Winter Newsletter

Gem FS Ltd

Thank you for 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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Spreading the risk

Stock markets do not react well in times of uncertainty and the effects of the pandemic continue to pile pressure on financial markets worldwide. During periods of increased volatility, such as we have seen over the last few months, the importance of spreading risk and considering the longer term, remain constant investment principles.

Why diversify?

Adopting portfolio diversification means you do not put all your eggs in one basket. A balanced portfolio contains a combination of different asset classes, such as equities (shares), bonds, property and cash. Equities have the potential to deliver higher returns than bonds, but bonds can provide an element of capital preservation for times when a more risk-averse approach is required. You can also diversify your portfolio further through choosing different geographical regions and industry sectors.

Don’t overdo it

While building diversity into an investment portfolio is undoubtedly important, try to guard against over-diversification. This could make your portfolio unmanageable and could mean you spread your investments too thinly, resulting in a detrimental impact on potential returns.

Holding your nerve

The pandemic has unsettled global markets and it has been an unnerving time for many investors. I’s important to remember that stock market volatility is inevitable, and markets can often rebound quickly once immediate issues are resolved. Experienced long-term investors know that the worst investment strategy you can adopt is to jump in and out of the stock market and sell up when investments have hit rock bottom.

Diversification is key

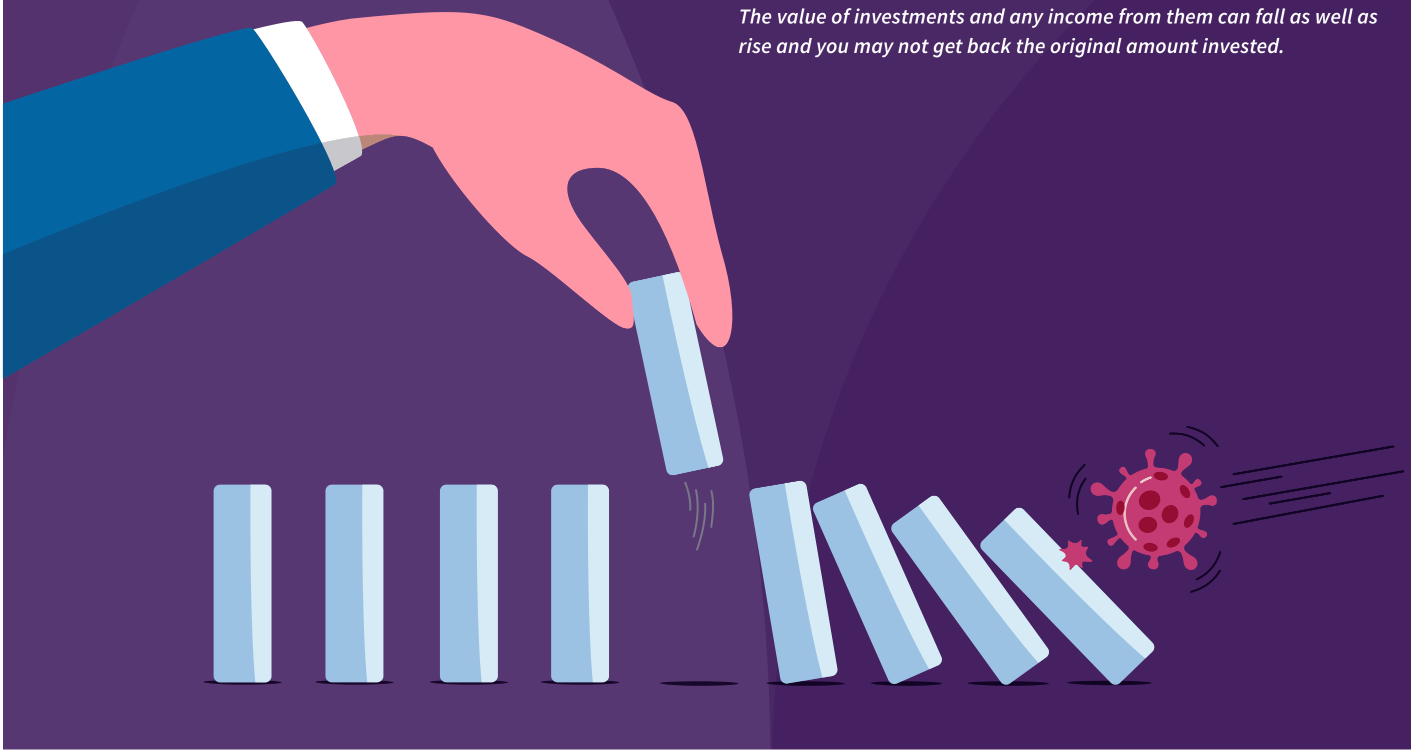
We can help you to identify how much risk you are prepared to take and advise you how to achieve your long-term investment goals, through an appropriate balance of risk and reward. A sensible way to build a portfolio is through collective investment schemes with a risk profile to match your objectives and needs. We can advise on the investment strategies and products most appropriate for your own individual circumstances.

Keep in touch

Financial advice and regular reviews are essential to keep your portfolio in line with your attitude to risk and your objectives. This allows you to develop and continue to follow a well-defined plan.

Your circumstances or objectives may well have changed recently, so please don’t hesitate to contact us with any questions or concerns you may have.

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.

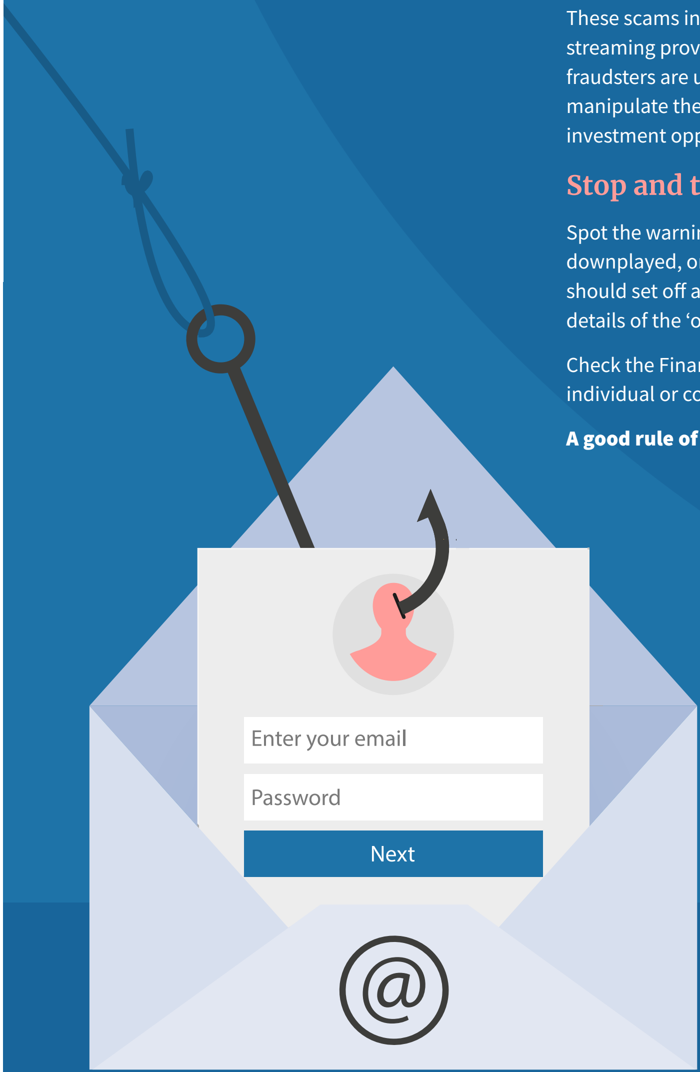


OW2937 Exp. 17/03/21

Don’t fall for a financial scam

Official bodies are warning consumers of an increase in scams designed to prey on people’s coronavirus fears.

Statistics from Action Fraud reveal that over £16m was lost to online shopping fraud during lockdown. In some scams consumers purchased goods online that never arrived. Others targeted animal lovers who lost nearly £300k in just two months after putting down deposits on non-existent pets advertised online.



Get scam savvy

Being familiar with the most common scams is essential to recognizing the danger signs. Recently, UK Finance released a list of the most common scams relating to COVID-19.

Financial support scams

Victims report receiving official-looking emails purporting to be from government departments or local authorities, offering financial assistance in the form of grants or ‘COVID-19 relief funds’. These emails contain links to websites encouraging victims to enter their personal and financial details. Other examples include emails offering a ‘council tax reduction’ as well as scams targeted at Universal Credit recipients.

Health scams

These scams prey on victims’ fear of contracting COVID-19. They include fake Test and Trace emails informing the victim they’ve been in contact with somebody with COVID-19, containing links leading to websites that steal the victims’ personal and financial details, as well as fake adverts for PPE.

Lockdown scams

These scams include fake emails that look like they are from TV Licensing or an online streaming provider, informing victims that they need to update their payment details. Other fraudsters are using online dating websites to take advantage of isolated people and manipulate them into handing over cash, while some are tricking victims with fake investment opportunities.

Stop and think

Spot the warning signs - If you’re contacted out of the blue, if the investment risks are downplayed, or they are using pressurised selling tactics which offer a bonus or discount, it should set off alarm bells. And if the offer is ‘one time only’ or you’re asked not to share the details of the ‘opportunity’, there is a high risk of a scam

Check the Financial Services Register – **register.fca.org.uk** or **0800 111 6768** – If an individual or company is not on the register it’s probably a scam

A good rule of thumb, with all scams if it’s too good to be true, it probably is.

If you think you are being targeted by a scam hang up the call, delete the email, rip up the letter. If you think you have been the victim of a scam already contact action fraud, the UK's national fraud and cybercrime reporting centre, immediately on **03001232040**.

To find out more about how to protect yourself from financial scams visit

- FCA ScamSmart **fca.org.uk/scamsmart**
- Take Five **takefive-stopfraud.org.uk/**
- Pension Wise **pensionwise.gov.uk/en**
- The Pension Advisory Service **pensionsadvisoryservice.org.uk/**

OW2991 Exp. 15/04/2021

Working from home – are you covered?

Due to the lockdown, many firms have closed workplaces, meaning that millions of people across the UK have been temporarily required to work from home.

Should I inform my insurer that I am working from home?

The Association of British Insurers (ABI) has issued reassurance that, if you are an office-based worker and you are working from home because of government advice or because you are self-isolating, your home insurance cover will not be affected.

The ABI has stated: 'You do not need to contact your insurer to update your documents or extend your cover'

Will my work laptop be covered by my home insurance?

If you're using company property such as a laptop or mobile, you should check with your employer whether they have the correct insurance policy in place to cover these items outside of the usual place of work should any damage, loss or theft occur.

Such equipment is not usually covered by a standard household insurance policy, but it is worth checking your insurance policy document to check.

I need to see business clients at my home – will this affect my insurance?

If you are receiving visitors to your home on business matters, you should check this with your insurer as having additional people coming to your house could be an insurance risk and affect your insurance premium. There may also be restrictions in the cover provided, such as theft and loss of money being excluded, unless there is evidence of forcible and violent entry to the property.

What if I have an accident whilst working from home?

Your home environment is under your own control so there is a significant duty upon you to look after your own safety. If you were to suffer an accident whilst working at home, your employer would generally only be responsible if it was due to their negligence, meaning that they had failed to take reasonable care for your safety and the accident was due to that negligence.

If you have a protection policy such as Accident and Sickness or Income Protection, and you have an accident or suffer an illness that prevents you from working, you may be able to make a claim.

I need to make a claim on my insurance – will this be difficult at the moment?

ABI home insurers have implemented business continuity plans and are continuing to handle claims and support customers, as well as prioritising those in vulnerable circumstances.

Do you have the right cover in place?

If you are unsure whether you have the right insurance cover in place, contact us for advice on your own individual circumstances.

As with all insurance policies, conditions and exclusions will apply

How has COVID-19 affected your retirement?

2.6%

the average pension fund is 2.6% lower than at the start of year

1.5 million

people over the age of 50 are planning to delay their retirement

15%

plan to delay retirement by an average of three years

26%

say they plan on working indefinitely

The coronavirus pandemic has not been kind to older generations. As well as having a greatly increased risk of serious health complications from the virus itself, older people have suffered a serious blow to their retirement plans.

Data from Legal & General shows that 1.5m people over the age of 50 are planning to delay their retirement in some way as a direct result of COVID-19. Fifteen percent say they plan to delay retirement by an average of three years, while 26% say they plan on working indefinitely.

Pension funds fall...

Pensions savers initially saw the value of their pension pots fall in response to the stock market slump, which impacted the retirement income available for those on the verge of retirement. This is the main reason why so many are planning to delay their retirement. The average pension fund fell by 15.2% in Q1 2020 – an even worse performance than that observed at the height of the global financial crisis. Despite recovering losses in Q2 2020 the average pension fund is still 2.6% lower than at the start of the year.

... but flexible withdrawals decrease

Many savers have not panicked but taken a sensible approach to the crisis, with data showing that less money was flexibly withdrawn from pensions in the second quarter of this year. Savers withdrew £2.3bn during this period, down 17% on the £2.8bn withdrawn in Q2 2019. This suggests that in the face of challenging circumstances, savers have been able to use their common sense, resist temptation and keep their retirement plans on track.

Onwards and upwards

In a press release, a group of regulatory bodies including The Pensions Regulator (TPR) and the Financial Conduct Authority (FCA) have urged consumers to keep a level head. They advise pension savers to be wary of scams and to seek professional advice before acting. TPR's chief executive, Charles Counsell, said: "Pensions remain a safe long-term investment for your retirement and it's important to avoid hasty decisions about cash that's taken a lifetime to build."

Financial advice pays

If you're worried about your retirement, we can help. As your trusted financial adviser will be able to evaluate your situation and offer guidance based on your own personal circumstances.

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

Protect yourself and your family in 2020

While most of us don't go through life expecting something bad to happen, the truth is that we never know what's around the corner. Why not make 2020 the year you put plans in place to safeguard yourself, your family and your home, so that you know you're protected against life's unexpected events?

When to take out protection cover

Most people look into buying a Life Insurance, Critical Illness or Income Protection policy following a significant life event: buying a home, getting married or having children.

Before taking out a policy, however, be sure to check if any protection cover is included in your workplace benefits, as your employer may already be providing cover.

Review your policies regularly

If you don't review and update your policies on a regular basis, you could find yourself underinsured. If you upsize and your mortgage increases, for example, your current policy might not pay out enough to cover your new monthly repayment. In fact, a huge 73% of people aren't sure they have the right level of protection cover. By ensuring you regularly review your cover, you can make sure you're not in this situation.

Reduce stress, both now and in the future

Do you worry about your income and how you and your family would cope if anything happened to you? Are you ever concerned that you might struggle to keep a roof over your head? One way to rid yourself of these niggling worries is to take out protection cover. With only 44% of 18 to 35-year-olds saying they could cope for more than three months on their savings if they lost their income due to illness or injury, it's more essential than ever to plan for these eventualities.

It's not just about life insurance

Protection cover isn't just there to pay out to your family when you die. You can also take out serious or critical illness cover, as well as policies that pay out if you get injured or made redundant. With rent or a mortgage, household bills and other expenses, imagine how much stress could be alleviated if you have a steady income from an insurance policy while you're unable to work.

It won't happen to me...

This is an assumption many of us are guilty of making; however, latest government figures for 2018 show that one in twenty-five employed people had a spell of long-term sickness absence. It might not happen to you – but if it does, having cover could make the world of difference.

OW2493 Exp. 19/02/21

Stamp Duty holiday has positive impact

The COVID-19 pandemic has had a significant impact on the property market, but latest figures indicate there are positive signs of growth following the introduction of the Stamp Duty holiday.

Property searches rise

Coinciding with the Stamp Duty cut July was the busiest month so far this year for mortgage searches. The largest rise occurred in the £500,000 - £1m region, with Stamp Duty savings making these properties more accessible. Remortgage levels have remained consistent with pre-lockdown levels and purchase levels have quadrupled. Searches from first-time buyers are also up.

House prices jump

On another positive note, house prices rose by 7.5% year-on-year in October bringing the average price to £250,457, according to data from Halifax.

Pent-up demand and a low supply of available homes, plus support from the Stamp Duty holiday, has helped to exert upwards pressure on house prices. This, along with a significant jump in mortgage approvals and signs that confidence is growing, suggests the immediate future for the housing market is looking brighter. However, Halifax also warned that looking further ahead, there is still much uncertainty around the lasting impact of the pandemic, particularly as government support measures come to an end.

Increasing interest from overseas

The Stamp Duty cut has also led to a surge in interest in the UK property market from overseas. In addition, many overseas buyers are looking to purchase property before the introduction of an extra 2% Stamp Duty surcharge for non-UK buyers in April 2021.

Throughout July, highly searched terms by mortgage advisers included ‘visas’, ‘expats not in the UK’ and ‘foreign income’. One in 22 residential searches related to a query for an applicant currently on a visa or an expat not based in the UK.

How the Stamp Duty holiday works

On 8 July, the threshold at which Stamp Duty became payable on properties was increased from £125,000 to £500,000. This means that almost nine in 10 buyers will pay no Stamp Duty before the holiday ends on 31 March 2021.

For those purchasing properties the rates are as follows:

0%
£0 to £500,000

5%
The part from £500,001 to £925,000

10%
The part from £925,001 to £1.5m

12%
Anything above £1.5m

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

OW3001 Exp. 27/03/2021

Retirement and risk – striking a balance

The impact of COVID-19 caused extreme stock market volatility, with the average pension fund falling over 15% in Q1. While some of that value may have been regained over the last few months, pension savers remain understandably cautious.

In the past, the level of risk to which pension funds were exposed would reduce on the approach to retirement – a strategy called 'pension lifestyling'. This approach involves adjusting your portfolio to replace riskier assets with lower risk (although usually lower returning) options such as bonds.

In the current climate, with 1.5m workers planning to delay their retirement as a result of the pandemic and many more concerned about the continuing impact of stock market volatility, is pension lifestyling relevant at the moment?

Greater income needs

Just a few decades ago, the average pension pot would probably have needed to last for 20 years of retirement. As life expectancy increases, however, that period has stretched to 30 or even 40 years in some cases. As a result, it's likely you'll need to maintain some level of investment risk in order to generate the income required to live in comfort for the duration of your retirement – however long that may be.

The average pension fund fell over 15% in Q1 of this year

Keeping up with inflation

Even if you have enough in your pension pot now to keep you comfortable, inflation has the potential to erode the purchasing power of your savings over the passage of time. Therefore, lowering risk as you approach retirement, may not always be a suitable course of action, depending on your circumstances.

Risk and reward

The pandemic may have made you reflect on your attitude to investment risk but accepting a certain level of risk could ensure that your pension pot keeps up with, or even beats inflation. It could also help you save additional income for potential extra costs, such as long-term care fees. It's important to balance risk by diversifying your portfolio and perhaps setting aside some readily available cash in low-risk bonds or a savings account, to act as a buffer.

Financial advice is vital

In today's uncertain environment, taking financial advice can make the difference between a comfortable retirement and living in reduced circumstances. We can assess your personal situation and work with you to create a tailored plan for your pension that is aligned with your objectives, time frame and attitude to risk. If you'd like to understand how your approach to your pension should change in the run up to retirement, please get in touch.

A pension is a long-term investment. The fund value may fluctuate and can go down.

Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

The value of investments and income from them may go down. You may not get back the original amount invested.