Autumn 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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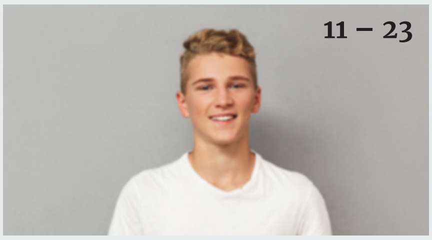
Tax-efficient investing across the ages

As investors progress through the various stages of life, their investment priorities as well as their financial goals will inevitably change. However, whatever life stage you are at, it's always important to take advantage of any tax-efficient investment opportunities available to you.

Generation Alpha

The principal tax-wrapper available to the youngest generation (new-borns to 18-year-olds) is a Junior ISA (Individual Savings Account). Changes announced in the Spring Budget mean parents, grandparents and family friends can invest up to £9,000 a year in a Junior ISA from 6 April 2020, with the proceeds free from dividend, income and capital gains tax. Another tax-efficient investment option for Generation Alpha is a junior pension which allows a maximum contribution of £2,880 per year – equivalent to investing £3,600 when topped up by government tax relief.



Generation Z

This cohort includes 11 to 23-year-olds, with younger members still being eligible for both a Junior ISA and junior pension. Older Generation Z could also open an adult ISA and those in paid employment will be eligible for a workplace pension. Another opportunity open to older members of this group is a Lifetime ISA, which allows adults under the age of 40 to invest up to £4,000 a year to fund the purchase of a first home or for retirement, with government adding a 25% bonus up to a maximum of £1,000 per year.

Millennials

Buying a home will inevitably be a key financial goal for members of this group (24 to 39-year-olds), which means a Lifetime ISA is usually an investment priority. While extra commitments mean cash is not always plentiful at this stage of life, if possible, Millennials should also direct regular amounts, large or small, into an adult ISA in order to take advantage of the overall £20,000 annual allowance. Making additional pension contributions can also be an effective tax-efficient savings strategy for this group.

Generation X

Members of this cohort, aged between 40 and 55, will often be at the peak of their earning prowess. Financial demands also tend to reduce at this life stage which means Generation X often have the resources to maximise ISA investments. With retirement looming, members of this group are also generally keen to boost pension savings, particularly higher rate taxpayers who qualify for extra tax relief on contributions.

Baby Boomers

This group includes 56 to 74-year-olds and maximising pension contributions is likely to be a key tax-efficient investment strategy for its pre-retired members. Baby Boomers will also be able to take advantage of the 25% tax-free lump sum they can withdraw under the pension freedoms rules. Cash ISAs are also likely to feature more prominently for members of this group, particularly those who are retired.

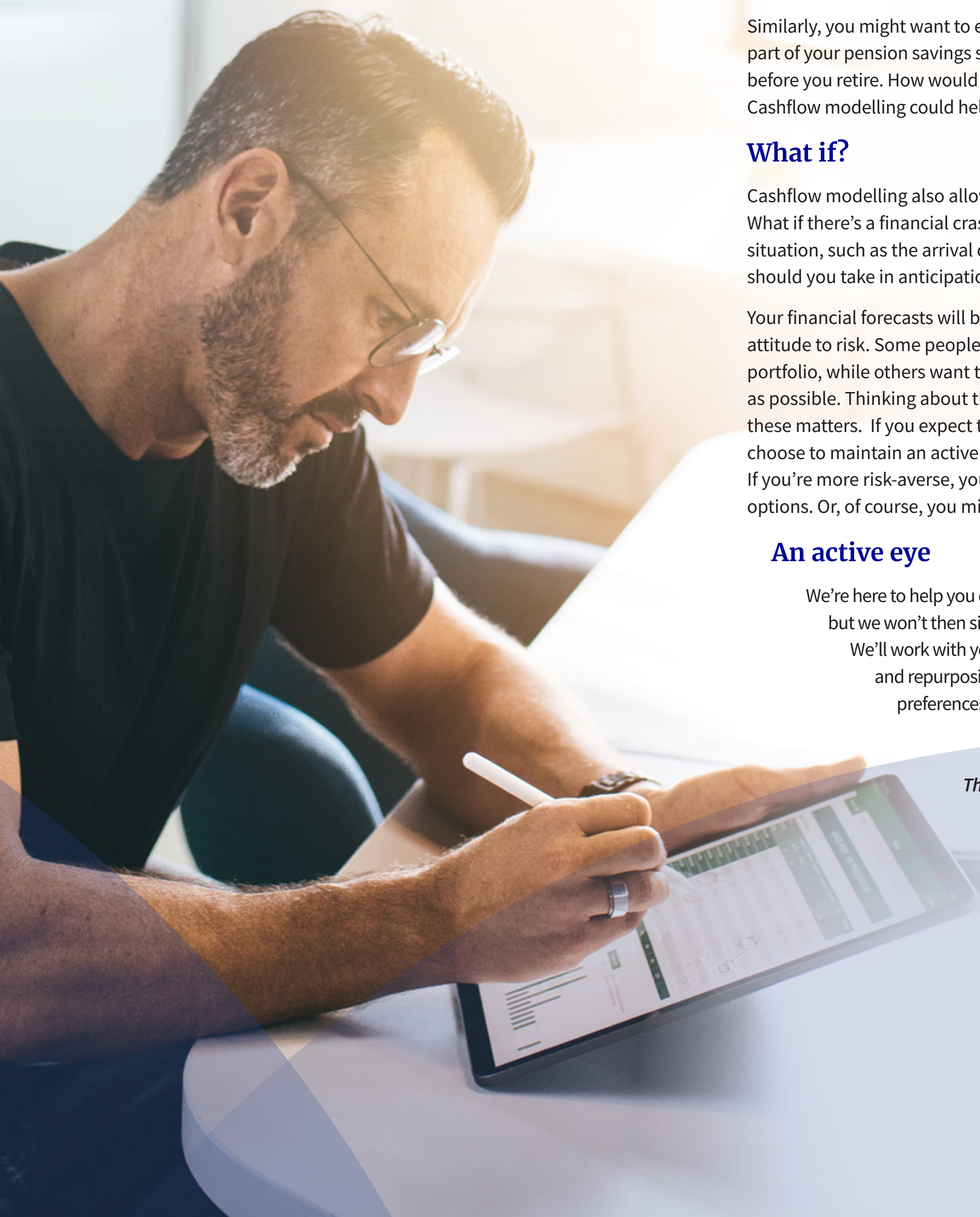
THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN.
YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

OW2688 Exp. 05/04/2021

What is cashflow modelling?

“In this world nothing can be said to be certain, except death and taxes.”

Financial planning is all about preparing for those things that may not be so certain (and taxes). Plans should be reviewed regularly so they adapt to changes in your circumstances and reflect developments in the wider economy and financial markets.



Cashflow modelling, sometimes known as cashflow forecasting takes a view of investments, debts, income and expenditure. It takes in to account things like inflation, changes in income and interest rates. It can then be used to model a range of different scenarios to help you make informed choices about your finances.

The heart of any sensible long-term financial thinking

In essence cashflow modelling provides a rolling balance sheet that has your income, savings, investments and other assets on one side and your spending requirements and commitments on the other.

With this information to hand, it is possible to assess your current situation. By adding in assumptions about the possible direction of variables such as inflation and investment returns, predictions can be made about how your situation might change over time.

In turn, this can help inform decisions such as when might be the optimum time to retire and how best your retirement income might be funded. It can also embrace estate planning, allowing you to put plans in place that can mitigate any potential Inheritance Tax liability.

Flexible forecasting and planning

Cashflow modelling is endlessly flexible and takes account of your personal preferences. You might want to determine the impact of moving to a smaller property at some point – perhaps when your children are financially independent, or when you retire.

Similarly, you might want to explore the merits or otherwise of accessing part of your pension savings sooner rather than later – in other words, before you retire. How would that affect your income after retirement? Cashflow modelling could help provide the answers.

What if?

Cashflow modelling also allows for examination of “What if?” scenarios. What if there’s a financial crash? What if there’s a change in your family situation, such as the arrival of grandchildren or a divorce? What action should you take in anticipation, either now or in the future?

Your financial forecasts will be shaped to a significant degree by your attitude to risk. Some people are bullish about potential gains from their portfolio, while others want to achieve as much security and certainty as possible. Thinking about the future will help confirm how you feel on these matters. If you expect to generate investment growth, you might choose to maintain an active interest in equities even beyond retirement. If you’re more risk-averse, you might prefer more safe haven assets or options. Or, of course, you might opt for something in between.

An active eye

We’re here to help you decide on a strategy that suits your preferences, but we won’t then sit back and simply watch how events unfold. We’ll work with you to maintain your cashflow model, refining and repurposing it so that it continues to match your preferences, however they develop.

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.

It is important to take professional advice before making any decision relating to your personal finances.

OW2556 Exp. 12/03/21

Exchanging contracts? Get insured first

Purchasing a property can be a busy, stressful time and it can seem like there are a million things to remember. Some things however, are more important to remember than others – for example, getting the right insurance in place at the right time.

Many people believe that they only need to take out buildings insurance once they move into their new home. However, this is not the case. It can come as a surprise to find out that, in most cases, the responsibility for insuring the property becomes the buyer's as soon as contracts are exchanged.

Avoid stress, get prepared

Exchange
Once contracts have been exchanged, you're committed to the purchase and can't back out without forfeiting your deposit.

Insure
If the property is damaged or destroyed between exchange and completion, you're still contractually bound to complete the purchase and will immediately face hefty costs to repair your brand new home.

Relax
To avoid stress and guarantee peace of mind, researching your options in advance and taking out insurance on the day contracts are exchanged is very important.

Getting the right policy

Buildings insurance covers the cost of repairing or rebuilding your property in the event of damage. It covers the structure of the property, as well as outbuildings such as garages and sheds and fences, and external items such as pipes, cables and drains. It doesn't cover possessions and furniture inside your home – you will need a separate contents insurance policy for this.

How much you pay for buildings insurance will depend on the rebuild value of your new home. This should not be confused with the property's current asking price. It is how much it would cost to completely rebuild your home from scratch. There are tools available to help you calculate the rebuild value of your home, including a special calculator on the Association of British Insurers' website.

Here to help

We can help you find he most suitable buildings insurance policy for your circumstances, giving you one less thing to worry about. We can also advise on any additional cover you may need and get everything in place by the time you exchange.

As with all insurance policies, conditions and exclusions will apply

OW2874 Exp. 04/08/2021

Are you approaching retirement?

If you are nearing retirement, you may have been particularly worried about the impact of recent market volatility on your pension assets and perhaps you are reassessing your retirement plans. There are several things to consider if you are planning to retire, which will depend very much on your own circumstances.

Since pensions freedoms were introduced in 2015, there are many more options available to retirees. Sudden retirements used to be the norm. People would stop work completely one day and be fully retired the next, perhaps receiving a regular income from an annuity. It is now possible to take a more gradual journey into retirement - making use of this flexibility in how you draw funds could be sensible in times of uncertainty.

Consider your timescales

If your planned retirement is 5 to 10 years away, there is a reasonable time for your savings to recover from the recent market volatility, but you should still take action:

— Review your retirement age.

— Consider increasing your pension contributions.

— Talk to us about your attitude to risk and appropriate fund switches.

If you have less than five years to retirement, your pension pot may not have been exposed to market volatility as much as you think. You may have benefited from a lifestyle option on your pension which is designed to ‘lock in’ investment growth as you approach retirement, by switching funds to less risky assets. This option is not suitable for everyone, particularly if you intend to keep your pension pot invested and use income drawdown to give you an income in retirement.

If you are retiring this year and your pension pot has taken a hit, you could consider delaying retirement until markets recover, but this may not be an option for everyone.

Advice is key

One of the biggest risks in uncertain times is to act in haste and make rash decisions.

Getting financial advice is crucial in making the right decision. We can help you consider all your options, including reviewing whether any other assets could be used to provide an income, so that your pension stays untouched.

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.

Protecting you and your family

Losing your partner at any stage in life can be devastating, but it may be particularly devastating when children are involved because of the financial pressures of raising a family.

Ensuring your children and other dependants are provided for in case you die should be a top priority but less than a third of people in the UK have life insurance.

Keep it simple

Many products are available but a simple level-term policy, where a pre-decided lump sum is paid out should you die within a stated period, is among the simplest to arrange and is typically not very expensive. As a rule of thumb, life cover should provide ten times the main breadwinner's income. The amount should cover any outstanding debts, including mortgage, regular outgoings, potential university fees and so on. The term should reflect the needs of your dependants; Children will probably need support until they leave education and a partner may need it until pensionable age.

Joint or single cover?

A joint policy will cover you and your partner, paying out on the first death within the term. Alternatively, you can have separate single-life policies; a little more expensive but potentially two payments. A young, fit individual should find life cover affordable. Be open about your lifestyle, especially if you have existing medical issues. Premiums rise with age, lifestyle factors, such as smoking and other factors that affect your life expectancy.

Keep under regular review

Reviewing your protection needs helps make sure you have the right cover in place for your financial circumstances, giving you the peace of mind that you've got things covered.

As with all insurance policies, conditions and exclusions will apply.

Why you should get mortgage advice

Taking out a mortgage could be one of the biggest financial decisions you'll need to make in life, so it's important to get it right.

You could 'go direct' to find the right mortgage for your circumstances – as long as you're prepared to spend time and effort scouring a very competitive market for the lender and deal you feel most comfortable with.

You'll also need to consider things like lender administration and booking fees, the length and type of mortgage you need, valuation costs and repayment methods, all of which can affect the total cost of your loan. And you'll need to take out insurance; for buildings and contents and to protect your mortgage payments if you have to stop work.

Advice from your lender

Lenders will, of course, be able to give you guidance on any mortgages they offer, but you won't necessarily know how their deals compare to other deals on the market.

Advice from us

Unlike lenders, we don't have a vested interest. In fact, as part of Openwork, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders, many of which aren't available on the high street.

What's more, we will take the time to get to know you, your circumstances, and your overall financial position. We'll also want to understand what type of mortgage you believe is right for you and talk you through the pros and cons of each option.

Using our expert knowledge and database of several thousand mortgages, we will find the ones most suitable for your needs.

We'll work with you to complete the relevant paperwork and liaise on your behalf with solicitors, valuers and surveyors. We can also talk you through the features and benefits of financial protection for your new property and we'll stay in touch throughout the process – and into the future.

If you'd like more information, or you need help planning your first, or next, property purchase, please get in touch.

Your home may be repossessed if you do not keep up repayments on your mortgage

2020
The story so far

Little did we know, as we entered a new decade, what was in store for the global economy in 2020. Around the globe, the Covid-19 pandemic has inflicted a huge human cost. The response, and the measures to reduce the spread of the virus have inevitably had a significant impact on global economic activity.

A recent Organisation for Economic Co-operation and Development (OECD) outlook, cautioned, *'as restrictions begin to be eased, the path to economic recovery remains highly uncertain and vulnerable to a second wave of infections. With or without a second outbreak, the consequences will be severe and long-lasting.'* With business activity frozen in many sectors, confidence has understandably been undermined.

With lockdowns now easing in some regions and economies beginning to reopen, many major indices have rebounded from the lows reached in March as the pandemic took hold.

On home shores

In the UK, recent ONS data highlighted the UK economy contracted in April by 20.4%, the largest monthly contraction on record. The OECD data showed the UK is likely to be one of the hardest hit major economies due to its service-based nature. The Bank of England's Monetary Policy Committee (MPC) recently increased the size of its bond-buying programme to help fight the coronavirus-induced downturn. The MPC expressed in their minutes, that the fall in global GDP in Q2 will be less severe than expected and there are signs that services output and consumer spending are picking up.

Other regions

As concerns about a second spike of infection surfaced in the US in June, Steven Mnuchin, US Treasury Secretary, ruled out shutting down the US economy again. International Monetary Fund data for the 19-country Eurozone, revealed growth across the bloc contracted by 3.8% in Q1. As lockdown measures eased, European markets have rallied, but should there be a 'second wave' of Covid-19 infections it will dampen optimism. Output in China contracted during Q1, the first recorded contraction since at least 1992. Chinese authorities will not be establishing growth targets this year. The country faces significant challenges, with a struggling economy and rising international hostility.

Uncertain times, keep talking

Uncertainty surrounds the future spread of the virus and the success of efforts to develop a vaccine and therapies to counter it, making it challenging to predict the path for the global economy.

A well-defined investment plan, that considers your personal circumstances, can help you weather market storm. Volatility is a timely reminder to keep your investments under regular review. We want to reassure you that we understand the challenges you may face and are here to support you.

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OW2862 Exp. 29/10/2020