Gem FS Ltd Summer Newsletter

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

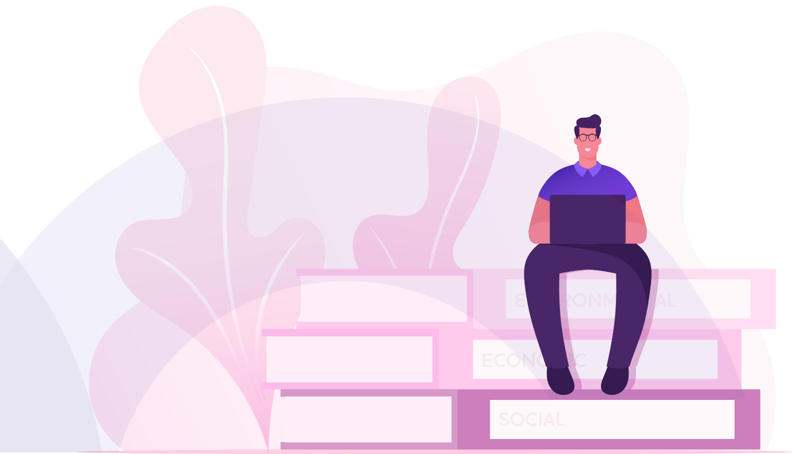
GEM FINANCIAL SERVICES

4 The Bluestone Centre, Sunrise Way, Amesbury, Salisbury, Wiltshire, SP4 7YR

don@gem-fs.co.uk | 01980 670403 | www.gemfsltd.co.uk

Are you engaged with ‘good’ investing?

Socially Responsible Investing and Environmental, Social and Governance Investing explained



Social and environmental change is accelerating at pace, with climate change one of the biggest issues facing humanity today. Recent climate protests around the globe have raised awareness and prompted many people to question their personal and corporations’ impact on the environment. This heightened awareness has transcended to investment preferences.

Ethical investing traversed into the mainstream as people increasingly choose to allocate their investable funds towards companies whose values and practices align with their personal beliefs, whether they be environmental, social, religious, or political. Some investors may choose to exclude specific industries or allocate to other sectors which meet their ethical preferences. This involves creating an investment policy with very specific rules aimed at avoiding companies or industries that don’t meet your criteria.

Terminology maze

We live in a world of acronyms and abbreviations; investment terminology is certainly not excluded from this phenomenon, with terms such as Environmental, Social and Governance (ESG) and Socially Responsible Investing (SRI), widely used, but what do they mean?

Social responsibility

Socially Responsible Investing, SRI, was originally developed to allow investors to avoid companies they disliked for ethical or values-based reasons. This original form of SRI is now called ‘exclusions’ or ‘negative-screen’ investing. Other SRI strategies have been developed, including positive screening or thematic investing, where only investments in companies aligned to the investors’ values are made.

Today, SRI very much focuses on social issues, such as labour rights and encompasses any investment strategy which considers both financial return and social/environmental good to bring about positive social change. For example, some SRIs avoid businesses perceived to have negative social effects such as alcohol, tobacco and fossil fuel.

Environmental guardian

Environmental, Social and Governance, ESG, refers to a subset of non-financial performance indicators, which measure the sustainable and ethical impact of an investment. ESG factors can be used to evaluate corporate behaviour and to determine the long-term financial performance prospects of a company.

Increasingly, socially conscious investors are using ESG factors to screen potential investments and many larger firms are beginning to track their ESG progress. Environmental criteria look at how a company performs as a guardian for the environment, their impact on climate change or carbon emissions, water use or conservation efforts.

Social criteria focus on a company’s ability to manage relationships with its employees, clients, suppliers and the local communities in which it operates.

Governance examines a company’s leadership, shareholder rights, audits and internal controls, anti-corruption policies, board diversity, executive pay and human rights efforts, for example.

The three pillars of sustainability

Another investment style that takes into account environmental issues, is sustainable investing. Sustainability focuses on meeting the needs of the present, without compromising the ability of future generations to meet their needs. Here, investment tends to be focused on companies seeking to combat climate change and environmental destruction, while promoting corporate responsibility. The concept is composed of three pillars: economic, environmental and social.

Impact insight

Another term to become familiar with is ‘impact investing’.
This involves, not only the avoidance of businesses contributing to damaging activities. It actively supports companies bringing about positive change in and around their business and the wider world, whilst demonstrating high levels of accountability and governance. This involves reviewing companies’ operating practices and selecting companies that are trying to solve social and environmental challenges. With an impact approach, investment decisions are based on a company’s impact evidence, rather than personal beliefs.

Navigate with certainty

Heightened public awareness and appetite for how money and investments can impact climate change and other societal and environmental issues, means that there is a growing movement towards greater mindfulness in ‘good’ or responsible investing.

Research is essential because although a company’s mission statement may reflect the values and beliefs of an investor; their practices may differ. Selecting investments based on ethics offers no guarantee of performance.

We’re here to help you navigate the investment options available; and the terminology!

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.

OW2550 Exp. 10/03/2021

The factors influencing your pension choices

Planning the best way to draw your pension savings is not straightforward, after all, there's no 'one size fits all' when it comes to retirement.

Life expectancy, the impact of inflation and the choices available at retirement (thanks to the 2015 Pension Freedoms) are all influencing factors in your decision making. You'll also need to take into account not just your pension savings but any other investments or assets you might have.

Your pension choices

If you're aged 55 or over and in a defined contribution pension plan from 6 April 2015, you may be able to access your pension savings in a number of different ways:

- Buy an annuity
- Flexi Access Drawdown
- Uncrystallised Funds Pension Lump Sum (UFPLS)

If you decide not to purchase (or defer the purchase of) an annuity and instead take income using Flexi-access drawdown or UFPLS, adopting the right investment approach and keeping it regularly under review will be all important.

A question of balance

Balancing the potentially conflicting needs of income production and capital preservation is vital. Equally important is an understanding that personal circumstances will change throughout your retirement.

The three 'stages' of retirement

The early years
You're more active and therefore might want flexibility over how you draw your income.

The middle years
You're getting slightly less active and your lifestyle has settled into a more stable routine, so you'll need a more stable income level.

The later years
You may need to increase your income to cover, for example, the cost of care.

In all cases, investing and withdrawing in a way that aims to maximise the available tax benefits and minimise tax 'leakage' could help make your objectives easier to achieve. If you have some decisions to make about accessing your savings and, whether and how to continue to invest, it might help to consider:

- Your current essential income needs such as your day-to-day living expenses and other "known/planned" expenditure.
- Your current health status
- Your lifestyle and other "non-essential" expenditure such as holidays, new cars, sports and hobbies, entertainment etc.
- Future possible anticipated living expenses incorporating, possibly, a budget for care.
- Unexpected items such as car repairs, home maintenance and health problems.
- The extent to which you would like to leave an inheritance for your family and dependants
- Gifts - either now or in the future.

If you'd like advice on how you can make more of your investments and pension savings in retirement, or you'd like to find out more about pension death benefits, please get in touch.

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OW2113 Exp. 26/06/2020

It’s time to think about life insurance

If you have dependents – people who rely on you financially – then you should have life insurance. In fact, if you have dependents and don’t have life insurance, you are exposing them to grave financial risk. And who would want to do that?

Life insurance tends not to feature on ‘to do’ lists because it makes us confront uncomfortable questions, such as what would happen to our loved ones if we were to die unexpectedly in the next few years.

However, we all carry a deep responsibility to ensure those we leave behind at least have sufficient funds to carry on with life if we’re no longer around. That means putting plans in place to address unpleasant possibilities.

Types of life insurance

There are two main types of life insurance. The one most people need is ‘term’ insurance. This pays out if the policyholder dies within a stated period – the ‘term’.

The other type – ‘whole of life’ insurance – pays out on your death, whenever that occurs. This is more of an investment vehicle than a financial protection plan and is typically used for estate planning.

Dealing with debt

Term insurance pays out money that can be used to clear debts such as a mortgage, lifting a huge financial burden and enabling your loved ones to stay in the family home.

It can also provide for day-to-day living expenses – everything from groceries to utility bills, and from school and university fees to family holidays.

Key points

GET ENOUGH COVER
Buy sufficient insurance to take care of your family until the youngest is financially self-sufficient.

YOU BOTH NEED IT
If you’re in a couple, you both need cover, even if one of you stays at home. The proceeds can pay for services such as childcare and keeping up the house.

BUY SEPARATE POLICIES
Joint life insurance covers you both under one policy, but separate policies are more flexible and provide greater protection, although they cost a bit more.

WORK COVER ISN’T ENOUGH
Many firms offer ‘death in service’ life insurance. However, once you’ve worked out how much cover you need, you’ll probably realise this isn’t enough and you’ll need a policy of your own.

THE SOONER THE BETTER
The older you are, the more expensive life insurance is, so bite the bullet and buy young.

PUT YOUR POLICY ‘IN TRUST’
Doing so places the proceeds outside your estate so it can be paid to your beneficiaries without any delay associated with probate. It also keeps the money from the clutches of the tax man.

REVIEW REGULARLY
Monitor your life insurance coverage to make sure it keeps pace with your circumstances. Events such as marriage, the birth of children and moving home might prompt you to increase the amount of insurance you have.

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

Stay protected

The coronavirus outbreak has impacted everyone across the globe, leaving many individuals and families in a precarious financial position. The crisis has shown that financial hardship can strike when we least expect it, demonstrating the importance of protection cover.

As people's anxiety about their financial future intensifies, it's likely that many people will be considering how they can reduce their outgoings. Income protection or critical insurance may be top of the list to cancel if they can be perceived to be unnecessary expenses.

In reality, critical illness and income protection policies can protect your income or support your family, if you lose your jobs or become ill for an extended period of time, so should certainly not be on the list of expenditure to cut.

A financial lifeline

Never have we been so starkly reminded of the need for the safety net of protection cover. A recent YouGov survey about the pandemic revealed that nearly a third (32%) of Brits currently fear for their future. Cover such as life insurance, critical illness cover and income protection can help lessen the blow of unexpected events.

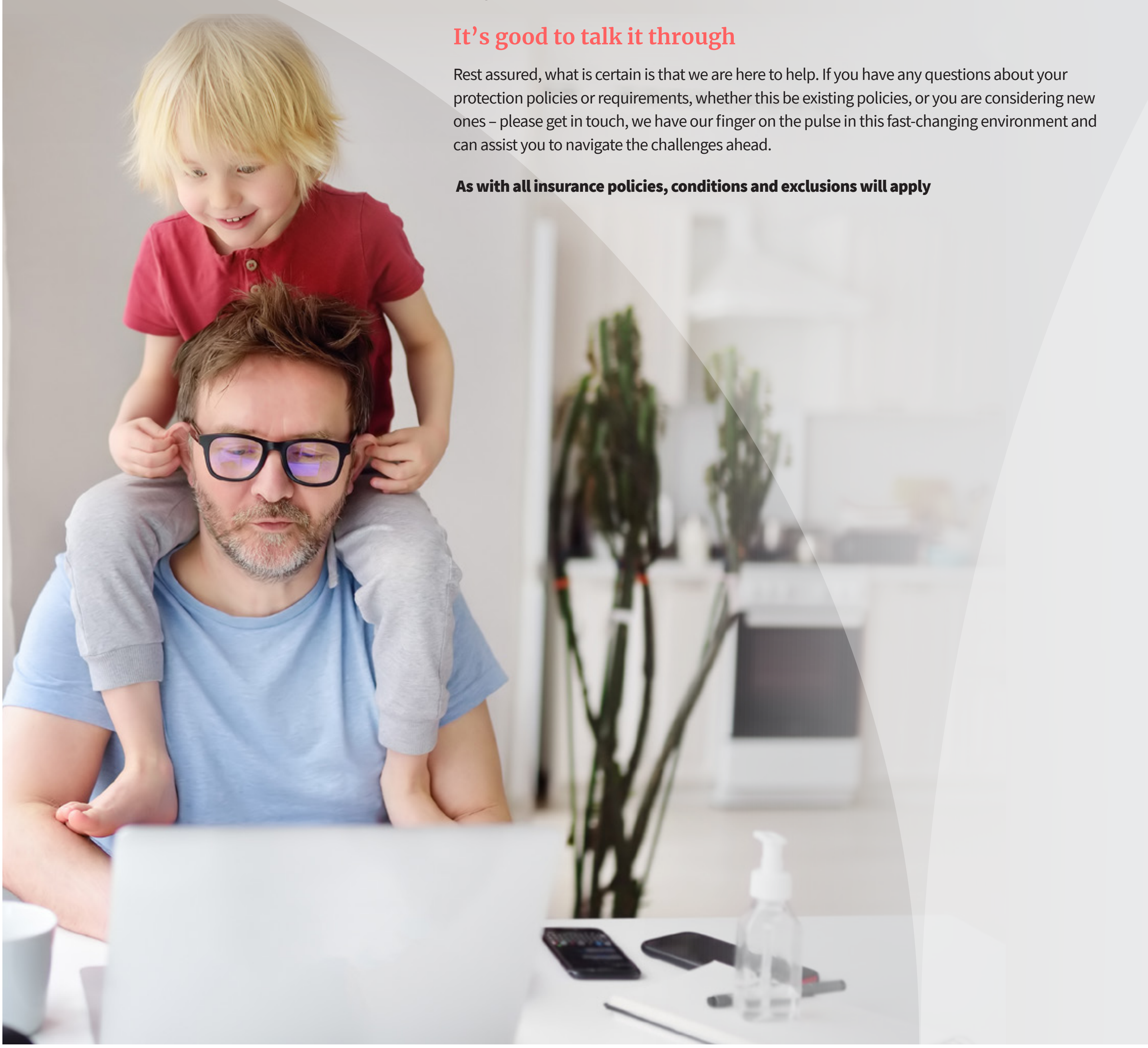
Don't act in haste

Covid-19 is resulting in financial difficulty for many and may lead to people to consider cancelling their protection insurance direct debits. Please don't act in haste, talk to us, we can offer support and guidance if for any reason, you are, or you think you will be, in financial difficulty.

It's good to talk it through

Rest assured, what is certain is that we are here to help. If you have any questions about your protection policies or requirements, whether this be existing policies, or you are considering new ones – please get in touch, we have our finger on the pulse in this fast-changing environment and can assist you to navigate the challenges ahead.

As with all insurance policies, conditions and exclusions will apply



OW2766 Exp. 02/06/2021

How does the mortgage market work?

There are times in our lives when we can all use some help and guidance. Buying a home is one of those major steps that is much easier to take if you are well-informed and get some good advice. Whether you are a first-time buyer or someone who has moved before, things change, so it's useful to understand the mortgage market.

Each year, thousands of consumers finance the purchase of their homes with a mortgage or re-finance existing mortgages. With mortgage debt accounting for over 80% of total UK household liabilities, finding a suitable mortgage is an important financial decision. Most mortgages in the UK are provided by building societies, banks and specialised mortgage corporations. There are currently around 200 different financial institutions offering mortgages in Britain. The mortgage market is very competitive, with a wide range of products and rates available, making it challenging to understand what is on offer.

Change in the market

The mortgage market is continually evolving to meet the needs of a changing customer base, with new developments in intergenerational lending, lending into and in retirement, buy-to-let mortgages and support for first-time buyers. Over the last 15 years the UK mortgage market has journeyed through some key changes and seen many new regulatory requirements, as a result of the Mortgage Market Review and the implementation of the Mortgage Credit Directive.

Who does what?

The professional conduct of mortgage providers is regulated by the Financial Conduct Authority (FCA). There are strict rules and guidelines, to protect the consumer. Regulations set out in the FCA Mortgage Market Review (2014) aim to crack down on poor lending services by building societies and banks, with requirements outlined for stricter affordability checks, amongst other revisions.

The Bank of England sets the interest rate, which impacts mortgage repayments and it is also responsible for ensuring banks are able to meet potential losses on their mortgage lending, meaning you can save and borrow money safely. The Prudential Regulation Authority determines the amount of money that lenders need to hold and that they have sufficient risk controls.

New challenges

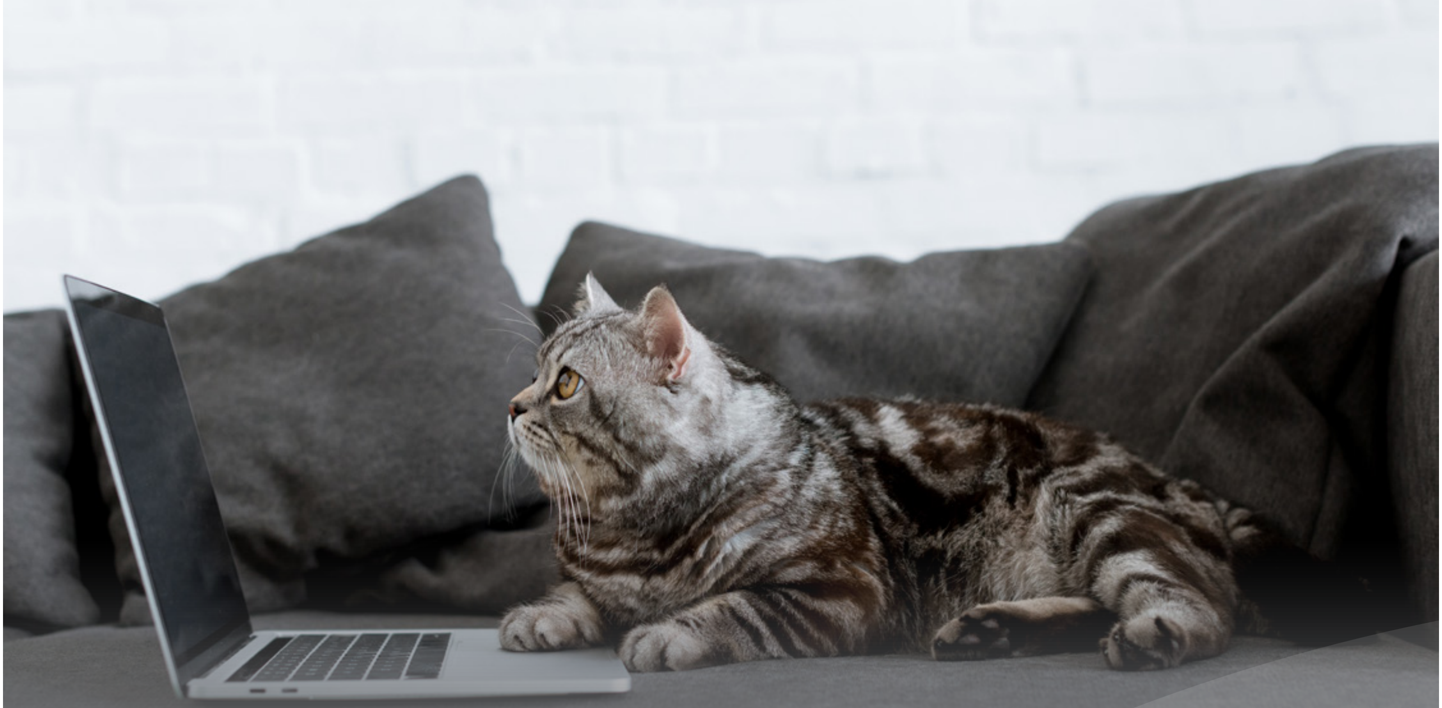
In light of the COVID-19 pandemic, in March the FCA published ***'Mortgages and coronavirus: our guidance for firms'***. Advisers are working hard to stay informed about what is available from the government, so they can provide this guidance to their clients. In such a fast-changing environment, many lenders have responded by withdrawing deals from the market, mostly those in the higher loan-to-value range.

We're here to help

We are responsible for advising you on a suitable mortgage for your circumstances, whether you're moving up the ladder, looking to downsize, purchasing another property or remortgaging, please get in touch. We are specialists with in-depth knowledge of the market and are able to look at a whole range of mortgage products. Getting a mortgage is one of the biggest financial decisions you will make, so it's important to get it right.

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

OW2765 Exp. 02/06/2021



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

OW2767 Exp. 03/06/2021

2020/21
tax year know your numbers

Whilst we would all probably agree that paying tax goes towards providing the important services we all rely on, no one needs to end up paying more than their fair share. Each year, the government announces the tax allowances and exemptions that we are entitled to and it makes sense to maximise their use in meeting our individual financial goals.

Here are a few figures worth knowing:

Personal taxation

At the Budget, the Chancellor's main change to personal taxation was an increase in the National Insurance threshold to **£9,500**, which will save most workers around £100 each year. The Personal Allowance was frozen at **£12,500**, while the £50,000 higher-rate threshold remains unchanged in parts of the UK where Income Tax is not devolved.

Pensions

One of the key attractions of paying into a pension is the tax relief available, 20% for basic rate taxpayers, 40% for higher rate and 45% for additional rate taxpayers. The Annual Allowance for pensions in the 2020/21 tax year remains at **£40,000**.

From 6 April the Annual Allowance will begin to taper for those who have an income above **£240,000** – the £200,000 allowance plus the £40,000 you can save into a pension. It means that for every £2 of adjusted income that goes over £240,000, the Annual Allowance for that year reduces by £1. The minimum Annual Allowance reduced from £10,000 to £**4,000**, affecting those with an income over £300,000.

The Lifetime Allowance – the maximum amount you can have in a pension over a lifetime – increased on 6 April to **£1,073,100**. Increases to State Pensions since 6 April see the new single-tier State Pension rising to **£175.20** and the older basic State Pension increasing to **£134.25** per week.

Savings landscape

A major announcement for savers at the Budget was a substantial increase in the JISA (Junior Individual Savings Account) allowance and Child Trust Fund annual subscription limit from £4,368 to £9,000. The ISA (Individual Savings Account) allowance, including the Lifetime ISA allowance if used, was left unchanged at £20,000. ISAs represent a tax-efficient way of saving or investing and the JISA is a great way of building up funds for your child.

IHT thresholds

For individuals, the current IHT nil-rate threshold is **£325,000**, and **£650,000** for a married couple or civil partners. Beyond these thresholds, IHT is usually payable at a rate of **40%**. The main residence nil-rate band, which applies if you want to pass your main residence to a direct descendant, increased to **£175,000** on 6 April.

Planning pays

Tax planning involves taking sensible steps to reduce the amount of tax you pay. Whilst tax-efficiency can play a vital part in successful saving and investing, it's important not to make it the sole driver of your savings or investment decisions, or to steer you away from achieving your core goals.

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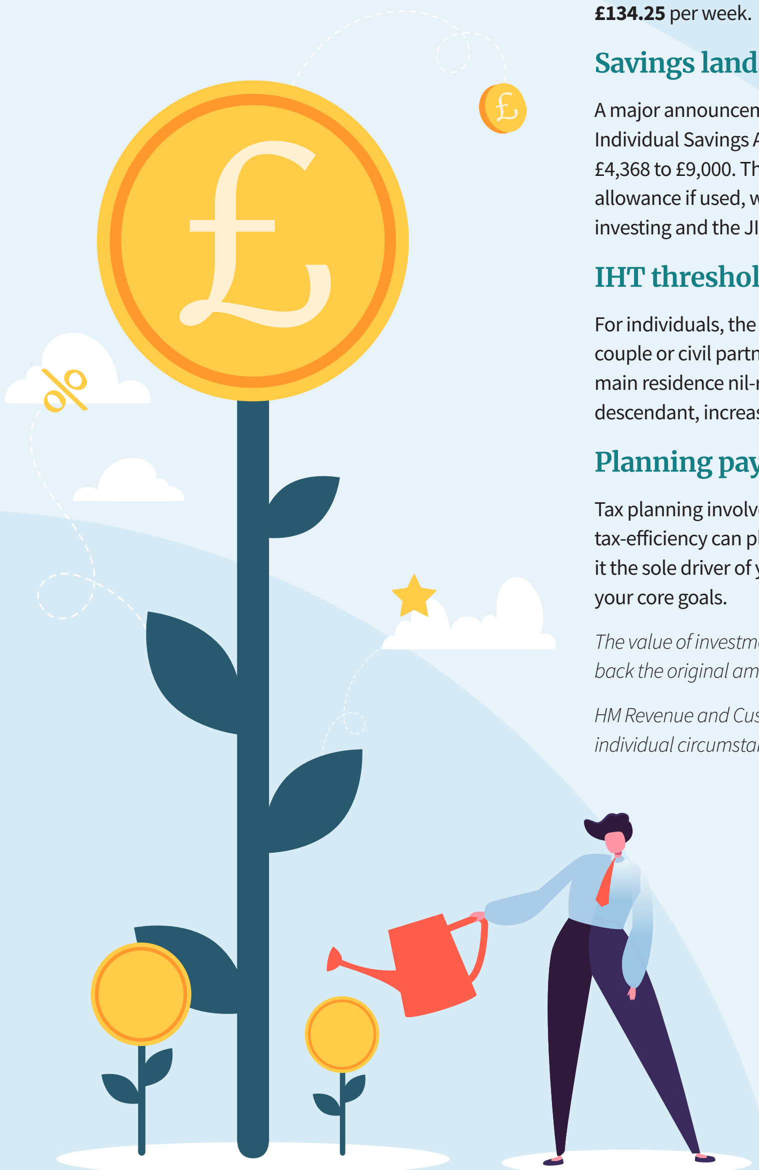

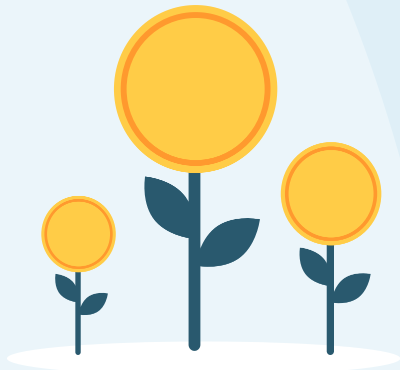

OW2772 Exp. 05/04/2021