

VISION

Issue 10 | Spring 2019

MAGAZINE

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Making sacrifices for home ownership
over retirement

SEIZE THE DAY

Planning for a comfortable life
after years of hard work

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'ESG'?**
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more inside



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SG Wealth Management

Norwich office: 53-57 St Martin's Lane
Norwich NR3 3SA

T: 01603 760866
E: post@sgwealthmanagement.co.uk
W: www.sgwealthmanagement.co.uk

SG Wealth Management

Ipswich office: Waterfront House
1A Wherry Quay, Ipswich IP4 1AS

T: 01473 255948
E: post@sgwealthmanagement.co.uk
W: www.sgwealthmanagement.co.uk



Hello and welcome to the Spring 2019 edition of *Vision* magazine. I hope you had an enjoyable Easter and are looking forward to Summer by now – I know I certainly am!

We've had a busy start to the year and, as ever, our latest magazine is packed with useful advice and the latest SGWM news.

In this issue you can read all about how we can help you plan for a comfortable later life after your years of hard work (pages 06 and 08) whilst safeguarding your wealth for future generations (page 05).

In the last edition we showcased Wealth Manager John Griffin's specialist qualifications in later life care planning. John was recently filmed talking about his Society of Later Life Advisers accreditation and will shortly be hosting a free seminar with Clapham & Collinge Solicitors on financial and legal planning for later life. For details see page 13.

Clapham and Collinge are also our guest contributors this time – their article on Blended Families and the Importance of Updating Your Will is on page 10. We'll continue to include other articles from guest contributors in forthcoming editions of *Vision*, so do keep reading!

The full list of articles featured in this issue appears opposite.

We hope you find *Vision* enjoyable and informative. If you have any ideas for articles or topics you'd like us to feature, or to discuss any of the articles in this issue, please contact us – and don't forget to follow and like us on LinkedIn, Twitter and Facebook. 

Helen Tavner, Editor



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BREXIT? KEEP CALM AND CARRY ON!

Spring has well and truly sprung (without a 'Beast from the East' this year thankfully!) and here we are in a new tax year and looking forward to summer. I'm hoping the weather will be as good as it was last year.

As expected, we noted that Chancellor Philip Hammond's Spring Statement was fairly low-key and predictable, with the most interesting announcement being the consultation on whether to scrap copper coins and the £50 note! Of course, depending on the outcome of Brexit, many policies and projections may see significant change, and the Chancellor did affirm that avoiding a no-deal Brexit would enable the building of a stronger economy.

On that note, and with all the uncertainty over Brexit at the time of going to print, it's tempting to think that cash is the best place for long-term savings. However, we recommend that our investors don't panic and remember that no matter how big a 'market correction', gains made during the subsequent recovery period generally outweigh any losses. So, whilst we can't predict exactly what will happen, keeping your sights on the long-term picture is rewarding for those who hold their nerve and stick with the long-term investment plans we have worked with you on. You can be assured that we will continue to 'watch this space' and manage your portfolio appropriately as things develop.

Finally, you may recall me mentioning that my main objective when I became majority shareholder of SGWM was to improve our service offering to you by investing

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As expected, we noted that Chancellor Philip Hammond's Spring Statement was fairly low-key and predictable, with the most interesting announcement being the consultation on whether to scrap copper coins and the £50 note!

into advanced technology. We've spent the first part of this year implementing our new IT system which will soon give you the ability to access your information securely at any time, on any device. With your own unique log-in details, you'll be able to see your account, transactions and balances all in one place quickly and securely at the click of a button. We'll be rolling out this dedicated 'e-portal' very soon and will be in touch with you shortly to advise how you can access your information in this way.

Do enjoy this edition of *Vision* and, as always, any feedback or ideas for future articles are always gratefully received. ■

Best wishes

Stephen Girling

Managing Director

stephen@sgwealthmanagement.co.uk



SAFEGUARDING YOUR WEALTH FOR FUTURE GENERATIONS

Steps to mitigate against Inheritance Tax



Unforeseen life events and circumstances can potentially impact your finances in a number of ways. We can help you to safeguard your wealth for future generations. But for many of us, there can be a remarkable gap between our intentions and our actions.

Inheritance Tax (IHT) affects thousands of families every year. It comes at a time of loss and mourning and can have an impact on families with even quite modest assets – if you thought IHT was just for extremely wealthy people to worry about, think again.

TACKLING IHT SOONER RATHER THAN LATER

There are legitimate ways to mitigate against IHT, which is why it is sometimes called the 'voluntary tax'. Unfortunately, some of the most valuable exemptions must be used seven years before your death to be fully effective, so it makes sense to consider ways to tackle IHT sooner rather than later and to seek professional financial advice.

As property prices make IHT a reality for many in the UK, we've looked at a number of ways to prevent HM Revenue and Customs being one of the largest beneficiaries of your estate. IHT is levied at a fixed rate of 40% on all assets worth more than £325,000 per person (0% under this amount) – or £650,000 per couple if other exemptions cannot be applied.

Parents and grandparents can leave property worth up to £950,000 to their children without them having to pay IHT. This figure will rise to £1 million by 2020. The current allowance of £325,000 remains unchanged, but a new tax-free band worth £175,000 per person on your main residence will be added to the £325,000, making it £500,000 per person. The new tax-free band was set at £100,000 in 2017, eventually rising to £175,000 in 2020.

STEPS TO MITIGATE AGAINST IHT

1. MAKE A WILL

Dying intestate (without a Will) means that you may

not be making the most of the IHT exemption that exists if you wish your estate to pass to your spouse or registered civil partner. For example, if you don't make a Will, then relatives other than your spouse or registered civil partner may be entitled to a share of your estate – and this might trigger an IHT liability.

2. MAKE LIFETIME GIFTS

Gifts made more than seven years before the donor dies to an individual or to a bare trust are free of IHT. So, if appropriate, it could be wise to pass on some of your wealth while you are still alive. This may reduce the value of your estate when it is assessed for IHT purposes, and there is no limit on the sums you can pass on. You can gift as much as you wish, and this is known as a 'Potentially Exempt Transfer' (PET). However, there is a catch: if you live for seven years after making such a gift, then it will be exempt from IHT. But should you be unfortunate enough to die within seven years, it will still be counted as part of your estate if it is above the annual gift allowance. You need to be particularly careful if you are giving away your home to your children with conditions attached to it, or if you give it away but continue to benefit from it. This is known as a 'Gift with Reservation of Benefit'.

3. LEAVE A PROPORTION TO CHARITY

Being generous to your favourite charity can reduce your tax bill. If you leave at least 10% of your estate to a charity or number of charities, then your IHT liability on the taxable portion of the estate is reduced to 36% rather than 40%.

4. SET UP A TRUST

Family trusts can be useful as a way of reducing IHT, making provision for your children and spouse, and potentially protecting family businesses. Trusts enable the donor to control who benefits (the beneficiaries) and under what circumstances, sometimes long after the donor's death. Compare this with making a direct gift (for example, to a child), which offers no control to the donor

once given. When you set up a trust, it is a legal arrangement, and you will need to appoint 'trustees' who are responsible for holding and managing the assets. Trustees have a responsibility to manage the trust on behalf of and in the best interest of the beneficiaries, in accordance with the trust terms. The terms will be set out in a legal document called 'the trust deed'.

TYPES OF TRUST

There are now three main types of trust.

Bare (Absolute) trusts – with a bare trust, you name the beneficiaries at outset and these can't be changed. The assets, both income and capital, are immediately owned and can be taken by the beneficiary at age 18 (16 in Scotland).

Interest in possession trusts – with this type of trust, the beneficiaries have a right to all the income from the trust, but not necessarily the capital. Sometimes, a different beneficiary will get the capital – say, on the death of the income beneficiary. They're often set up under the terms of a Will to allow a spouse to benefit from the income during their lifetime but with the capital being owned by their children. The capital is distributed on the remaining parent's death.

Discretionary trusts – here, the trustees decide what happens to the income and capital throughout the lifetime of the trust and how it is paid out. There is usually a wide range of beneficiaries, but no specific beneficiary has the right to income from the trust.

A few trusts will now have to pay an IHT charge when they are set up, at ten-yearly intervals and even when assets are distributed. ■

Andrew Morley, Wealth Manager
andrew.morley@sgwealthmanagement.co.uk

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

SEIZE THE DAY

Planning for a comfortable life after years of hard work



Over time, with life expectancy and the cost of living rising, it could mean that some retirees are at risk of running out of pension

income in later life. So what can you do to make sure that you have a big enough pension to meet your needs for the whole of your retirement?

To begin with, we all know when planning for retirement, the earlier we start saving and investing, the better off we'll be, thanks to the power of our money compounding over time. And even if we start saving later in life or we've yet to begin, it's important to know that we're not alone and that there are steps that can be taken to increase our eventual retirement savings.

IT'S NO SECRET – RETIREMENT CHANGES YOUR LIFE

After years of hard work, retirement is an exciting period in life. You might be looking forward to taking more trips to sunnier climes, dedicating more time to a favourite hobby or spending more time with family and friends. However, to ensure that you are able to continue to pay the bills and live comfortably when you are no longer drawing an income, you need to start putting money aside as soon as possible. The thought of it may be daunting, and it can feel like an impossible mission.

The process of building a retirement pot typically involves a combination of consistent saving and long-term investments, but saving and investing for your retirement can look pretty different during your twenties versus your forties.

ON YOUR WAY TO A COMFORTABLE LIFE AFTER WORK

With discipline and determination, you can be on your way to a comfortable life after years of hard work. Building a retirement pot requires more certainty in your financial planning and less risk-taking. But first, you need to figure out how much you need in order to set a goal.

Retirement is personal and full of surprises,

so it's important to decide what you want yours to look like first, and then plan how to make it a financial reality. We've provided some tips to help boost your savings – no matter what your current stage of life – to enable you to pursue the retirement you deserve.

1. RETIREMENT GOALS

Setting up a retirement goal requires you to find out how much income you need when you have stopped working. To get an indication of this, use the following questions to help you:

- At what age do I plan to retire?
- How many years do I have to plan for whilst I'm in retirement?
- What is my desired monthly income during retirement?

2. RISK APPETITE

Are you a 'conservative' investor who would not like to see the value of your savings go down? Can you sacrifice the certainty of having your principal protected in order to gain higher potential earnings?

If you do not already have a large sum of retirement savings, you shouldn't take too much risk when you invest, since you may not have the luxury of time to recoup any investment losses as you approach your retirement target age.

3. TIME HORIZON

If appropriate, generally a bigger portion of your retirement pot can be apportioned for higher-risk investments if you start early in your career. As you progress closer towards the retirement years, it's usually prudent for your pension pot to focus increasingly on lower-risk investments or savings with the objective of providing more stable returns.

It's important to consider allocating your investments into products suitable for different investment horizons (short, medium and longer term) depending on your risk appetite. For example, a long-term investment could include some riskier assets such as single equities or investing in a fast-growing speciality fund. You should always be reminded that with higher expected returns come higher risks.

4. INFLATION

If you choose to save your way to retirement by putting cash into a savings account, the value of your money could potentially be eroded due to inflation. Therefore, in order to ensure that the money you have now preserves its purchasing power during your retirement years, you need to choose savings or investments that have the potential to provide you with higher returns.

5. DIVERSIFICATION

While putting all your retirement savings into a bank account can be potentially risky, so too can investing all of your savings in shares. The key to growing your retirement fund will typically include having different asset classes in your portfolio, which is otherwise known as 'diversification'. Diversification not only helps you manage the risk of your investments, but it also involves re-balancing your portfolio to maintain the risk levels over time.



It's important to consider allocating your investments into products suitable for different investment horizons (short, medium and longer term) depending on your risk appetite. For example, a long-term investment could include some riskier assets such as single equities or investing in a fast-growing speciality fund.

6. AFFORDABILITY

Building a retirement pot is a long process. By starting late, you may find that you need to set aside a larger amount for your retirement. This could reduce your current disposable income and may cause you to reduce your current quality of life.

Therefore, you'd want your retirement sum to be an affordable amount for your current

lifestyle. We can work with you to help you take a look at your current commitments to make saving for your retirement a sustainable habit. ■

Neil Dobson

Wealth Manager

neil.dobson@sgwealthmanagement.co.uk



How much money do you need to retire?

It's never too early to start planning for your retirement! With discipline and determination, you can be on your way to a comfortable life after years of hard work. To find out more or to discuss your situation, please contact us.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.



RETIREMENT INCOME

Plan to enjoy the kind of lifestyle you want in later life



Will I be able to afford the retirement lifestyle I want? is a question that many people ask but struggle to figure out. There are many

ways to assess your likely income in retirement and work out how much you need to put away now to enjoy the kind of lifestyle you want in later life. This is why more and more people, where appropriate, are turning to private pensions as a tax-effective way to build or enhance their retirement income.

A private pension is a product that you can use to save money for retirement. Private pensions are usually defined contribution pensions, which means the money you receive at retirement is based on the money you've paid in and the performance of your investments.

There are several different types of private pension to choose from. However, in light of government changes, the tax aspects can require careful planning. In the meantime, here are seven important things to know about private pensions.

1. NO PENSION SCHEME RESTRICTIONS

The term 'private pension' covers both workplace pensions and personal pensions. The UK Government currently places no restrictions on the number of different pension schemes you can be a member of.

Even if you already have a workplace pension, you can have a personal pension too, or even multiple personal pensions. These can be a useful alternative to workplace pensions if you're self-employed or not earning, or simply another way to save for retirement.

Any UK resident between the ages of 18 and 75 can pay into a personal pension – although the earlier you invest, the more likely you are to be able to build up a substantial pension pot.

2. TAX RELIEF ON PENSION CONTRIBUTIONS

A private pension is designed to be a tax-efficient savings scheme. The Government encourages this kind of saving through tax relief on pension contributions.

The current pension tax relief rates are:

- Basic rate taxpayers will receive 20% tax relief on pension contributions
- Higher rate taxpayers also receive 20% tax relief, but they can claim back up to an additional 20% through their tax return

- Additional rate taxpayers again pay 20% tax relief, but they can claim back up to a further 25% through their tax return
- Non-taxpayers receive basic rate tax relief, but the maximum payment they can make is £2,880, to which the Government adds £720 in tax relief, making a total gross contribution of £3,600

If you are a Scottish taxpayer, the tax relief you will be entitled to will be at the Scottish Rate of Income Tax, which may differ from the rest of the UK.

3. ANNUAL ALLOWANCE

The annual allowance is the maximum amount that you can contribute to your pension each year while still receiving tax relief. The current annual allowance is capped at £40,000, but may be lower depending on your personal circumstances.

In April 2016, the Government introduced the tapered annual allowance for high earners, which states that for every £2 of income earned above £150,000 each year, £1 of annual allowance will be forfeited. The maximum reduction will, however, be £30,000 – taking the highest earners' annual allowance down to £10,000.

Any contributions over the annual allowance won't be eligible for tax relief, and you will need to pay an annual allowance charge. This charge will form part of your overall tax liability for that year, although there is the option to ask your pension scheme to pay the charge from your benefits if it is more than £2,000.

It is worth noting that you may be able to carry forward any unused annual allowances from the previous three tax years.

If you have accessed any of your pensions, you can only pay a maximum of £4,000 into any un-accessed pension(s) you have. This is called the 'Money Purchase Annual Allowance' (MPAA). The MPAA applies only if you have accessed one of your pensions.

4. LIFETIME ALLOWANCE

The lifetime allowance (LTA) is the maximum amount of pension benefit that can be drawn without incurring an additional tax charge. From 6 April 2018, the lifetime allowance is £1,030,000.

What counts towards your LTA depends on the type of pension you have:

- **Defined contribution** – personal, stakeholder and most workplace schemes. The money in pension pots that goes towards paying you, however you decide to take the money.
- **Defined benefit (also known as 'Final Salary')** – some workplace schemes. Usually 20 times the pension you get in the first year plus your lump sum – check with your pension provider.

Your pension provider will be able to help you determine how much of your LTA you have already used up. This is important, because exceeding the LTA will result in a charge of 55% on any lump sum and 25% on any other pension income such as cash withdrawals.

This charge will usually be deducted by your pension provider when you access your pension.

5. PENSION PROTECTION

It's easier than you think to exceed the LTA, especially if you have been diligent about building up your pension pot. If you are concerned about exceeding your LTA, or have already done so, you should seek professional financial advice.

It may be that you can apply for pension protection. This could enable you to retain a larger LTA and keep paying into your pension:

- **Individual protection 2016** – this protects your lifetime allowance to the lower of the value of your pension(s) at 5 April 2016 and/or £1.25 million. You can keep building up your pension with this type of protection, but you must pay tax on money taken from your pension(s) that exceeds your protected lifetime allowance
- **Fixed protection 2016** – this fixes your lifetime allowance at £1.25 million. You can only apply for this if you haven't made any pension contributions after 5 April

OTHER WAYS TO SAVE

In addition to pension protection, if you have reached your LTA (or are close to doing so), it may also be worth considering other tax-effective vehicles for retirement savings, such as ISAs. In the current tax year, individuals can invest up to £20,000 into an ISA.

The Lifetime ISA, launched in April 2017, is open to UK residents aged 18–40 and will enable younger savers to invest up to £4,000 a year tax-free – and any savings you put into the ISA before your 50th birthday will receive an added 25% bonus

from the Government. After your 60th birthday, you can take out all the savings tax-free, making this an interesting alternative for those saving for retirement.

PASSING ON YOUR PENSION

Finally, it is worth noting that there will normally be no tax to pay on pension assets passed on to your beneficiaries if you die before the age of 75 and before you take anything from your pension pot – as long as the total assets are less than the LTA. If you die aged 75 or older, the beneficiary will typically be taxed at their marginal rate. ■

Susan Steel, Wealth Manager

susan.steel@sowwealthmanagement.co.uk



What are the next steps?

As life expectancy rises, we're all likely to spend more time in retirement than our parents and grandparents before us. That means it's never been more important to sort out your pension. There is no one-size-fits-all tax-efficient solution for private pensions, so if you want further information about changes to pensions taxes and the variety of schemes on offer, please contact us – we look forward to hearing from you.

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BLENDED FAMILIES AND THE IMPORTANCE OF UPDATING YOUR WILL

Blended families are now more common, with many couples having children from previous relationships and, whilst these ever evolving structures can bring a new dynamic to family life, it is important to plan for the future.

The recent decision in the case of *Ubbi v Ubbi* highlights the importance of updating your Will.

THE FACTS

The case of *Ubbi* concerned a truly blended family. Mr Malkiat *Ubbi* (deceased) was married to Mrs Susan *Ubbi*. In 1994 they had a child, Jarnail, born with partial paralysis and learning difficulties. Shortly thereafter, in 2007, Malkiat met another woman, Bianca, at work – starting an affair with her and living a “double life” for many years.

In 2010, Mr *Ubbi* executed a Will leaving everything to Susan. Bianca and Malkiat continued their relationship, having their first child, Mattia, in 2012. Susan became aware of the pregnancy but Malkiat said that Mattia was an “accident” and continued to spend his time between the two homes and families. In 2014, Bianca had their second child, Gabriele.

Shortly after Gabriele was born, Susan concluded that the relationship had broken down and petitioned for divorce based on Malkiat's adultery. Malkiat unexpectedly passed away in February 2015 aged 53 years old. The value of his estate was approximately £3.5 million.

WHAT HAPPENED?

Under the terms of the Will, Malkiat's entire estate passed to Susan (who he was in the process of divorcing) with no provision for Bianca or their two children. This may not have been what Malkiat wanted or envisaged but, like many of us, he may simply have never got round to updating his Will.

Bianca decided to bring a claim on behalf of Mattia and Gabriele under the Inheritance

(Provision for Family and Dependents) Act 1975. The case was unusual as few Inheritance Act cases involving minor children have reached the Courts, meaning there was little specific guidance in this area. Although a recent and widely reported decision in relation to Inheritance Act claims reached the Supreme Court last year, it involved a claim by an adult child.

Susan accepted that Mattia and Gabriele should receive something from the estate, but the question was how much? The amount claimed was just over £848,000, calculated based on the estimated future cost of childcare, housing and schooling.

The Court had to consider various factors:

The purpose of the Inheritance Act is to provide maintenance and, whilst maintenance may be capitalised, the object isn't to provide the child with a capital sum upon attaining majority. The Court had to carefully consider what sum would be sufficient to provide Mattia and Gabriele with maintenance (every-day living expenses) and also consider other affected parties, such as Jarnail, and the effect that an award would have on him. If an award was made, Susan would receive less which – as his mother and carer – would impact him in the future. Bianca also claimed that it was always her and Malkiat's intention to privately educate their children. The Court concluded that, even if there was a clear wish for them to attend private school, there could not be an expectation and for that reason did not fall into the boundaries of “reasonable financial provision”, therefore an award in respect of schooling costs was refused. The Court also placed emphasis on Bianca's strong financial position and the contributions she'd naturally make to her children's upbringing.

In the event, the Court decided to award the children a sum of £386,000 – just over 10% of the net estate – made on the basis that Bianca's income would continue at its current level and that it was limited to the children's maintenance until their late teens. In reality, it is becoming more and more

common for parents to continue providing financial support for their children after their teenage years, as many provide help with university fees, house deposits, weddings, etc.

WHY IS THIS IMPORTANT?

Whilst not all of us may live an eccentric life like Malkiat, this decision highlights the importance of regularly reviewing and updating your Will. It's advisable to check the terms of your Will yearly, especially after a life changing event such as divorce, remarriage or death. Getting married or entering into a civil partnership usually revokes any previous Will or Codicils you've made, even if this isn't your intention. This means that if you don't make a new Will, your estate will be distributed in accordance with the Intestacy Rules when you die, which can be arbitrary. Reviewing/updating or making a new Will can seem burdensome and costly but can avoid problems with a devastating effect on the family in the future.

Although Mattia and Gabriele were able to rely upon the law to an extent to rectify the situation, their claim was significantly limited and they ended up receiving far less than their father's other family. ■

Emerald Priscott, Family and Contentious Probate Solicitor, Clapham & Collinge Solicitors
epriscott@clapham-collinge.co.uk

Clapham & Collinge's dedicated team of experts can provide you with the necessary information, support and legal advice on Will disputes and how they can be resolved. For more information or to book an appointment please contact the Client Relations Team on 01603 693500, email enquiries@clapham-collinge.co.uk or visit www.clapham-collinge.co.uk

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ESG - WHAT'S IT ABOUT?

How your money is doing good across the world



There was a considerable amount of attention when the United Nations set out its worldwide initiative aimed at positively influencing

the actions of big business under the broad headings of Environmental, Social & Governance factors. ESG has since become the generic term used in capital markets and by investors to evaluate corporate behaviour and to determine the future financial performance of companies.

ESG is essentially very simple as a concept: the encouragement, by investors, of businesses and their leaders to 'do the right thing' in terms of the way they affect the world around them, their ethical standpoints and how they treat their workforce, customers and others with whom they deal.

Initiatives to encourage these sustainable and

ethical values are not new, and in the UK the Stewardship Code was introduced in 2010. This was a set of basic principles by which institutional investors could put the boards and executives of companies in whom they invest to scrutiny with the aim of ensuring responsible governance. As wider society, including the regulators of the investment world, hope to expand the global influence of businesses adopting ESG values, growth in ESG-led investing is increasing.

When we refer to 'institutional investors', for most of us this can be recognised as the professional fund managers who research and select the assets they hope will make money for us through acquiring large shareholdings in major global companies.

The money we as individual investors place into the collective funds the investment groups manage is, of course, the source of those shareholdings. The

fund management groups' influence is therefore clearly very significant in their engagement with companies in whom they invest and much more so than that of any individual investor who might hold just a few hundred shares.

As examples of the 'unacceptable face' of capitalism, we do not have to look too far back in the world's news to find headlines that place the reputations of major businesses in a poor light; think of negative coverage that affected household brand names such as Facebook, VW, BP, Nissan, Ryanair, Tesco and Sports Direct. Last year, UK housebuilder Persimmon saw a major furore break out in relation to the bonus of £75m awarded to the Chief Executive.

On the flip side, the way in which ESG 'thinking' can have positive effect is not simply limited to guiding corporations to avoid the 'banana skins' of reputational damage that can potentially destroy a company's value. Instead it is possible, as an example of a Corporate Bond investment by one of the UK's largest investment groups, M&G, showed, for ESG conditions to be included in the terms of a recent re-financing deal.

This involved a large solar panel installation and M&G made the required finance available to the company, subject to around ten ESG factors including the requirement for the solar panels to be 100% recyclable; for the workers engaged in the installation to include a good percentage of local labour and for land on which the panels will stand to remain in agricultural, grazing usage at the same time and for the planting of wild flowers (and harvesting of the seeds from these flowers) to take place.

A further example of the positive impact relates to a large shareholding that M&G Investments have on behalf of investors in the UK's largest packaging producer. While those with an ethical or socially responsible 'green' approach to the world might typically have thrust their face in their hands in despair, ESG values meant that M&G can impose a requirement that all of the company's packaging is to be of a recyclable kind within three years. Significant influence in action is demonstrated here, with examples of how, as investors, our money should increasingly be 'doing good things' for the future of our world. ■

John Griffin

Wealth Manager

john@sgwealthmanagement.co.uk

DIGGING INTO ESG

At SG Wealth we run a couple of variations of our model portfolios which have an “ethical” or “ESG” (Environmental Social and Governance) bias.



Whilst many funds will value ESG criteria when making investment decisions, some funds do so more than others, and our

Ethical portfolios are tilted towards these.

We follow a thorough investment process whilst managing our ethical portfolios where we extensively research into the ethical funds universe. We meet with fund managers to understand how their funds are constructed and maintained. We also research and analyse the funds' investment process, risk positioning and performance, to ensure that they deliver on their objectives and are adding value to clients' investment portfolios.

We select funds that have a strong track record for investing within an ethical frame and have a positive impact whilst also delivering good performance. Some funds will adopt different methods of ethical screening such as Positive Screening, where managers look for businesses that add positive value and impact on society and the environment (for example, this may be done through investing in clean energy businesses). An alternative approach is Negative Screening where managers exclude companies that do not adhere to the portfolio's ethical standards (e.g. not investing in arms industries, tobacco, gambling and other more negatively viewed sectors).

An example of one of our fund selections is Liontrust's UK Ethical fund which is managed by their Sustainable Investment Team. They believe

the companies that will survive and thrive are those which improve people's quality of life, be it through medical, technological or educational advances; drive improvements in the efficiency with which we use increasingly scarce resources; and help to build a more stable, resilient and prosperous economy.

The main characteristics a company must have to qualify are high-quality management, products or services that have a positive contribution to society as well as strong potential for growth which would in return provide leading performance.

One of the largest holdings in the fund is Kingspan which is a leader in energy conservation products such as building envelope solutions, environmental management systems and renewable energy solutions. They have also been known for providing efficient ways of cooling and heating business properties. It has delivered an average shareholder return of circa 17% annually over the past decade (source Liontrust, January 2019). Such companies are set to benefit from the rising demand in this area as demand increases for products that are energy efficient reduces emission and thus more economical.

We are keen to make sure that all of our portfolios are diversified across different asset types in order to maintain the appropriate risk characteristics. Historically this has been more difficult in the “Ethical” space, due to the lack of investment opportunities in the non-equity asset types. However, this is changing.

As asset managers are becoming more aware of

ESG, we are starting to see these themes play out in many asset classes, even into areas like commercial property. Another example of our fund holdings is the BMO Property fund which produces a regular Responsible Property appraisal for their assets to capture and measure the ESG characteristics on their investments. This would allow them to produce a sustainability profile, distinguishing critical points for their portfolio of properties. The team consider a range of ESG factors in their investment decisions such as metering strategies, energy performance and carbon intensities, the presence of 'green lease' clauses within existing lettings, and potential climate impacts on each property.

Currently the BMO fund procures 100% of its energy from renewable sources for its directly managed properties. Furthermore the fund has also focussed on its social responsibility in so ensuring that people working within its scope are paid a living wage rather than minimum wage in London and the rest of the UK. In June 2018 the fund was accredited by the Living Wage Foundation as a Living Wage Employer. The fund is the first to achieve such accreditation at the fund level – a level which will arguably see the most positive changes as it impacts those who are traditionally underpaid, such as cleaners and security staff. ■

Ibrahim Ishmail

Technical Analyst

ibrahim.ishmail@sgwealthmanagement.co.uk

SGWM NEWS

Raising our game and John's claim to fame!



The SGWM 'Wise Guys'

SANTANDER 'QUIZ N CHIPS' NIGHT – RAISING MONEY TO MAKE LIFE BETTER FOR VULNERABLE YOUNG PEOPLE

The annual Santander quiz, held at OPEN in Norwich in aid of the charity BREAK, is enjoyed by professional firms and corporate businesses from across East Anglia. This year a record 41 teams took part, with most attending in the hope of smashing last year's score – not least SGWM's 'Wise Guys' who came second from bottom in 2018, much to our shame!

Although we'd consoled ourselves with the view that we were supporting a worthwhile charity and that everyone's a winner for taking part, we were suitably delighted – and a little shell shocked – when this year we managed to achieve 3rd place!

The evening raised a staggering £7,500 to change young lives, with a spokesperson for Break commenting, "We are truly grateful to everyone for coming along, having a fun evening with us and doing their bit to support vulnerable children, young people and families."

www.break-charity.org



'LIGHTS, CAMERA, ACTION' FOR WEALTH MANAGER JOHN GRIFFIN



You may recall in the last edition of *Vision* magazine we featured Wealth Manager, John Griffin, whose special accreditation with the Society of Later Life Advisers (SOLLA) enables him to provide help and guidance with the financial needs of older people.

John was recently filmed to promote these services, so if you or someone close to you, needs practical advice with later life care financial planning we would urge you, to watch this for some examples of the sort of situations John can help with. You can view it by visiting our Later Life Care page at www.sgwealthmanagement.co.uk

Here's John being filmed for his starring role!



On Wednesday 29 May John will be co-hosting a free seminar with Clapham & Collinge Solicitors on the importance of financial and legal planning for later life. If you - or someone you care for - would benefit from this, please contact me on the email address shown below to book your place.

Helen Tavner

Marketing & Communications Manager

helen.tavner@sgwealthmanagement.co.uk

MILLENNIALS GET REAL WITH THE NUMBERS

Making sacrifices for home ownership over retirement



Millennials are chasing the home ownership dream at the potential cost of a lower income in retirement, new research[1] shows.

Over a third (35%) of millennials say they prioritise saving for a deposit on a home instead of their retirement. Nearly a fifth (19%) say buying a house is the main reason they don't save more into their pension, while 10% say student debt stops them saving into a pension. One in 11 (9%) admits that frequently changing jobs affects their ability to make regular pension contributions.

Millennials seem willing to make sacrifices for home ownership, with one in ten (10%) living with parents instead of renting to help save more money for a home. The study found men are almost twice as likely (20%) to be heading home compared to women (11%).

BANK OF MUM AND DAD

Despite worries about graduate debt and the squeeze on wages, on average, nearly a third (31%) expect to buy their first property by the age of 30, with men (39%) more confident than women (26%) they'll achieve their ambition. However, the research shows they won't all have to save hard – an optimistic 20% expect to receive financial aid from the Bank of Mum and Dad.

Industry data[2] shows millennials are right to be hopeful about home ownership – around 365,600 first-time buyers completed mortgages in the year to July 2018, borrowing a total of £59.9 billion. The average age of the first-time buyer during the year was 30, borrowing an average £145,000 on a gross household income of £42,000.

But pensions are feeling the strain. The research found around 21% say they have not started saving for retirement yet, while 15% say



pension saving does not motivate them, and 12% believe pensions are irrelevant to millennials.

FOCUSED ON HOME OWNERSHIP

Retirement can seem daunting for millennials and is, of course, a long way off when you are contending with student debts and high rents. However, it is crucial to start saving for your pension as early on as possible, putting away as much as you can each time.

It is easier if you start doing this as soon as you start working, so you get used to the money going straight into your pension pot. Many will, at least, be saving through the workplace, which is a good start, and contributions should be regularly reviewed to ensure a significant fund can be built up.

Not all millennials, however, are focused on home ownership. According to the survey, approximately 17% of under-35s say buying a house is not a realistic option at present, while 11% say that saving for a house deposit is not a financial priority. And it is not just millennials, as the research shows that one in seven 35 to 54-year-olds have given up on the hope of ever owning a home. ■

Katie Jones, Wealth Manager

katie.jones@sgwealthmanagement.co.uk

Source data

[1] Consumer Intelligence conducted an independent online survey for Prudential between 20 and 21 June 2018 among 1,178 UK adults

[2] <https://www.ukfinance.org.uk/house-purchase-activity-slows-in-june-but-remortgaging-activity-remains-high/>



Don't let saving become a daunting prospect

Juggling buying a house with saving for retirement is no doubt a challenge, and it is inevitable that something may get dropped, which unfortunately appears to be retirement saving. However, it is important to start saving for your pension as early on as possible. To find out how we can help, please contact us – we look forward to hearing from you.



“NOBODY PUTS BABY IN THE CORNER...”

Many employers are not making the correct pension contributions



If you decide to take parental leave (i.e. maternity leave, paternity leave or adoption leave), you should remain a member of your workplace pension scheme and you and/or your employer will continue to make contributions, unless you decide to stop contributing. If you do stop contributing, your employer will also stop their contributions and you will be treated as having left the scheme.

However, we are often finding many employers are not making the correct employer pension contributions during this period!

If you're a member of a defined contribution pension scheme (e.g. Group Personal Pension), you continue to pay contributions into the scheme while you're on paid parental leave.

Your employer's contributions should be based on your pensionable earnings before you started the parental leave, while your contributions are based on your actual earnings during the parental leave. For example, in the case of maternity leave, the employer must continue to base their employer pension contributions on pre-maternity earnings for the 39-week paid maternity period.

After this period, the employer's pension contributions can be paid on the employee's actual earnings.

Furthermore, if your employer operates 'salary sacrifice' (also known as 'salary exchange'), then they are obliged to continue contributing the full employee and employer pension contribution as if you are working your pre-maternity duties. This is because a salary sacrifice arrangement is

a contractual change and employees in receipt of statutory maternity/paternity/adoption pay cannot have a contribution deducted as statutory payments are protected earnings.

If you decide to take a period of unpaid leave after your paid parental leave, you don't need to continue contributing during the period of unpaid leave. Your employer may also cease contributing. ■

Ryan Oates

Corporate Services Manager
ryan@sgcorporateservices.co.uk



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SG Wealth Management

Norwich office: 53-57 St Martin's Lane
Norwich NR3 3SA

T: 01603 760866

E: post@sgwealthmanagement.co.uk

W: www.sgwealthmanagement.co.uk

SG Wealth Management

Ipswich office: Waterfront House
1A Wherry Quay, Ipswich IP4 1AS

T: 01473 255948

E: post@sgwealthmanagement.co.uk

W: www.sgwealthmanagement.co.uk

SG Corporate Services

53-57 St Martin's Lane
Norwich NR3 3SA

T: 01603 760866

E: enquiries@sgcorporateservices.co.uk

W: www.sgcorporateservices.co.uk

