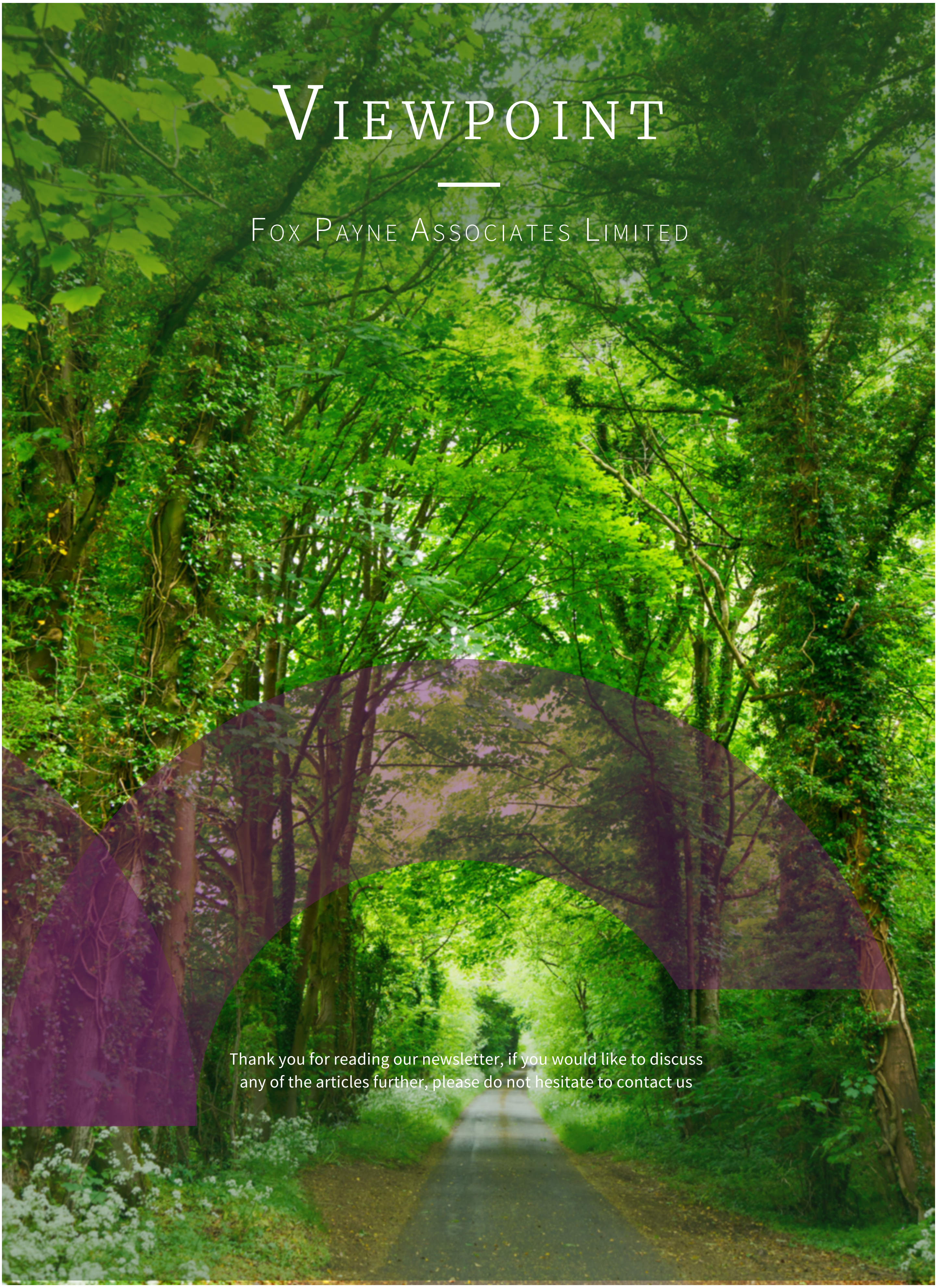
Viewpoint

Fox Payne Associates Limited



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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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.

OW2466 Exp. 15/01/21

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!

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OW2550 Exp. 10/03/2021

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 tim -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.

OW2109 Exp. 26/06/20

Reviewing your pension contributions

Did you know...?

Gender pay gap
Pensions for women are £7000 less than mens on average and yet on average women live for six to eight years longer than men.

A nation unprepared for retirement
80% of the British population may not be saving enough for retirement.

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 40% and 45% 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 2020/21 tax year is £40,000 or your full salary (whichever is lower), although it is tapered for anyone earning over £200,000. 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 £1,073,100 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.

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:

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

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

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.

Does diversification matter?

When it comes to building your investment portfolio, you might have been warned about avoiding putting all your eggs in one basket. It's wise to spread your money across a range of different investments. That way, if the value of one of them falls, it should have a limited effect on the overall performance of your portfolio.

How to diversify your portfolio

In practical terms, diversity involves investing in different asset classes across various countries and regions.

The two main asset classes in most portfolios are shares and bonds, and these behave differently. When you invest in shares, you buy into a company's ongoing operations. The value of shares fluctuates according to the fortunes of the company, so they are riskier than bonds. Of course, the returns can be greater too.

A bond is effectively a loan to the issuer in return for a fixed interest payment. A government bond, such as a gilt, is considered among the least risky investments, as the UK government is unlikely to default, although returns can be lower.

Most portfolios will also diversify holdings across developed countries, like the UK, the US and within Europe, and regions such as emerging markets (EMs). Developed countries typically have relatively stable economies and stock markets comprising large, well-established companies. EMs on the other hand, are growing faster so they offer greater potential rewards, however, they tend to be more unpredictable so they are regarded as higher risk.

How diversification works

During times of uncertainty, bonds usually rally as investors move their money out of shares and into safe-haven assets. When the outlook improves, shares rebound as investors switch back to taking greater risk in return for what they hope will be a higher reward.

As for geographical diversification, any number of economic or political factors can weigh on the financial markets in one country or region without necessarily spreading into others.

Assets and regions are not always uncorrelated in the short term. Most asset classes fell towards the end of 2018 due to concerns about global trade, slowing economic growth and the prospect of rising interest rates. They then rose in tandem at the start of 2019. As long as your portfolio is well diversified, it should weather market fluctuations.

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OW2275 Exp. 09/10/20