

# GEM FS LTD SPRING 2020 NEWSLETTER

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Thanks for reading our newsletter if you want to discuss  
any of the articles in more detail please get in touch



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## Don't underestimate the value of financial advice

Throughout our lives, it is highly likely we will need to take financial decisions that can have a major impact on our wealth, such as taking out the right pension plan, or investing wisely for the future. Over the years, research has produced some interesting findings that highlight the benefit of advice when taking major financial decisions. Those who take advice are likely to accumulate more financial and pension wealth, supported by increased saving and investing in equity assets, while those in retirement are likely to benefit from more income.

### Advice is key to achieving your financial resolutions

A new study has found the likelihood of success in this area is heavily linked to receiving professional advice and the establishment of clear financial objectives. The research provides a measure of the value attributed to advice when it comes to helping investors achieve their goals.

The research, based on data relating to more than 100,000 advised investors, found that 8 out of 10 people with a defined retirement goal, had at least an 80% greater probability of achieving their financial objectives.

### Create a financial plan to secure your financial wellbeing

The study clearly demonstrates how taking expert advice and constructing a tailored plan can significantly boost an investor's financial wellbeing. Not a surprise, as the benefits associated with financial planning are renowned and abundant.

The value of financial advice comes in different guises and can include better return on investment, peace of mind, accomplishing goals and understanding opportunities. This combines to create future security, ultimately making sure you have enough money.

Discussing your financial objectives with us enables you to consider exactly what you want to achieve and establish clear goals that are both realistic and achievable. Regular financial reviews provide opportunities to monitor progress and adapt plans where necessary. Good financial planning can mean investments are tax-efficient by minimising both current and future tax liabilities.

### It's good to talk, we can help

This study once again reiterates the significant value that can be gained from seeking professional financial advice.

We can help manage the inherent volatility of markets, so your savings have the best chance of growing for the future – without giving you sleepless nights in the process and help make sure you aren't taking too much, or too little, risk with your money.

*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.*

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

# Take control of your investments

**Your platform access may depend on the ongoing servicing level you have agreed with us. Please get in touch to find out more.**

Getting a clear, concise view of your investment portfolio can be difficult and time-consuming. That's why we use a secure, online system known as a platform.

A platform gives you secure, online access to your investment funds with a transparent, easy-to-understand charging structure. So rather than holding your ISAs, pensions and other investments in different places, you can view everything at a single glance.

Think of it as an online bank account for your investments which we can administer on your behalf.

## **A clear picture**

As well as cutting down on paperwork, using a platform can speed up transactions and give you the flexibility to take advantage of annual tax allowances. And because your assets are held on one online source, you (and we) can access consolidated reports at the touch of a button.

Whether you need a stocks and shares ISA for tax efficient savings, a simple way of investing your money, or a pension to help fund your retirement, we can offer it all in one place with a single solution, giving you secure online access to keep an eye on your investments 24/7.

With us by your side, we'll help make your money work harder for you, giving you peace of mind, a sense of direction and control over your future.

## **The benefits of a platform**

### **Choice**

A platform provides easy access to a wide range of investment funds, allowing us to tailor your portfolio to better reflect your current circumstances, financial position and attitude to risk.

### **Flexibility**

As well as allowing you to view your investments in one place, the flexibility of the platform means you can record other assets such as the value of your property or any antiques you may have.

### **Ease of use**

The platform is uncomplicated and user friendly. It takes the effort out of managing your finances (and completing your tax return) because you can access consolidated reports at the touch of a button.

### **Transparent charging**

The platform helps you clearly see the costs involved with any investment decision you make.

### **Control**

The platform gives greater control when it comes to making key investment decisions.

Past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise and you may not get back the amount you originally invested.



Thanks to pension freedoms introduced in 2015, savers over 55 have a wide range of options when it comes to drawing from your savings, and this brings opportunities although it's also easier to make a mistake.

**There are now essentially four main ways for you to access your pension savings:**

- 1. Buy an annuity** which guarantees an income, typically for the rest of your life but in some cases for a fixed period
- 2. Flexi-Access Drawdown** allows you to withdraw from your savings when you need to, while the balance remains invested
- 3. Take it all out as cash** with the first 25% tax free and you pay income tax at your marginal rate on the rest, although you may face a hefty tax bill the following year
- 4. Take part of it out as cash** with the first 25% tax free with the rest taxed at your marginal income tax rate. You can do this as many times as you like until you no longer have any pension savings.

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

*Information contained in this article concerning taxation and related matters are based on Openwork's understanding of the present law and current legislation.*

# Your pension savings, your future options

## Why you should consider modernising your pension

As well as giving you greater freedom over how you access your savings, there are several other benefits when modernising your pension:

- Take full control of your pension savings
- Choose when and how to draw an income to suit your retirement planning
- Keep your options open for drawing an income in the future
- Optimise your tax efficiency - both on any money you might leave invested, and Inheritance Tax.

If your pension plan does not offer all four of these options, then you should think about switching it.

## What else do you need to think about?

There are other factors to take into account when switching to a modern pension.

Firstly, the chances are the costs will increase. You may end up paying as much as an extra 1% of the value of your savings annually. So, if you have saved £200,000, your provider could charge up to £2,000 more per year. And if you seek financial advice, your adviser may also levy a fee, either upfront or as an ongoing service charge. These additional fees eat into your pot, but you could equally benefit from the flexible access as well as greater visibility and control.

Another consideration is tax. Regardless of whether you stick with your current pension or switch to a modern one, your income- other than the first 25% of a partial or whole lump sum- is subject to your highest rate of tax. Seeking professional advice can help you access your savings in a tax-efficient manner.

There is certainly plenty to consider and it is wise to regularly explore your current and potential retirement routes.





# Reviewing your pension contributions

## Did you know...?

### Gender pay gap

Pensions for women are £7500 less than men on average and yet on average women live for three years longer than men.

### A nation unprepared for retirement

Over half of the British population admits to either not saving for a pension or not saving enough for the retirement that they would like to live.

### The rise of pensioners

In 1901, there were ten people working for every pensioner. By 2050 it has been predicted that there will be one pensioner to every two workers.

*The value of your investments can fall as well as rise, and you may get back less than you invest.*

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

As you approach retirement, you probably want to know when you can afford to stop working. Having worked hard throughout your career you deserve to enjoy your retirement without having to worry about your finances. It may be worth reviewing your pension contributions to make sure you are taking advantage of the incentives offered by the government and your employer.

## Make the most of tax relief...

The government tops up your pension contributions in the form of tax relief at your highest rate of income tax to encourage you to save. Basic rate taxpayers receive tax relief of 20%, while higher rate and additional rate taxpayers can claim back 20% and 25% respectively through their tax returns.

## ...and understand employer contributions

Since 2012, employers have been legally obliged to automatically enrol employees in a pension scheme, although you can opt out. As an incentive, employers top up employee contributions. The government increased the minimum contribution to 8% from April 2019 - at least 3% from employers with employees making up the balance. It is worth remembering that the employee's contribution includes tax relief.

## Are you saving enough?

There are no fixed rules about how much you should contribute to your pension because of course everyone's circumstances are different. However, one rule of thumb is to take the age you started saving and divide it by two to give you the percentage of your salary which you might wish to put away each year. So, if you set up your pension at the age of 30, you could aim to pay in 15% of your salary.

## Stick within the limits

There are rules covering how much you can contribute, and you could face a hefty tax bill if you break them. The annual allowance for the 2019/20 tax year is £40,000 or your full salary (whichever is lower), although it is tapered for anyone earning over £150,000. You can carry forward any unused annual allowance from the previous three years.

There is also the lifetime allowance - the maximum amount you can withdraw from a pension scheme. It is currently £1,055,000 and likely to increase with inflation. It's probably wise to keep a close eye on the value of your pension if it starts approaching this limit.

Deciding whether or not you can afford to retire is a significant consideration, and so it makes good sense to regularly review how much you are saving and ensure you are taking full advantage of any incentives.



# 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

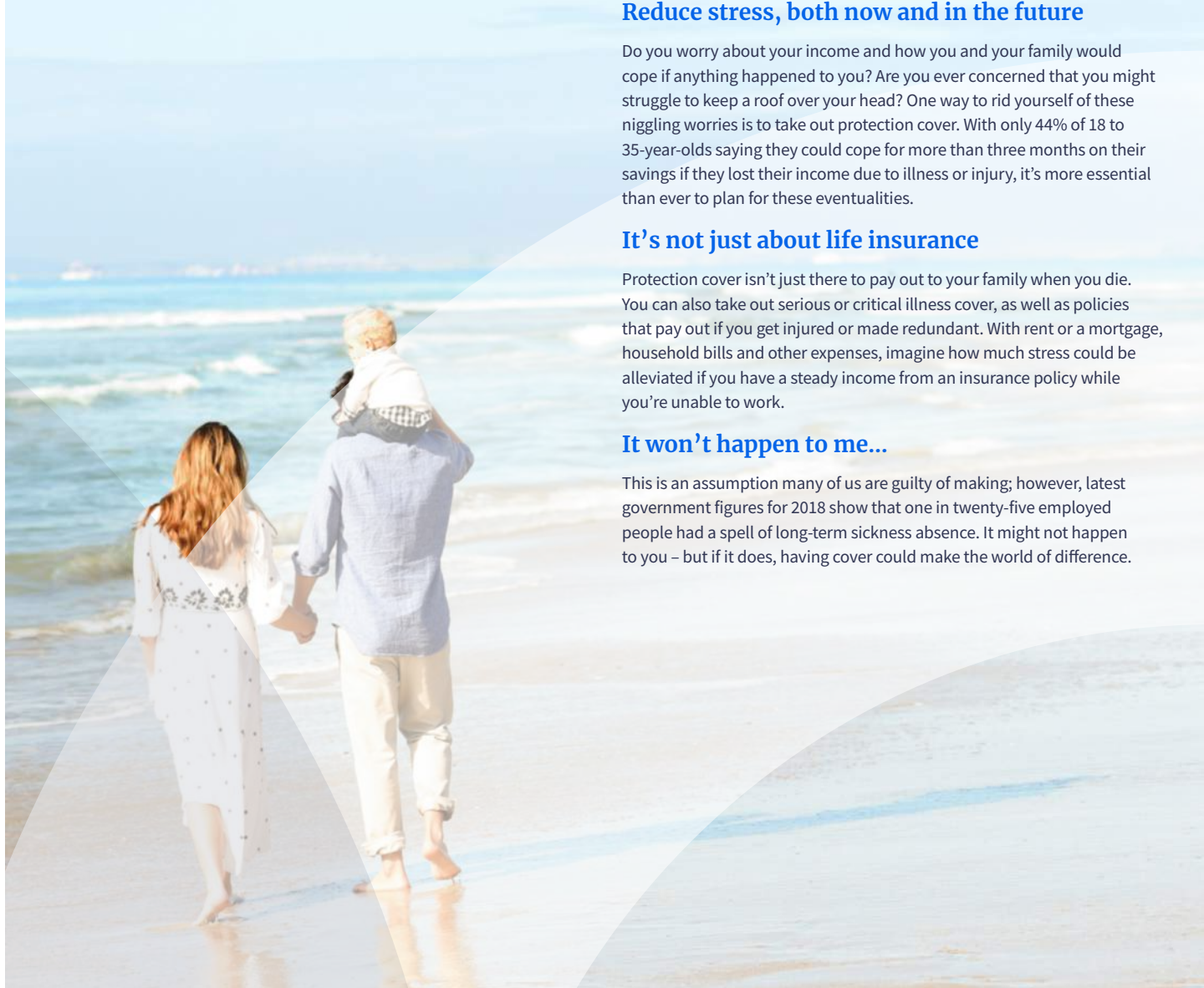
Do you worry about your income and how you and your family would cope if anything happened to you? Are you ever concerned that you might struggle to keep a roof over your head? One way to rid yourself of these niggling worries is to take out protection cover. With only 44% of 18 to 35-year-olds saying 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.



# Look beyond the price of your protection policy

Most of us celebrate the start of life and pay tribute to the end of life, but are we placing enough importance on everything in between?

If we're lucky we'll enjoy certain life events like finding a lifelong partner, marriage / civil partnership, having children, enjoying a career and, ultimately, retiring. But how many of us take out financial protection in the event our plans go awry?

Clearly life isn't always plain sailing and we will face obstacles and challenges to overcome. When these challenges are more serious, for instance if accident, illness or death strike, protection insurance can help provide a safety net.

And when it comes to protection, we hold two firm beliefs:

- 1 It should form the foundation of most people's financial plan.
- 2 Cover should be reviewed regularly to make sure it continues to meet your needs.

The second principle is particularly important when you're at a particular 'life' stage. Whether that's buying a house, getting married, starting a family, setting up in business, or all the above, protection insurance will help to protect your loved ones and your financial responsibilities.

But it's important to look beyond the headlines when taking out protection as many providers will offer added-value benefits beyond an initial pay out, that can really help you adapt and cope to potentially life-changing circumstances.

These additional benefits could be anything from access to expert medical opinion, rehabilitation to get you back to work as quickly as possible, bereavement counselling, or even global treatment.

When using comparison sites and direct insurers, care should be taken to make sure their 'off-the-peg' solutions meet your specific needs. Using our expert product knowledge, we can help find the right solution with the right value-added benefits for you.

**For more information or to discuss a protection shortfall, please get in touch.**

# 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.

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.

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.**

## Advice from your lender

## Advice from us

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

