SUMMER 2021

BSG FINANCIAL SOLUTIONS

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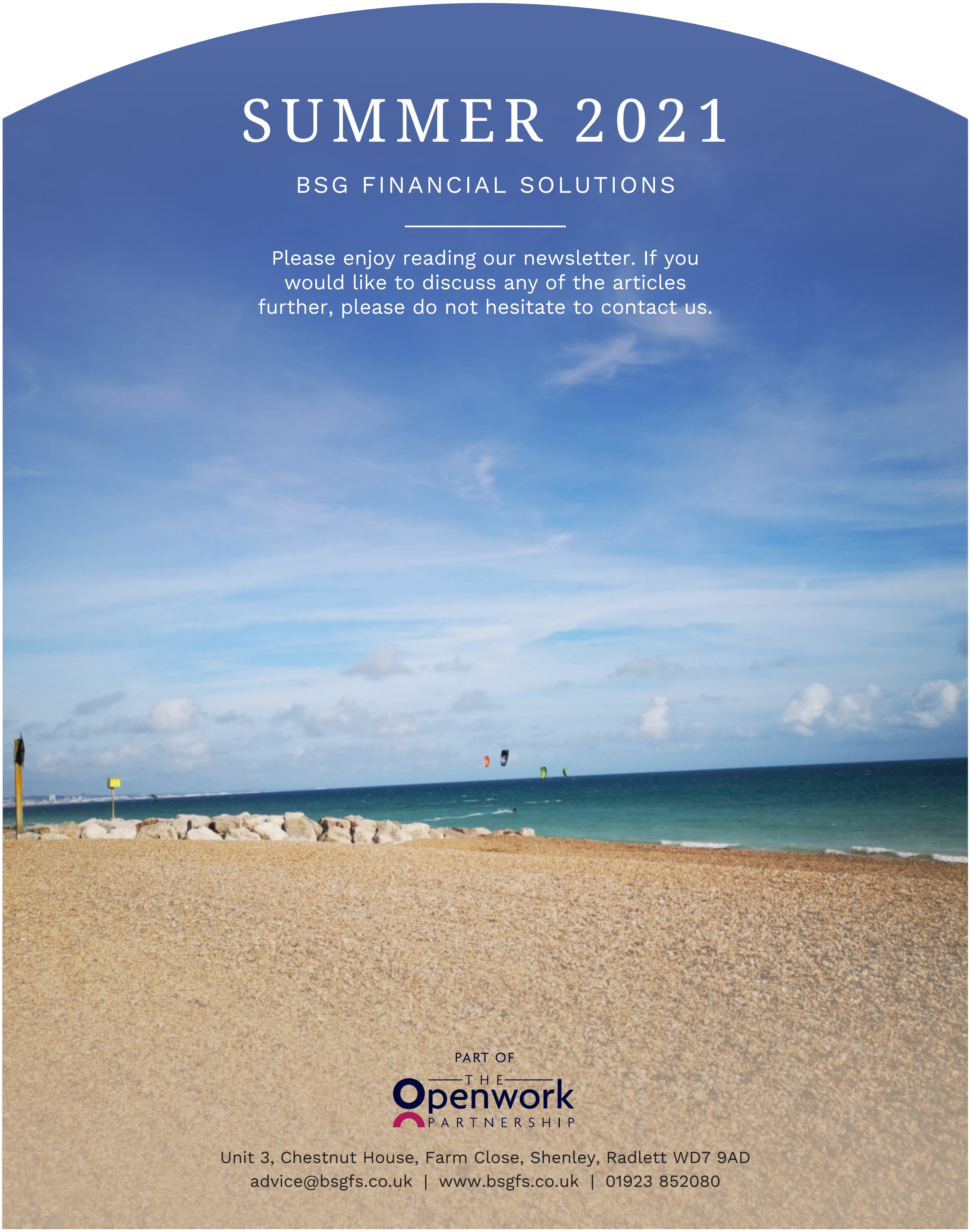

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Investment Update

Inflation rises, along with commodity prices

The combined economic effects of stimulus measures, inflation and increased spending all contributed to an eventful month.

In May, vaccine rollouts gathered pace and pandemic-based restrictions began to lift in many countries. However, a new wave of cases in India raised concerns worldwide.Despite reports that the UK economy shrank in the first quarter compared with the previous three months, the level of employment increased, although it remains below pre-pandemic levels. Inflation doubled to 1.5% in April, and the next stage of reopening the country took place in May, with indoor dining allowed and air travel to a 'green list' of countries.America saw its GDP grow by 1.6% in the first quarter, bringing it back almost to where it was before the coronavirus struck. Household spending on imported goods from China especially soared – perhaps as a result of stimulus checks and the reopening of services following the vaccine rollout implemented by the new Biden administration.

Inflation is picking up

With increased spending came the news that the US inflation rate soared to 4.2% in April, which is higher than expected, and cause for concern around supply, with bottlenecks pushing up costs for manufacturers and consumer prices. The stimulus checks are thought to account for some of the rise, and experts also believe a boom in consumer demand is behind it too.

The Federal Reserve's position is that inflationary pressures are temporary, and policymakers believe it will fall back down towards the end of the year. It's not seen as something that will force central banks to increase interest rates any time soon.

Commodity prices are rising

Commodity prices in May rose, with the price of iron ore and copper reaching record highs. Copper – seen as a bellwether for the global economy – rose to over $10,000 a tonne, surpassing the previous peak set in 2011 (during a commodities boom.) Demand for copper comes from China and the green transition in rich countries: it's used in a range of industries, from electric vehicles to wind turbines and solar panels.

'Dr Copper' is closely watched in markets because of its ability to diagnose important shifts in the world economy. Plans for fiscal stimulus in America and Europe lean towards the 'greening' of economies, favour copper demand. As a pliable, cost-effective conductor of heat and electricity, copper is a vital input to green tech.

There is concern that a green energy bubble could form due to the large investment in the sector (like wind, solar or hydro industries.) These companies have stretched market valuations – and may not be earning as much as their share values suggest.

Bitcoin in freefall following Musk snub

The walk-back from Elon Musk in his support of Bitcoin, underlined concerns around the feasibility of cryptocurrencies as a stable investment. Musk – previously an outspoken supporter – announced his company Tesla would not be accepting Bitcoin as payment for its vehicles.

His retraction followed news of the environmental effects from the electricity used to mine the currency. The result was a huge drop in the value of Bitcoin (and other digital currencies) – which continued its plummet days after the announcement.

Cohabiting couples should make a Will

When Tom and Pete bought their first property together, things couldn't have been going better. They both had good jobs, were pulling in decent salaries and were excited about spending the rest of their lives together.

They chatted about making a Will a few times, but somehow life always got in the way. Until one day, 10 years later, Pete got a call that would change his life forever. Knocked down by a car while crossing the road, Tom had tragically passed away.

The intestacy trap

Grieving for the loss of his partner, Pete then found out that, due to the UK's intestacy laws, he wasn't entitled to inherit any of Tom's property, financial assets or belongings, unless they were jointly owned. Despite Pete knowing that Tom had loved him and would want him to inherit, the absence of a Will meant that none of that mattered.

Thankfully, Pete and Tom had owned their property as joint tenants, meaning Tom's share automatically passed to Pete according to the rights of survivorship. However, without children or any surviving parents or siblings, the remainder of Tom's assets ended up being passed on to a distant uncle with whom Tom didn't have any contact.

Now, Pete faces a battle to pay his bills and mortgages without Tom's savings and investments, life insurance policy and even the car that Tom owned but they both used.

How a Will could have helped

Had Tom got around to writing a Will, he would have been able to specify exactly who would receive what from his estate, including his savings, investments, car and other belongings. In addition to writing a Will, Tom could have made his wishes known, by nominating beneficiaries to his pension and writing life policies under trust. By taking these steps, Pete would have been given the extra financial support he now so desperately needs.

As it stands, Pete still has the legal right to claim against Tom's estate as they had been cohabiting for more than two years - but this will be a costly and time-consuming process and a positive outcome isn't guaranteed. If Tom had a Will, this added stress could have been avoided.

Don't put it off

With cohabiting couple families growing faster than married couple and lone parent families, it's clear that more people are choosing not to get married, just like Tom and Pete. However, there's a catch. Cohabiting couples have none of the legal protections afforded by marriage, meaning that a Will is one way to ensure your partner inherits according to your wishes. Despite this, research shows three in five UK adults do not have one.

Let us help

Don't let what happened to Pete, happen to you. Speak to a solicitor or Will writing expert to make sure your loved ones are protected.

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Openwork Limited accept no responsibility for this aspect of our business.

Will writing is not regulated by the Financial Conduct Authority

Three in five UK adults do not have a Will

OW3035 Exp. 03/12/2021

Turning 'generation rent' into 'generation buy'

New 95% mortgage scheme to help first-time buyers

Lenders are now offering a government-backed 95% mortgage scheme to help more first-time buyers onto the property ladder.

The government is hoping to turn 'generation rent' into 'generation buy' with the help of a 5% mortgage deposit scheme launched on 19 April.

Following the outbreak of the coronavirus pandemic, many lenders withdrew low-deposit mortgages. In just under a year, the number of 95% mortgages available to first-time buyers fell from 391 to just three. It's hoped the scheme will give lenders the confidence to offer low-deposit mortgages again by taking on some of the risks involved.

What is the 5% deposit scheme?

First announced in this year's Budget, the programme offers first-time buyers or current homeowners the chance to secure a 95% loan-to-value mortgage on homes worth up to £600,000. It's available on both new-build and existing properties.

The government hopes the scheme will provide an affordable route to home ownership by helping people who may be renting but are unable to save for a deposit.

Buyers will still only be able to borrow in proportion to their income, typically a multiple of 4.5. As a result, the scheme will particularly benefit buyers in lower-value housing markets such as northern England and Scotland.

What does loan to value mean?

Loan to value is the percentage of the property value you're loaned as a mortgage – in other words, the proportion you're borrowing. For example, if you have a 95% mortgage on a house worth £200,000, you would put down £10,000 (5%) of your own money as a deposit and borrow the rest (£190,000).

What's the catch?

There are a few conditions that you'll have to meet under the scheme. You'll need to:

— Buy a property to live in – second homes and buy-to-let properties aren't eligible.

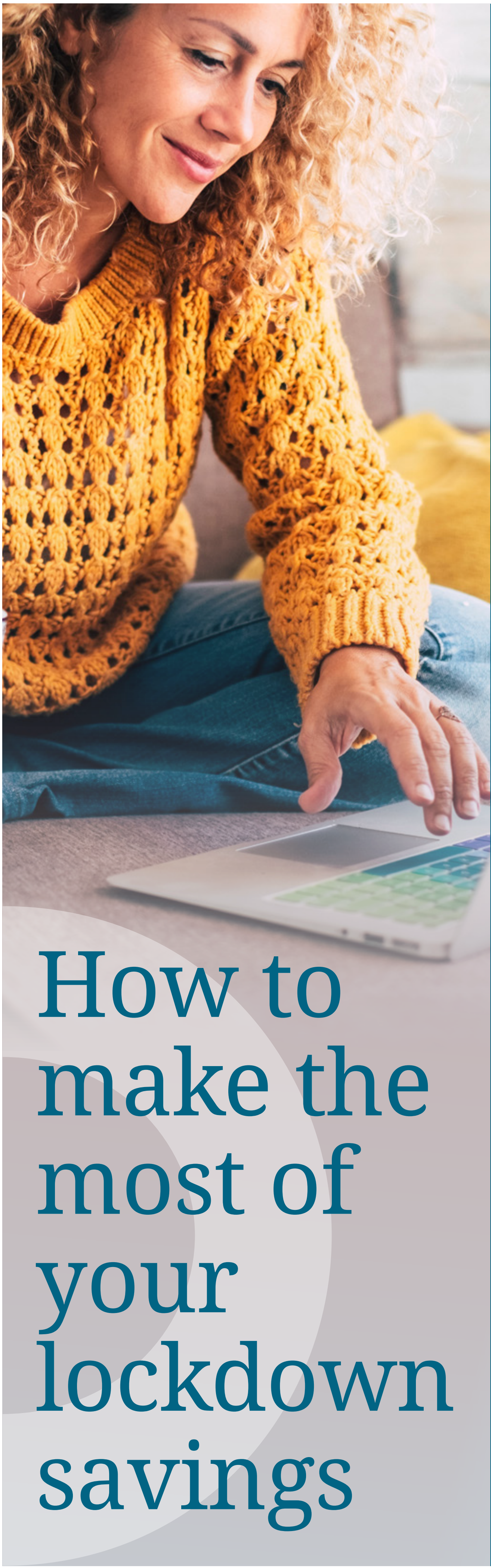
— Apply for a repayment (not interest-only) mortgage

— Pass standard affordability checks, including a loan-to-income test and credit score assessment.

It's worth considering the fact that the higher proportion of the property price you borrow, the higher the amount of interest you'll repay on your mortgage. So it might be good to take a step back and figure out if you can save for a little longer and borrow less.

Speak to your financial adviser about how the 5% mortgage deposit scheme could help you get on the property ladder.

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



How to make the most of your lockdown savings

The pandemic has reportedly created 6 million accidental savers, but what's the best way to use this extra cash?

The effect of the lockdown on millions of bank accounts has been to boost savings for people whose incomes have remained the same but whose spending has dropped.

With the prospect of life returning to a new normal, it's a chance to think about how to make the most of these savings and build on them too.

Where were savings made?

Working from home meant the cost of commuting was put on hold. Holidays were not booked, and the closure of restaurants, bars and entertainment venues cut spending in those areas, resulting in slightly healthier current accounts.

All this, the Bank of England estimates, resulted in over £125 billion saved in 2020. Its survey does note that only a fraction of this is likely to be spent by households, suggesting a cautious approach.

This is understandable given the drop in income for furloughed employees, the loss of income for the unemployed and an unstable job market.

How to invest your lockdown savings

Leaving your savings in a high-street bank account won't build much interest. But there are options out there for those who want better returns on what they've saved:

- Invest in a stocks and shares ISA – not only will any dividends paid to you be tax-free, but any gains will also be exempt from capital gains tax.
- Contribute to your private pension – this comes with the benefit of tax relief status on your contribution if you're a taxpayer.

Other ways to make the most of your savings

Aside from investing, there are some useful ways to use any extra money saved during lockdown:

- Pay down debt – if you have lingering debts, whether they're credit cards or student loans, consider using your extra cash to help eliminate them for good.
- Mortgage overpayments – you could make regular overpayments on your mortgage, reducing its overall term length and the amount you owe on the loan. Check with your mortgage company about their terms and conditions relating to overpayments.
- Build an emergency fund – this fund should contain enough to cover the essentials for a month (like bills, food and your rent or mortgage payments) if anything were to happen affecting your income. Consider opening a separate bank account — easily accessible to you — to store your fund.

A great place to start with all of these options is to create a budget that tracks your income every month compared to your spending, allowing you to work out how much you can put aside.

Our trusted financial advisers are here to help you find the best ways to invest your money to make the most of your savings — whatever your situation.

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.

The world is changing – so should your insurance

The world is changing rapidly in a way that nobody could ever have expected, meaning your personal and financial circumstances are likely to have changed. It is important to regularly review all aspects of your finances and that includes reviewing your protection insurance, to make sure your policy provides adequate cover for your changing needs.

Underinsured

If you don't regularly review and update your policy, any pay-out you do receive from your claim may not be enough to cover you and your family's needs if you were to die or if you are unable to work due to illness.

Say you took out a life insurance policy covering you for a certain amount. After several years, you may have children, resulting in a move to a larger house. If you take a larger mortgage; your monthly outgoings would increase, and you would have bigger bills to pay. Therefore, the lump sum paid out to your family upon your death would no longer be sufficient to sustain their lifestyle and might leave them facing financial hardship.

New policies offer better protection

Like any industry, the insurance industry has evolved over time. Modern policies can offer you better protection and more extensive cover.

When comparing a critical illness policy sold in 2007 with one sold in 2017, the more modern policy may have better claims wording, provision for part-payment and other advantages.

If you have simply been paying your premiums on the same policy for years, it is likely that, as well as facing the risk of being underinsured, you also won't be benefiting from the kind of comprehensive cover offered by today's policies.

Let us protect you

With so many different types of protection insurance on the market, it's not surprising that many people just stick with the cover they have. It may not be the best cover for them. We can assist you in finding the very best policies for your circumstances, so you have the peace of mind that you, and your family, will be protected should the worst happen.

Please note: Older policies may cover illnesses which modern policies do not. Premiums may be cheaper due to the age of the policy. Certain cover may be excluded on a new policy due to pre-existing conditions.

Always get professional advice when reviewing your insurance policies.

As with all insurance policies, conditions and exclusions will apply

OW2872 Exp. 06/08/2021

Practical ideas for downsizers

Getting fed up of everyone coming round to yours for Christmas?

Or are you rattling round a large house because your kids have grown up and flown the nest?

Or perhaps you've found a lovely little property in a part of the country you've always wanted to live?

Whatever your reason for downsizing we've got some practical steps to help you make the most of the move...

Measure up

Whether you're moving into a two-bed bungalow or a one-bed flat, you'll still need to know how much less space you'll have in your new home so that you can take your treasured furniture and possessions with you. Most estate agents provide online floorplans but if not, make sure you contact them, or the seller, to get the measurements.

You can then check the size of larger pieces of furniture you want to take with you to make sure they fit. And not only that, but they can be angled around tight hallways or doorways.

Declutter

There are a million and one self-help books and TV shows that tell you how they think you should declutter. It may be emotional, but it can pay to be both practical and cutthroat. Divide everything up according to its fate: 'keep', 'sell', 'donate' (to family or charity), 'recycle' and 'bin'.

Be practical - especially when it comes to larger items. Do you really need three extra duvets? And when scouring through cupboards and other storage, if you find something that's been at the back of a cupboard for 10 years you can probably assume it would do the same in your new home.

Don't feel as though you have to give up all those sentimental items though. If it 'brings you joy', keep it. And lock-up storage can be very reasonably priced if you have to resort to it.

Don't forget the costs

Moving to a smaller home may well help you save money on things like gas and electricity, council tax and general upkeep, but remember you'll be incurring costs when you move. Stamp Duty Land Tax (or Land and Buildings Transaction Tax/ Land Transaction Tax), solicitors fees, surveys and valuations can all add up.

Planning your downsize and budgeting for the costs involved in the move will help to make it a simple and stress free exercise.

If you're thinking of downsizing, we can explore your options and discuss changes to your financial plan that can help to make more of your new circumstances.

OW2107 Exp. 18/06/2021

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