SUMMER NEWSLETTER 2025

GEM FS LTD

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.

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Inheriting ISAs: explained

Planning on leaving your ISA to a loved one? Here's what you need to know.

Individual savings accounts (ISAs) are a great option for tax-free saving, but it's important to understand the rules around inheriting ISAs if you want your beneficiaries to make the most of your legacy.

What is an ISA?

A savings account in which your earnings are tax-free. Every year, the government sets a limit on tax-free savings. This is your ISA allowance, and it's £20,000 for the 2025/26 tax year.

Who can inherit an ISA

Anyone can inherit the funds in an ISA, but only a spouse or civil partner can retain the tax benefits thanks to the additional permitted subscription (APS), also known as an 'inherited ISA allowance'.

How does the APS work?

An APS is an extra allowance that your spouse or civil partner can add to their existing ISA allowance. It's based on the value of an open ISA held in your name when you pass away or the value as at date of transfer. Your spouse or civil partner must be living with you at the time of your death.

For example, if you have £20,000 set aside in an ISA when you die, your spouse or civil partner's ISA allowance increases to £40,000 (their £20,000 allowance plus the additional £20,000 from the ISA they've inherited). This means they can pay the money from the inherited ISA into another account without paying tax on it.

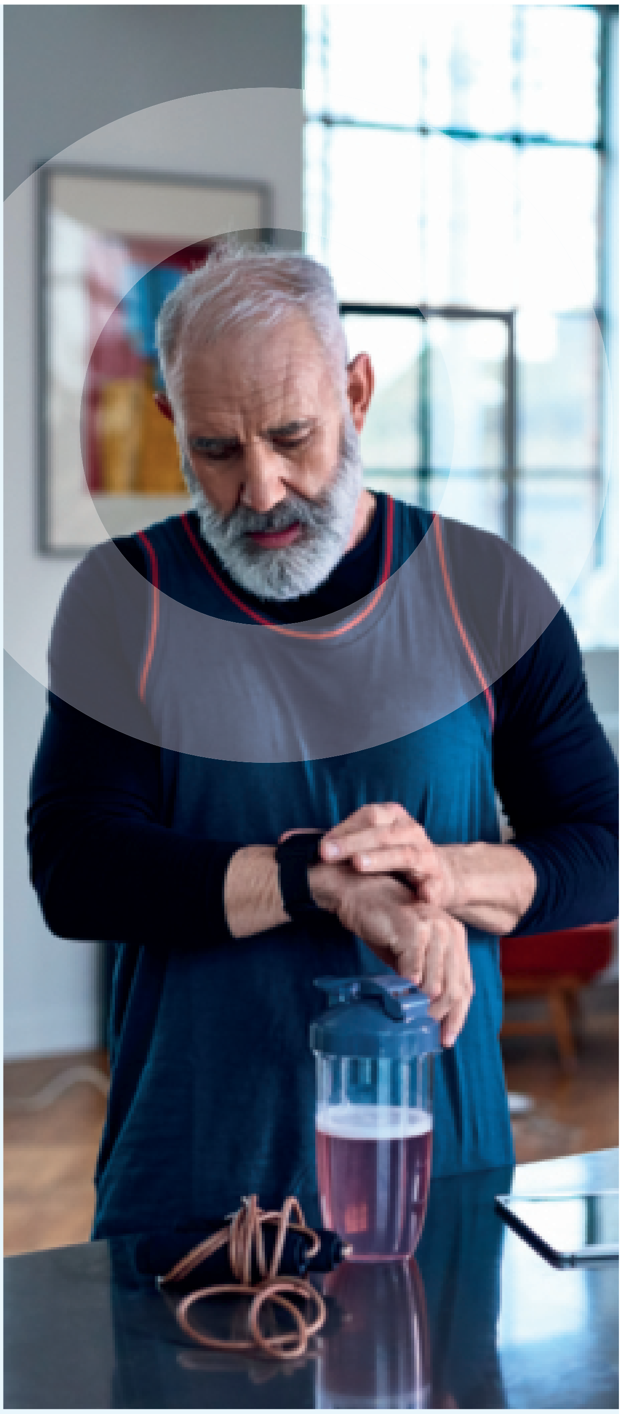
An APS must be claimed within three years of the death of the account holder or up to 180 days after administration of the estate is complete, depending on the assets held in the account(s) and whichever deadline is sooner.

Can someone else inherit an ISA?

If you leave money in an ISA to a beneficiary that isn't your spouse or civil partner, the funds will form part of your estate and be subject to inheritance tax (if the value of your estate exceeds £325,000, in the 2025/2026 tax year).

What can my spouse or civil partner do with their APS?

They're under no obligation to stay with the same provider of the inherited ISA. They can transfer up to the value of their APS in any type of ISA if the provider accepts transfers from inherited ISAs. As with any saving decision, it's worth shopping around to find the best deal.



Get in touch if you want tailored support with your estate planning.

An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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Shared ownership: your guide to homebuying on a budget

Let's explore shared ownership and see if it's right for you.

What is shared ownership?

Shared ownership is a scheme set up by the Government to make it easier for people to buy their home. Instead of purchasing a property upfront, you can buy a share of it and pay rent to a landlord on the rest.

In England, the initial share of a property you can purchase is typically between 25% and 75% of its value, although for some homes it can be as low as 10%. You only need to pay the deposit on (and have a mortgage for) the share of the property you're buying.

The share you don't own is owned by a landlord, usually a housing association. You'll need to pay them rent on the share of the property they own, as well as any service charges.

You can usually increase your share in the property at any time, buying more of it from the landlord in increments until you own all of it – this is called 'staircasing'. The greater your share of a property, the less you'll have to pay in rent.

There are similar schemes available in Scotland, Wales and Northern Ireland, each with slightly different rules to the scheme in England:

- **Shared ownership in Scotland:** This scheme is aimed at first-time buyers and other priority groups. You can buy a 25-75% share of a property and pay an occupancy charge on the rest. See more on the **Scottish Government website**.
- **Shared ownership in Wales**: This scheme works similarly to those in England and Scotland, but your total income must be less than £60,000. See more on the **Welsh Government website**.
- **Co-ownership in Northern Ireland**: You can buy a 50-90% share of a property worth no more than £195,000 and pay rent on the rest. See more on the **NI Government website**.

Who is shared ownership for?

Shared ownership can be a great way for people who might not be able to afford to buy straight away to get on the property ladder. In England, you qualify for the scheme if your household income is £80,000 a year or less (£90,000 in London) and you can't afford to buy a home that meets your needs.

Other conditions usually apply too. For example, you may need to be a first-time buyer or be forming a new household (for example due to a relationship breakdown). You can check the full eligibility criteria on the **Government website**.

Advantages to shared ownership

Buying under shared ownership means the upfront costs are lower because you only need to cover the deposit (and get a mortgage for) a share of the property rather than the entire value. You may also find it easier to get a mortgage because you'll be borrowing a smaller sum from a lender.

The scheme allows you to buy your home gradually, making it easier for you to work towards home ownership if you're on a budget. You can usually buy shares of 10% or more at a time, purchasing over a period that works for you until you reach 100% ownership.

Shared ownership also typically offers more security than traditional renting. If you pay your rent and mortgage repayments on time, you can usually remain in your home for the entire length of the leasehold if you choose.

Things to watch out for

Shared ownership properties in England are always leasehold, meaning you own the property but not the land it's built on. You'll usually have to pay service charges on these properties, and you may need to extend a shorter lease to avoid problems in the future, which can be expensive.

The cost of staircasing can also be significant. You'll have to pay for the property to be valued every time you buy more shares, and the price of these shares will be affected by the housing market. If house prices in your area go up, you'll pay more.

Selling can also be complicated if you own less than 100% of your home. You must formally notify the landlord of your intention to sell, and they usually have the right to first refusal. This means they can try to sell their share in the property to another owner, which can take several weeks. If they can't sell their share, you may end up being responsible for selling it on the open market (and paying for any associated fees).

We can help you navigate shared ownership

We're here to help you understand shared ownership and determine if it's the right option for you. We can explain how it works, discuss your circumstances, break down the costs and explore alternative home ownership options to help you decide if shared ownership is right for you.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

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The benefits of starting a pension early

It's never too early to start saving for retirement. In fact, the sooner you start saving, the more time for your money to grow.

Starting a pension early is one of the best things you can do for your financial future. By taking advantage of the benefits of early retirement savings, you can ensure that you have a secure financial future and enjoy your retirement years to the fullest.

More time to save

One of the most significant benefits of starting a pension early is the additional time you have to save money. The longer your money is invested, the more time for it to grow, which can help you accumulate a larger retirement fund. Starting early also means that you can take advantage of compound interest, which is interest earned on both the principal and the accumulated interest. Over time, compound interest can significantly increase the value of your pension fund.

Lower monthly contributions

Starting a pension early can also help you keep your monthly contributions lower. Because you have more time to save, you can spread your contributions over a longer period. This can make it easier to budget for your retirement savings and ensure that you are putting away enough money to reach your retirement goals.

Employer contributions

If you are enrolled in a workplace pension scheme many employers offer to match employee pension contributions, (up to a certain percentage). This 'free money' can help you save even more for retirement.

Tax benefits

The government offers tax relief on pension contributions, which means you can put more money into your pension each month. For example, if you're a taxpayer, you can get up to 45% tax relief on your contributions.

Financial security

Starting a pension early can help provide financial security in retirement. By starting to save early, you can build a solid foundation for your retirement years and ensure that you have enough money to cover your expenses. This can help alleviate financial stress and allow you to enjoy your retirement years without worrying about running out of money. Knowing that you have a secure financial future can give you peace of mind and allow you to enjoy your retirement more.

Tips for starting a pension early:

- **Set up a regular contribution**
  The best way to make sure you're saving for retirement is to set up a regular contribution. This could be a fixed amount each month or a percentage of your salary.
- **Increase your contributions as you earn more**
  As your income increases, you can increase your pension contributions to make sure you're on track for a comfortable retirement.
- **Take advantage of tax relief**
  The government offers tax relief on pension contributions, which means you can put more money into your pension each month.
- **Consider employer contributions**
  Many employers offer to match employee pension contributions, which is free money that can help you save even more for retirement.

By giving yourself more time to save, keeping your contributions manageable, taking advantage of tax benefits, and providing financial security in retirement, you can set yourself up for a comfortable and fulfilling retirement. So, if you haven't started saving for retirement yet, now is the time to start!

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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Investing or saving?

Investing can beat inflation

Investing is a better option if you've got longer-term goals because inflation can erode the value of cash savings over the medium to short term, and your money may not have the same spending power as when you first put it away.

For example

If you have £2,000 in savings and the bank offers a 1% interest rate, each year you will get back £20. However, if the inflation rate is 6% the cash in your savings account will fall in value. After one year your cash would be worth £1,887. After five years it would be worth only £1,495.

Saving money is a great way to prepare for unexpected expenses and investing your money can have the potential for higher growth than saving.

A lot of people put their money in a savings account and leave it there to accumulate interest. While this is a good strategy in the short term, you potentially risk losing out on higher returns in the long run, while also struggling to keep up with inflation. However, investing is a good approach if you have long-term financial goals and want to earn more money than you could by saving it.

What's the difference between saving and investing?

With saving you are setting aside cash for future use, while investing means using cash to buy assets that you expect to produce a profit or income. The biggest difference between saving and investing is the level of risk. With saving you will always get back at the very least what you have put in, as well as any interest on your deposits. You won't lose any money, making it a less risky option.

Investing your money means it will rise and fall over time and there is a chance you could lose some of your initial investment. Your financial adviser will be able to help you make sure you're aware of the risks and the minimum time you should consider investing for. A longer timeframe (at least five years) will give your investment more time to recover if there are any sudden market swings.

Speak to your financial adviser to find out about a range of investment opportunities to help you meet your financial goals.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Types of investments

The main types of asset classes that investors could choose from – which your adviser can go into detail with you – are equities, bonds, and property. Different asset classes have different levels of risk and return. Usually, the safer an asset is the lower the returns will be, while the riskier an asset is, the higher the returns.

Property this could be investing in commercial property through investment funds, including retail, office, and industrial property. It makes a good long-term investment and is effective at beating inflation. Property can add diversification to your portfolio as it tends to perform differently to other assets in response to different market conditions. However, property does come with its risks, including a risk of a fall in value as well as the maintenance costs.

Bonds sometimes called fixed-term investments, bonds are issued by governments and companies looking to raise money. A bond is essentially a loan made to a company or a government by an investor for a set period – usually several years. In return they pay you a regular income in the form of interest over the life of the bond, after which they must repay your loan. Bonds typically offer stable returns and are a lower risk than equities, although they tend to offer lower returns in the long term.

Equities also known as stocks and shares, equities are issued by a public limited company and can be bought and sold on stock exchanges. When you buy an equity, you are basically buying a piece of that company and become a shareholder. Equities can make you money through increases in share price or you can receive income in the form of dividend payments. The disadvantage is that returns are not guaranteed, and the share price could fall below the level that you invested.

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