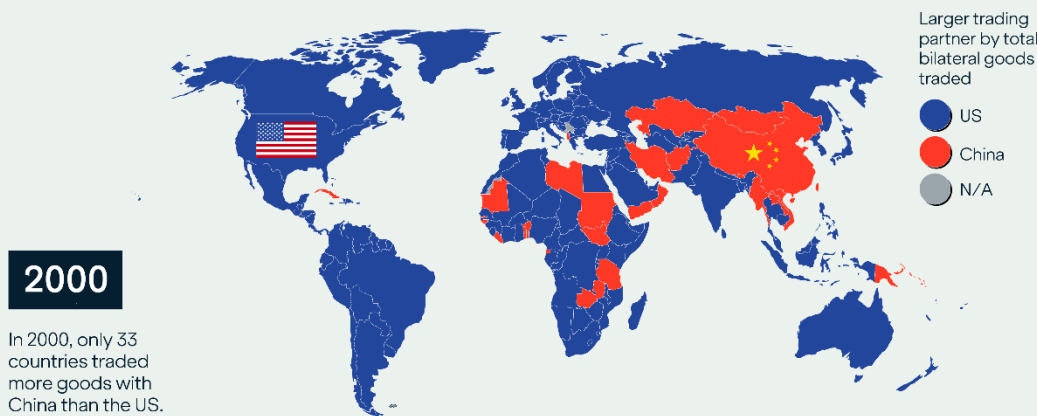
One reason may be that the Fed is increasingly conscious of the need to maintain demand for US government bonds. Foreign investors have long played a crucial role in financing America's borrowing needs. If the Fed raises interest rates, this tends to have the effect of pushing up the yield available on US government bonds, particularly shorter-dated ones.

The US is now facing competition on many fronts. Technological leadership, for example, is no longer a one-horse race. Recently, Chinese AI firm DeepSeek demonstrated further efficiency gains that challenged assumptions about the ever-growing demand for computing power.

The chart below illustrates just over 25 years ago, the US was the dominant goods trading partner for much of the world. Today, China occupies that position across Asia, Africa, the Middle East and most of South America.

Trading places

How China has overtaken the US to become the largest goods trading partner for most countries worldwide



Total bilateral goods trade (imports plus exports) by value in US dollars.
Sources: Visual Capitalist, IMF Direction of Trade Statistics, September 2026.



The US remains home to some of the world's most innovative companies and its stock market offers a huge range of opportunities. Nonetheless, we are moving away from a world in which the US economy sets the direction and everyone else follows. Investors are navigating a more multipolar world, where economic influence, innovation and growth increasingly come from several regions rather than one.

Retirement

Quilter recently completed a retirement lifestyle study in the UK which produced some interesting findings on spending and expectations in the current climate.

Key findings

£27,159

The average retiree now spends £27,159 annually, £5,000 more than last year, totalling £368.7bn across the UK's estimated 13.57 million retirees.

£4,522

Retirees now provide an average of £4,522 a year in direct family support through gifts to relatives and assistance with education costs, up by 81% compared to £2,498 last year.

60%

Six in ten retirees, 60%, are concerned about maintaining their standard of living, up from 51% last year.

69%

More than two thirds, 69%, changed their financial plans in response to government policies or proposals.

39%

Almost two in five, 39%, say the political environment is affecting their inheritance tax planning.

They give an interesting insight into how much the average retirement spending is and what retirees spend their money on

Average individual spending per retiree

Spending category	Average spend per retiree	
	Monthly	Annual
Holidays	£247.75	£2,973.03
Renovations / Home improvements	£231.34	£2,776.11
Gifting to relatives	£189.36	£2,272.36
Assistance in funding education of grandchildren / relatives	£187.49	£2,249.88
Food and non-alcoholic drink / groceries	£175.85	£2,110.19
Gifting to charities	£174.69	£2,096.28
Housing, including rent, mortgage and property tax	£170.49	£2,045.89
Energy	£145.34	£1,744.10
Loan / debt repayments	£130.62	£1,567.40
Transportation, including bus, car, petrol and train travel	£130.32	£1,563.82
Clothing and footwear	£129.88	£1,558.57
Healthcare, including pharmaceuticals and healthcare costs	£128.44	£1,541.31
Phone, TV and broadband	£128.17	£1,538.05
Dining out	£19.93	£239.11
Electronics / gadgets	£15.86	£190.31
Entertainment, including theatre, cinema and live sports	£15.40	£184.84
Hobbies, excluding sports	£14.45	£173.41
Subscriptions	£14.27	£171.19
Sports, including club memberships and equipment	£13.64	£163.63
Total	£2,263.29	£27,159.47

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Retirement continued - Some key points

- UK State Pension remains a critical driver of income growth for eligible retirees
- Advised retirees see greater investment returns
- More than 1/5th of retirees saw their income fall with falling state financial support being a key driver
- Inflation and the cost of living continue to drive fears
- More retirees are looking to minimise tax impact
- Uncertainty fears over tax changes led many to withdraw cash, which they now regret.

UK Inheritance Tax changes 6/4/2027

We've published before that pensions will become part of your estate for UK IHT and the changes from 6/4/25 moving from Domicile to Long Term Resident/Long Term Non-Resident. HMRC has just released update 2 which is meant for UK residents and nearly all procedural. The timeline for further updates is HMRC will continue to work closely with stakeholders throughout the autumn, which may include further workshops. The following is an outline of future plans:

- summer — autumn 2026: continue process design and develop guidance and other support tools
- autumn 2026: technical note 3 which is expected to cover international issues, the interaction of Inheritance Tax with income tax, further guidance on intestacy, and clarification of matters relating to charities and trusts, among other topics
- autumn — winter 2026 — 2027: share draft guidance with industry stakeholders
- autumn — winter 2026 — 2027: additional regulations to be published on split schemes and excepted estates
- winter — spring 2026 — 2027: communications activity to publicise upcoming changes to impacted groups
- spring 2027: publish guidance and other supporting materials

Technical update 3 should give further information for international pensions and non-UK residents.

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Investment Outlook

The outlook remains broadly positive, supported by resilient economic growth and healthy company finances. However, markets may remain sensitive to inflation concerns, global events and central bank decisions, which could lead to periods of short-term uncertainty.

No matter what happens in the short-term, the importance of maintaining a well-diversified long-term investment approach, rather than reacting to short-term market swings continues to be key. By staying committed to carefully considered plans, investors can navigate through periods of volatility and uncertainty.

And finally....

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www.aimspi.com



Managing Director

Consultant



paul.wyatt@aimspi.com

charles.burchhardt@aimspi.com



Tel +66(0)847376036

Tel +44(0)7956411603



Pensions and
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Company Registered Office, 388 Exchange Tower, 29th Floor, Sukhumvit Road, Klongtoey Sub district, Klongtoey District, Bangkok, 10110, Thailand. Registration Number 0105557065708.