SPRING 2021 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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2 in 5

people think they don't have sufficient wealth to seek advice

1 in 4

think advice is for those with savings over £100,000

3 in 4

of those who have sought advice have savings and investments of less than £100,000

The value of advice

Throughout our lives, we face having to make financial decisions that can have a major impact on our wealth, as well as determining whether we meet our goals, and can protect ourselves and our families from unexpected events. A carefully thought-through financial plan can make a positive difference, no matter what stage of life you're at. Isn't expert advice only for the wealthy?

Certain life events, such as buying your first home, having a baby or retirement, will tend to prompt people to seek advice.

And don't think that professional financial advice is only for the very wealthy or is only useful when it comes to making complex investment or pension decisions. Even a seemingly straightforward financial goal could involve numerous decisions and having to make a choice from a range of different products and providers.

Research has found that two in five people think they don't have sufficient wealth to seek advice and over a quarter (27%) think advice is only for those with savings over £100,000. The reality is that 77% of those who have either sought advice or who currently have an adviser, have savings and investments of less than £100,000, compared to just 5% with more than £500,000.

Is it worth seeking financial advice?

Over the years, research has produced some interesting findings that highlight the benefit of taking advice when making financial decisions.

When assessing financial returns, one study found that individuals who receive financial advice were likely, on average, to receive 4.4% more per annum in net returns. This was through a combination of financial planning, tax advice, preventing behavioural mistakes and rebalancing portfolios.

Elsewhere, another study highlighted that receiving professional financial advice over a five-year period (between 2001 and 2006), resulted in a total boost to wealth (in pensions and financial assets) of nearly £48,000, a decade later.

The real value of advice

Good financial outcomes are obviously important, but the true value of financial advice can be measured in different ways. As well as saving you time, working with a trusted financial adviser can give you the peace of mind and reassurance that things are in hand.

No two clients will have the same requirements, so it's vital you obtain sound financial advice tailored to your individual needs. That's where we can help, with tailor-made advice which helps to add value, whatever stage of life you're at.

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.

Past performance is not a reliable indicator of future performance and should not be relied upon.

OW3141 Exp. 03/02/2022

Investing for the long term – lessons from the past

The emergence of COVID-19 brought a rapid end to the drawn-out recovery of major stock markets from the share price lows associated with the financial crisis a decade ago. When the scale of the threat to lives and livelihoods became apparent, market analysts and investors reassessed the global economic outlook and corporate prospects; they didn't like what they saw and a wave of selling followed, with inevitable consequences. Most share prices, and thus stock indices, were impacted.

Market analysts and investors aren't infallible, but when something like COVID-19 strikes they get nervous because closed borders, flight bans and lockdowns can pose a threat even to large companies, especially in exposed sectors. Axed dividends and distressed rights issues are anathema to the jittery; and the largest blue-chip companies aren't immune. Little wonder then that the 100 shares comprising the UK's blue-chip share index, the FTSE 100, rapidly lost about one-third of their combined value before regaining some composure.

Lessons from history

Created in 1984 with a starting level of 1,000 points to provide a wider index of leading shares quoted in London, the FTSE 100 largely superseded the narrower Financial Times 30-share index launched in 1935. As a barometer of economic outlook and corporate prospects, the FTSE 100 has gauged a few storms over the past 36 years. A chart of its progress reveals a plethora of spikes and dips, the starkest of which can be associated with key events in recent financial history.

Chart: **FTSE 100 from inception to March 2020**
https://tradingeconomics.com/united-kingdom/stock-market
Not the first FTSE 100 dip

After its launch on 3 January 1984, the FT's new share index only slipped very briefly below 1,000 points that year. It then made progress, sometimes faltering, to hit 2,000 points by March 1987, by then buoyed by the effect of the previous October's 'Big Bang' modernisation of the London Stock Exchange's trading structure. Six months of further upticks followed and the index broke through 2,350 in early October 1987. It would be two years before that level was attained again.

On 19 October 1987, the Monday after The Great Storm ravaged Southern England, global stock markets suffered a crash so severe that the day became known as Black Monday. A tsunami of selling, much of it blamed on new-fangled computer-program trading, rapidly took the FTSE 100 down to around 1,600, starting with an 11% drop on the Monday and 12% the next day.

The ascent of the 1990s

Share-price recovery was slow, hampered by a short UK recession in 1991-92 caused in part by high interest rates and an over-valued pound associated with efforts to keep sterling within Europe's exchange rate mechanism. After Chancellor Norman Lamont took sterling out of the ERM in September 1992, having spent billions and upped base rate to 15% trying to stay in, the index gained about 14% in six months.

As 1994 dawned, a decade on from its launch, the FTSE 100 stood at around 3,400; although then, as now, changes had been made to its constituent shares as companies' respective market capitalisations waxed and waned. Concerns about the economy and tax plans dampened sentiment and the index fell below 3,000 during the first half of 1994 before starting a five-year ascent to break the 6,000 barrier in the summer of 1998. After a 500% rise in 14 years, what came next for the FTSE 100?

A 1,000-point drop

High interest rates and other threats to UK economic growth and even talk of an impending recession brought a 1,000-point drop in the FTSE 100 in the autumn of 1998, almost all of it recovered by the year-end. General bullishness continued through 1999, which ended with the index nudging 7,000. As the year 2000 unfolded, a combination of overvaluation, epitomised by the rapidly inflating 'dotcom bubble', and a global economic slowdown brought further investor jitters.

The bull market had marched the FTSE 100 up the hill; the ensuing three-year bear market marched it back down again to around 3,600 in the spring of 2003. The index would take another five years to climb back above 6,500, where it was delicately poised for the next big shock: the 2008 collapse of US investment bank Lehman Brothers and the cascade of failures prompting what became known simply as 'the global financial crisis'. By March 2009, the index was down around 3,500 again.

Long term trend

It was a long haul back from there for the FTSE 100 but, after gyrations associated with various stages of the Brexit process, the start of 2020 saw it comfortably above 7,000. News of a new virus outbreak in an unfamiliar Chinese city seemed at first like a distant threat. As the outbreak turned into a pandemic, global markets faltered again and the FTSE 100 headed below 5,000 before recovering some of the loss. COVID-19 has brought a reset of the blue-chip barometer, the FTSE 100 index.

Despite a variety of market shocks and rebounds, the index still has a long term growth trend. It is important to remember that some market volatility is inevitable; markets will always move up and down. As an investor, putting any short-term market volatility into historical context is useful.

Financial advice and regular reviews are essential to help position your portfolio in line with your objectives and attitude to risk, and to develop a well-defined investment plan, tailored to your objectives and risk profile.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

OW2654 Exp. 27/04/21

Do you know your State Pension age?

Did you know that the State Pension age (SPA) increased to 66 for both men and women in October this year and it's set to rise further? Knowing your SPA, together with how much you can expect to receive, is an important part of your retirement plan that is often overlooked.

If your DOB is after
April 1960
your pension age will be 67

If your DOB is after
April 1977
your pension age
will be 68

Why do I have to wait longer?

In 1908, when the first State Pension was introduced in the UK, you would have to wait until the grand old age of 70 before being able to claim. This was at a time when life expectancy at birth was around 40 years for men and 43 for women, and when only 24% of people reached State Pension age!

As recently as ten years ago, women could claim their state pension at 60, while men had to wait until they were 65, but qualifying ages have now been brought into line. The changes were introduced due to increased life expectancy, as people are now likely to spend a larger proportion of their adult lives in retirement than ever before.

66, 67 or older?

To find out your SPA, visit the government website www.gov.uk/state-pension-age - this will provide you with an exact date. However, you are no longer forced to take your pension at this age, so you could consider working longer if that suits your circumstances.

If you were born after April 1960, your pension age will be 67 and people born after April 1977 will have to wait until age 68 under current proposals, although the government is considering plans for this to be brought forward.

How much will I get?

The State Pension is paid to anyone who has made at least ten years' worth of National Insurance contributions during their working lifetime. The maximum payment is currently £175.20 a week (£9,110.40 a year), but how much you get depends on how many years you contributed for. To check your State Pension forecast, go to www.gov.uk/check-state-pension.

You may also be able to apply for National Insurance credits or pay voluntary National Insurance to boost your State Pension, although the best options will depend on your individual circumstances.

A timely reminder to plan ahead

Why not let the recent increase to the SPA act as a reminder to review all your pension pots, including your State Pension, to consider whether your savings are going to allow you to have the retirement you've dreamed of. We can help you get on track, so why not get in touch?

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Managing mortgage stress – we're here for you

Whether you're a first-time buyer, a second-stepper or further up the housing ladder, buying a home is always a big move and can feel a bit like a roller coaster ride at the best of times. Now there is the added complications and worries that the COVID-19 pandemic may have caused for people's lives, finances and general wellbeing.
Here are some tips that can help you navigate the home moving process as smoothly as possible.

Smooth sailing

Taking advice will save you time, money and stress. We are on your side, we know the industry and the most appropriate lenders, to be able to recommend the most suitable mortgage for you and we can offer useful advice on all aspects of the house buying process. More now than ever, the value of professional advice is immeasurable. As the mortgage market changes, it's our job to keep our finger on the pulse. We'll be able to help you get a decision in principle from a lender, which will give a seller the confidence that you are a serious purchaser.

Expert navigation

We can help you familiarise yourself with all the stages involved in getting a mortgage. We'll explain important things like how affordability checks work, what paperwork you'll need to provide to a lender in support of your application, and what costs and fees you should budget for. You will need to have saved a deposit - in most cases the bigger the deposit you can put down, the lower your interest rate is likely to be.

Check out your finances in advance

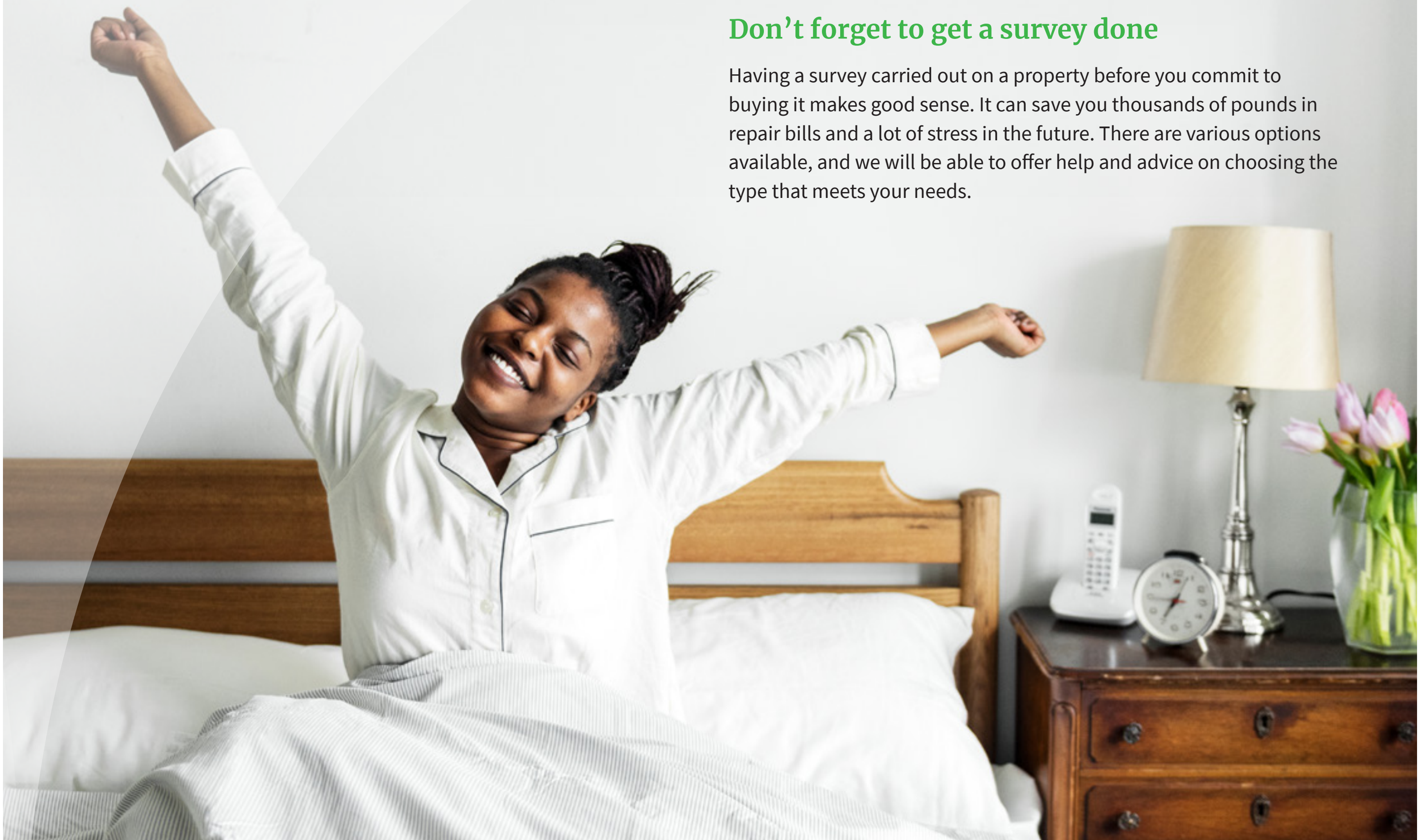
Start by taking a look at your income and outgoings; any lender considering your mortgage application will expect you to be on top of all your bills and be comfortably able to afford your monthly mortgage payments. It makes sense to cut back on things like unused subscriptions and watch how much you spend on things like eating out. Lenders will want to see a healthy credit score - a higher score usually means you are a lower risk; the more points you score the better the chances that you'll be offered better interest rates. Being under time pressure can increase your stress levels, so it pays to have your finances in order before you start looking for a property and a mortgage.

Work with a good estate agent

It's worth taking the time to get to know a reputable estate agent. Explain your circumstances to them so that they can pass on relevant information to sellers. First-time buyers with a mortgage offer in place are in a strong position as they can proceed more quickly than another buyer who has yet to sell their property.

Don't forget to get a survey done

Having a survey carried out on a property before you commit to buying it makes good sense. It can save you thousands of pounds in repair bills and a lot of stress in the future. There are various options available, and we will be able to offer help and advice on choosing the type that meets your needs.



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

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

Don't lose out to inflation

Putting your hard-earned cash into savings accounts may not be the most efficient way to make your money work for you.

If you've been placing your cash into a savings account over the past decade, you might be surprised to find that your money could now be worth less now than when you first put it away. According to research from AJ Bell, if you'd put £10,000 into a cash ISA 10 years ago, it would now be worth £9,772 even when accounting for interest.

So why is this? Inflation is currently outpacing interest rates, with the latest figures showing that it reached 0.7% in January. Meanwhile, the Bank of England (BoE) base rate has stayed at 0.1% since March 2020 and doesn't look likely to rise any time soon.

The BoE base rate influences how much banks can charge people to borrow money or what they pay on savings. As a result, the current situation is bad news for savers as it reduces the spending power of their money. Yet it's good news for some borrowers – for example, those with a fixed-rate mortgage benefit from inflation as it effectively reduces their debt.

What is inflation?

Inflation is the rate at which prices for goods and services increase, affecting what you can buy for your money. The most common estimate is the Consumer Prices Index (CPI) measured by the Office for National Statistics (ONS).

It looks at the prices of thousands of things people spend money on, from cinema tickets to bikes, computers and TVs. It's important to remember that inflation is only an average rate that looks at certain products, so it affects households in different ways.

One of the BoE's key roles is to ensure that inflation stays at a target of around 2%. So if inflation falls below this level, the BoE is likely to cut interest rates to lower the cost of borrowing and encourage spending.

What's the alternative to cash?

If you'd used your whole cash ISA allowance each year and put in the maximum of £127,320 since 2011, it would now be effectively worth only £124,857, according to AJ Bell. Yet if you'd put the same amount into an average global stock market fund, it would now be worth £196,079 after accounting for inflation.

This means that if you'd started putting your money into a stocks and shares ISA at the same time, you'd be much better off than if you'd stuck with a cash ISA. Despite this, many people still hold onto their cash because of the security and convenience it offers. While it's important to have access to some cash for your short-term needs, it makes sense to invest your money when thinking about the long term so you don't lose out to inflation.

What about junior ISAs?

A junior ISA is a useful way to save or invest for a child under the age of 18. When they turns 18, the account can be converted to an adult ISA. There are two types available: a junior cash ISA or a junior stocks and shares ISA. As with an adult cash ISA, putting the money into a junior cash ISA means it may not grow as quickly as inflation. Alternatively, the returns from a junior stocks and shares ISA depend on the performance of the underlying investments.

So although investing does come with its own risks, you're likely to achieve higher returns than if you leave your money in a cash savings account. If you'd like to find out more about investing, a financial adviser can talk you through your options and help you find the most appropriate solutions for your circumstances.

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. 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.

OW3270 Exp. 19/04/2022

Give your children a head start with financial education

Financial literacy isn't a skill that we are born with. Learning how to manage money effectively means acquiring a few important life lessons that parents can pass on to their children from a relatively young age.

Money does not grow on trees

Encourage children to handle cash as soon as possible to help them recognise its value and to plan how to save some of their pocket money, so that they can save up to buy a new toy or book with their own money. After all, good things come to those who wait, teaching delayed gratification is a great lesson. Children need to realise that you work to earn money and that it simply does not pop out of the wall at the cashpoint.

Lead by example

Talk to your children about how much things cost and set a good example; your financial behaviour will lead the way. It's important for children to understand what budgeting means, to teach responsibility with money. If you demonstrate responsible buying by creating a budget before you go shopping, comparing prices, using money saving vouchers and curbing impulse purchases, you can lead by example.

Dividing money into different pots is a useful way to demonstrate only spending the money you have, as it helps your child to visualise where their money is going. When it's gone, it's gone.

Saving for the future

Junior Individual Savings Accounts (JISAs) are a good way for children to learn about the benefits of saving money for the future. Once the person who has parental responsibility for a child has opened the account, anyone can contribute to it, up to an annual limit (£9,000 this tax year). This means that the child can learn more about money management by saving some of their pocket money and watching it grow, before gaining control of it at age 16. The money cannot be withdrawn until the child is 18, at which point, the account is automatically rolled over into an adult ISA, a valuable facility for those who want to continue saving or investing tax-efficiently.

Teach a life skill

Due to limited curriculum time, only four in 10 children and young adults currently receive financial education lessons. According to The Financial Capability Strategy, children's attitudes to money are well-developed by the age of seven. Research confirms that children who receive a formal financial education are more likely to be money confident and have a bank account, understand debt, be capable of saving and generally have the skills needed to make the most of their money in the future.

Simple things like playing family board games together that promote financial literacy; games such as 'Cashflow 101' and the ever-popular 'Monopoly', which now has junior versions, are a good starting point.

The value of investments can go down as well as up and you may not get back the full amount you invested. This information is based on our current understanding of the rules for the 2020/21 tax year.

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

OW2768 Exp. 05/04/21