CARL SUMMERS
FINANCIAL SERVICES

# FINANCIAL VIEWPOINT

CARL SUMMERS FINANCIAL SERVICES

Please enjoy 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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# What does a financial adviser do?

A financial adviser can help with your investment goals, but they can also offer many more ways to understand and make the most of your money.

You might think that people who use financial advisers are just investing in the stock market or need someone to manage their portfolios. But a financial adviser can do a whole lot more.

## Different types of financial advice

For an adviser, it's their aim to help you achieve your financial goals, but that doesn't just cover building wealth through investment – their expertise can apply to everything from mortgages to life insurance, pensions, saving for retirement or handling an inheritance. Advisers can vary in what they specialise in, and fall under a large umbrella of services including:

*Pensions*
You may have several workplace pensions that you'd like to consolidate, or you could have questions about drawing an income from your pension. Whatever your circumstances, a financial adviser can examine the details within your pensions to guide you on how to approach them, considering how much you will need to live comfortably when you retire.

*Tax*
You might think that there is little difference between Another area where expert help is needed is tax. From inheritance tax to capital gains tax or working out how much you should be paying (and if there are ways to minimise your tax bill) – is tricky. With the help from an adviser, you can become more tax-efficient and make the most of any tax breaks available to you. An adviser is best placed to help minimise your tax bills and get you the best returns.

*Inheritance*
An adviser can help you with leaving a legacy – an important part of planning the future of your estate and making sure your wishes are carried out when the time comes, and your wealth is passed tax efficiently. This advice could range from inheritance tax mitigation to making or updating your will.

*Mortgages*
Mortgages can be a tricky area, whether you're a first-time buyer, searching for the best remortgage deal or looking for an investment property. A financial adviser can help you navigate the process, find the right type of mortgage and map out how your mortgage will work over the years (and when it could be a good time to review your mortgage). They'll also be able to let you know your tax obligations if your property is an investment.

*Investment*
A financial adviser can help you navigate the world of investing safely, helping you take your first steps in investing or reviewing and managing your existing investments, as well as making you aware of any risks along the way and making sure you keep focused on the long-term goals through any market highs and lows. Our advisers have a broad breadth of experience and take an objective approach – offering ongoing advice and expertise – both of which are crucial to seeing your investment and retirement objectives come to fruit.

*Our financial advisers are here to help you make sense of your finances, build, and manage your wealth and protect what you have going forward – to the benefit of you and your family.*

***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.***

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

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

OW3812 Exp. 04/01/2023

# Start of the tax year checklist

## The new tax year on 6 April 2022 marks a great time for your adviser to help you organise your money and make the most of the allowances available to you.

A new tax year means annual allowances are back to zero and ready to be filled or topped up, to make the most of your money.

This is a good time to work with your adviser and run through your existing pensions and investments and review the allowances available to you, as well as looking into opening any new forms of investment.

With interest rates on the rise, your adviser is ideally placed to guide you through ways to grow your savings, depending on your needs.

*Note: The following figures are applicable to the 2022/2023 tax year, which starts on 6 April 2022 and ends on 5 April 2023.*

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### ISAs

The maximum you can invest across your ISAs (if it's a cash ISA, stocks and shares ISA or innovative finance ISA) is £20,000. For a lifetime ISA, the annual allowance is £4,000.

### Junior ISAs

If you're looking to put some cash aside for your children, Junior ISAs (JISAs) are a great option and often come with higher interest rates. In the new tax year, you can save or invest up to £9,000 in a cash JISA, a stocks and shares JISA, or a combination of the two.

### Pension allowance

Your personal pension contribution allowance is £40,000, although it can be lower for higher earners and where pension savings have been flexibly accessed already. Any contributions you (or your employer) make receive tax relief from the government (based on your income tax band) of 20% or more – and the money in your pension pot will grow tax free.

### Child's pension

A child's pension can be set up by a parent or guardian, but anyone can contribute. You can pay up to £2,880 in the new tax year into a pension on behalf of a child and the government automatically tops this up with 20% tax relief on the total amount contributed, taking the figure up to £3,600.

### Gift allowances

A financial gift is a great way of using tax-free allowances, and your adviser can help explain the options available.

Making a cash gift can help a loved one (and help with your estate planning). Everyone has an annual gifting limit of £3,000 that is exempt from inheritance tax (IHT). This is known as your annual exemption. If you fail to use it one year, you can carry it over to the next tax year (so if you didn't use the gift last year you could give away £6,000).

It's worth remembering that any gift you give, even to family members, could be subject to capital gains tax (CGT). CGT is the tax you pay on any profit or gain you make when you dispose of an asset, such as a second home or shares. If you gift an asset and it has risen in value compared to what you have paid for it, you could be liable to CGT. The CGT allowance for the new tax year is £12,300. This is the amount of profit you can make before CGT is applied.

### Marriage allowance

If you are married you might be able to take advantage of the marriage tax allowance. It allows one half of a couple who earns less than the income tax threshold (£12,570) to transfer up to £1,260 to their higher-earning spouse (who must be a basic rate taxpayer).

*Our financial advisers can help you make the most of your annual allowances now that we are into a new tax year.*

OW3989 Exp. 05/04/2023

# Myths about retirement

When it comes to retirement, there are some ideas that can turn out to be quite different when you examine them closely. We explore five of them.

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## 1. You can live off the state pension alone

The current basic state pension is £137.60 per week, or £179.60 for the new state pension if you were born on or after 6 April 1951 (for a man) and on or after 6 April 1953 (for a woman). That works out annually as £7,155 or £9,339 respectively, depending on meeting National Insurance contribution requirements and other eligibility criteria.

This could be enough for those who own their home outright, to cover the very basics for everyday living but is limiting for those who want to enjoy a more comfortable retirement without money worries. As life expectancy rises, so does the amount of time we'll need to fund our lives in retirement, including long-term care when we're older.

## 2. Matching your workplace pension is enough

With an occupational (workplace) pension, the overall minimum total contribution is 8%, with employees paying in 5% of salary and employer contributing 3%. But this might not be enough to give you the kind of income you're expecting once you've retired.

The good news is you can back your workplace pension up by increasing your contributions if you're able. Better still, some employers also offer to pay more into your pension to help build your retirement benefits faster, by matching any additional contributions you make up to a set level. If you start the ball rolling earlier, the more tax relief you'll receive and the more time your overall pot will have to grow.

## 3. It's possible to keep working for longer

The reality is, even if you wanted to continue working either full – or part-time after state retirement age, you might not be able to do so. It might be too physically demanding or might not fit in with retirement goals like spending more time with grandchildren, travelling or other pursuits you've been looking forward to.

Getting help from a financial adviser can ensure you have your desired level of income in retirement. You'll then be able to focus on keeping busy through hobbies, part-time work or other areas like volunteering in your community.

## 4. After a certain point it's too late to save for retirement

As we're living – and working – longer than before, while it's true that the sooner you start the better, life doesn't always go as planned so it's never too late to start saving for retirement. Compound investment growth can make a big difference to the value of your pension over time.

## 5. You can save for retirement without help from an adviser

Even with the best intentions when it comes to saving and investing, doing it alone is difficult. That's why working with a professional investment adviser can give you confidence about the direction of your investments. An adviser will be able to point out the long-term benefits of your investments and how they can pay off for you.

***Speak to your adviser about making the most of your pension investments.***

OW3811 Exp. 04/01/2023

# Seeking investment talent

We explore how Omnis appoints third-party managers to run funds to provide access the best investment talent in the market.

Omnis Investments (Omnis) offers clients of The Openwork Partnership and 2plan Wealth Management a range of 26 funds. They appoint third-party investment managers, allowing investors access to the best talent in the market. No matter how big you are as an investment house, you can't have the best investment managers for every single asset class – it is Omnis' job to find the best managers out there.

Investment managers move firms and retire. The Omnis model means the team can decide if and when they need to find a new investment manager and then manage the transition without investors having to buy and sell funds. In other models, if your fund manager leaves, you would sell the fund and switch manually to another one, which can be a lengthy process. It would leave investors uninvested during the period and could sometimes lead to taxation events and charges.

Omnis has the responsibility for making sure investors always know what's going on in the funds. The team can provide detailed information because they are able to monitor each fund manager, and make sure they are always investing in line with the funds' investment objectives.

## Manager selection

Omnis works with external specialist research firm Fundhouse to make sure it can identify the best investment managers. There are more than 100,000 funds globally, which is more than the number of listed stocks, so Omnis distils these into a more manageable list and contacts managers to discuss their processes and capabilities.

That list then gets further refined to a shortlist of about five managers. Omnis then asks for more detailed information in writing and meets each team in person to gain an understanding of their investment approach. Omnis now manages more than £10 billion on behalf of its investors, and this size provides the level of access needed to fully assess managers.

Omnis tests each manager's investment process with the data on other funds they manage to verify the information. A shortlist of investment managers then present to the Omnis Investment, Performance and Risk Committee, which will recommend its preferred investment manager to the Omnis board.

## Sustainable investing

Omnis assesses whether the managers are incorporating environmental, social and governance (ESG) factors into their investment decisions. The team sends each potential manager an ESG questionnaire at the start of the selection process. If they don't pass our ESG requirements, they don't progress any further. Omnis looks for examples of how they're incorporating these sustainability factors, as well as getting a feel for their culture internally.

Incorporating ESG factors into investment decisions is not as straightforward as you might think, and once they are appointed as managers Omnis cotinually reviews their approach to ESG and reports back to investors.

## Ongoing monitoring

Once a manager is appointed, the ongoing monitoring kicks in. Omnis has regular meetings with the managers in person, and access to the portfolios so that the team can see all individual holdings at all times, allowing Omnis to make sure the funds are being run appropriately.

Omnis has launched many new funds over the past few years and the range of high quality, third-party fund managers that it can access continues to expand on performance, they aim to align their funds with the time horizons of investors, focussing on five-year rolling performance. Short-term performance over one week, one month or three months is considered as largely irrelevant in the context of meeting the stated five-year performance target set out in the objectives of the funds.

Although the performance of each underlying fund is important, Omnis does not recommend buying them individually. They should form part of a diversified portfolio to reduce risk and provide exposure to a diverse range of opportunities across asset classes, geographical regions, and industry sectors.

Your adviser will work with you to establish what the correct portfolio of Omnis funds is most suitable to you.

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OW3816 Exp. 04/01/2023

# How might rising interest rates affect your mortgage?

The Bank of England has raised interest rates which means bigger mortgage bills for some homeowners.

At the start of February 2022, the Bank of England raised interest rates for the second time in three months from 0.25% to 0.50% to combat soaring inflation. This move will have a knock-on effect as mortgage lenders raise interest rates in response, which will increase monthly payments for some borrowers.

### What does a rise in interest rates mean for your mortgage?

Anyone without a fixed-rate mortgage is likely to see their borrowing costs rise, although how they are affected will depend on the type of product they have. Your adviser can help you assess your mortgage deal and figure out ways to make some much needed savings.

- Only borrowers with a mortgage that moves up or down with the base rate will be affected by the interest rate change.
- This includes tracker mortgages and standard variable rate mortgages (which you revert to when a mortgage deal ends).

## Fixed-rate mortgages

Most mortgage holders are on fixed-rate deals so won't see any change in their monthly payments. This is because the interest rate you pay stays the same for the length of the mortgage deal.

## Standard variable rate mortgages

You will usually be moved on to a standard variable rate when your existing tracker or fixed rate mortgage deal ends. For example, if you take out a two-year fixed deal and you don't remortgage, you will be moved to the lender's standard variable rate. The rate is likely to be considerably higher than what you were paying before, so your monthly payments will increase, and lenders can raise the standard variable rate whenever they want.

## Tracker mortgages

Homeowners with a tracker mortgage will find that their interest rate payments will now go up, but when this happens will depend on their lender. Tracker mortgages are a type of variable rate mortgage that follow the Bank of England's interest rate. So, when official interest rates go up, the rate on your tracker will rise as well.

As a rule, they do not exactly match the base rate, but are set a level just above it. For example, if the lender's rate is the base rate +1%, the interest you'd pay in total on your loan would be 1.5%.

Whatever type of mortgage you have, we can advise you about how the interest rate rise might affect you and address any questions or concerns you have.

## How to save on your mortgage costs

The best thing you can do is to speak to your financial adviser. For example, if you're on a tracker mortgage, they will be able to advise whether changing to a fixed-term deal to protect yourself from any further rises is a good idea. They will also let you know about the fees involved when making changes to your mortgage. If you are on a standard variable rate you can switch at any time, so with interest rates rising, your adviser can help you look at available fixed-rate deals.

Homeowners on fixed deals don't have to worry about their mortgage going up until their current term ends. Most lenders will let you lock into a new deal six months before the current one ends so it's a good idea to plan.

*Whether you're looking to remortgage or are a first-time buyer, we can help you find the most suitable deal for your circumstances and help keep your costs down.*

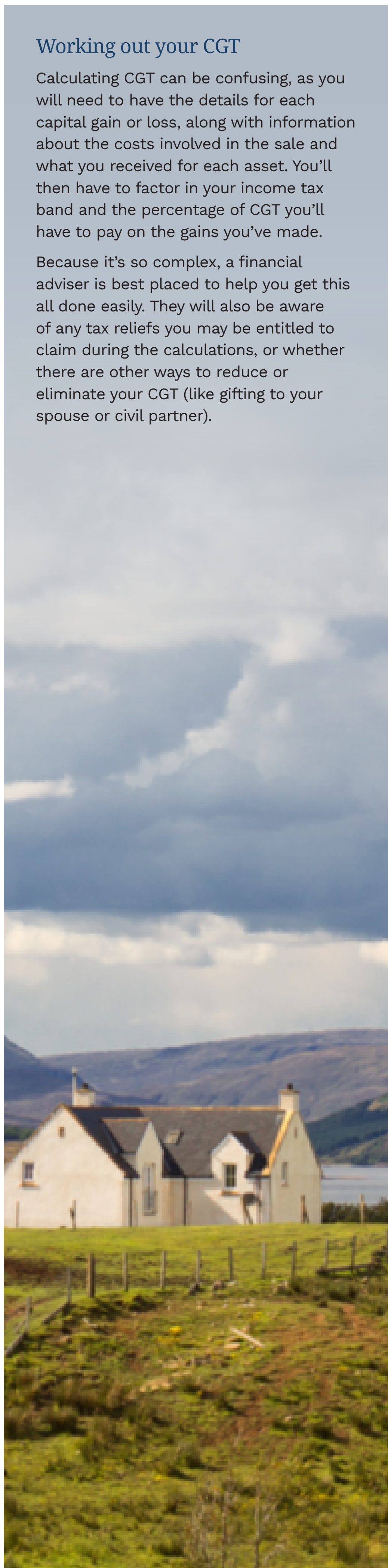
**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT**

OW3992 Exp. 11/07/2022

## Working out your CGT

Calculating CGT can be confusing, as you will need to have the details for each capital gain or loss, along with information about the costs involved in the sale and what you received for each asset. You'll then have to factor in your income tax band and the percentage of CGT you'll have to pay on the gains you've made.

Because it's so complex, a financial adviser is best placed to help you get this all done easily. They will also be aware of any tax reliefs you may be entitled to claim during the calculations, or whether there are other ways to reduce or eliminate your CGT (like gifting to your spouse or civil partner).



# What is capital gains tax?

If you're selling certain assets of high value or a second property, you'll probably have to pay capital gains tax on your profits. Here's how it works.

Capital gains tax (CGT) is a tax on the profits earned from selling an asset or a property belonging to you (excluding your main residence). You only pay CGT on your overall gains above your tax-free allowance – known as the 'annual exempt amount'. In the 2021/22 tax year this amount is £12,300, so you can make this much in profit before you pay any tax. Married couples or those in civil partnerships can double this to £24,600 by pooling their allowances together. The government announced in its 2021 March Budget that these levels have been frozen until 2026.

Depending on your income tax band, you will pay the following levels of CGT when you sell an asset or property:

| Basic rate taxpayers | Higher/additional rate taxpayers |
|---|---|
| The CGT to pay on assets is 10% | The CGT to pay on assets is 20% |
| The CGT to pay on property is 18% | The CGT to pay on property is 28% |

## Difference between assets and property

CGT affects assets and property differently when it comes to how much you'll pay:

***Assets***
An asset could be a piece of art, jewellery or an antique to name a few – but several assets are exempt from CGT, such as your family home, any personal belongings worth less than £6,000 or a car that is for personal use. Investments are assets, and if you're selling things such as shares, funds, investment trusts or other financial products you will be charged CGT if you go over your annual allowance (depending on your tax band).

***Property***
You will have to pay CGT if the property you are selling is a second home or a source of rental income. CGT needs to be paid within 30 days of completion of the sale or disposal of the property. You won't pay any CGT on the sale of your main residential home, providing that it's never been used for business purposes while you've lived in and owned it, and it covers less than 5,000 square meters (including the grounds).

There are rules around CGT if you live in the UK but are selling an asset or a property abroad (you may be liable to pay CGT on gains made from the sale). It's worth getting advice about a sale abroad if this affects you.

## When is CGT not required?

You won't need to pay CGT on a gift to your spouse or civil partner, or to a charity. You're also not required to pay CGT on certain financial assets, including gains made from ISAs or PEPs (the forerunner of ISAs), UK government gilts, Premium Bonds and winnings from betting, pools, or lotteries.

*Our advisers can help you make sense of any CGT affecting you and your assets, helping you to arrange your investments in the best way to make the most of their potential, including when you sell them.*

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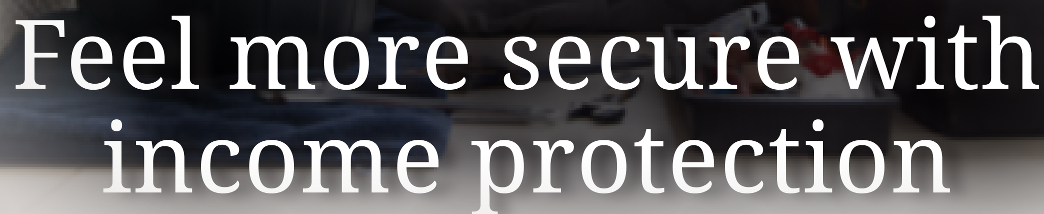
***For specific tax advice please speak to an accountant or tax specialist.***

OW3814 Exp. 04/01/2023




## When it comes to insurance, we're more likely to protect our pets than our income. Here's why it's important to have some income protection in place.

### What is income protection?

Income protection pays out a percentage of your monthly income if you are unable to work due to illness, an accident or disability. It gives you a buffer between finding yourself without an income, paying the bills and protecting your family's security. Building an emergency fund (which covers around three months' worth of bills and essentials) is a good start to give you some financial back-up, but income protection insurance can also provide peace of mind.

### How does income protection work?

Income protection is an insurance policy, so you pay a monthly or annual premium for it like any other type of insurance. If you can't work because of sickness, disability or other reasons (depending on your policy criteria), you will receive a regular income until you either return to paid work, retire, pass away or the policy term comes to an end. We can help you determine how much coverage you'll need.

### How much does income protection pay?

It could be anything from 60% to 65% of your pre-tax income, and the regular payments (which are tax free) will start after a pre-agreed waiting period, which could be weeks or months. You'll pay more in premiums if the waiting period is shorter and the percentage of your income is larger. This type of protection is different to life insurance or critical illness cover, both of which do not pay regular amounts but instead provide one-off lump sums in the event of your death or the diagnosis of a critical illness.

### Do you need income protection?

With the rise in the cost of living and cost of borrowing right now, many people are worried about paying the bills should anything happen that leaves them unable to work. Recent surveys have shown that the average UK family doesn't have enough in savings to be financially secure for long if they're no longer receiving an income.

That's where income protection can give you some financial resilience, especially if your workplace does not provide statutory sick pay (or only starts to pay out after a period of several months). Your adviser can help you navigate the income protection policies that could best suit you and your needs, weighing up how much your premiums might be with the amount of cover you're after.

As with any insurance policy to do with your life and health, things like your age, health, occupation and other factors (like how much of your income you would like to receive, and how soon you would like payments to start) will be considered when your premium is calculated.

We can guide you through what type of policy works best for you, helping you find value for money as well as some peace of mind knowing your income is protected.

*Your adviser is best placed to help you find an income protection policy to suit your needs and provide some security for you and your family.*

### Peace of mind for the self-employed

Sarah is self-employed and she approached her financial adviser for some advice. As a single mum, she worried that her emergency savings fund wouldn't be enough to cover the rent or bills if she found herself unable to work. Sarah's financial adviser found her an income protection plan with an affordable monthly premium that covers 65% of her earnings.

OW3991 Exp. 11/04/2023