SAVINGS AND INVESTMENTS WITH LIFT-FINANCIAL

THIS WEBINAR WILL BEGIN SHORTLY

LIFT-Financial
Chartered Financial Planners

Chartered Financial Planners

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Agenda

Introduction & Housekeeping

Savings vs Investments

Risk - What is risk?

Types of investments

Q&A

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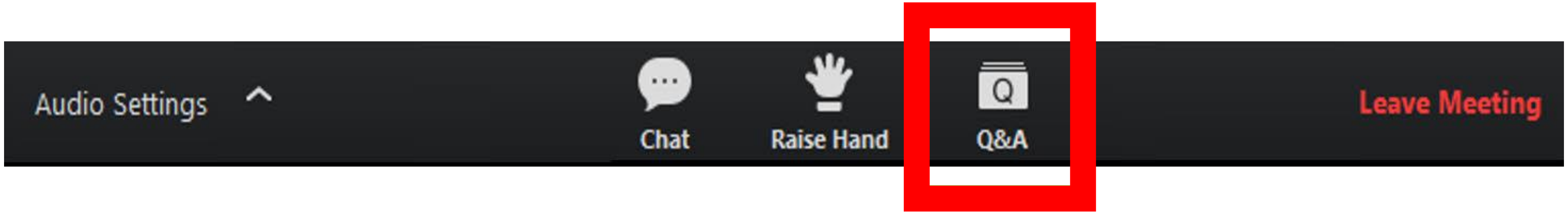

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About Us

- Keith Marcroft – IMC, Dip PFS (ER & MP)
- Award-winning Chartered Financial Planners
- Financial Planning, Mortgages & Insurance
- Highly qualified financial planning & support teams
- Offices in London, Manchester and Edinburgh

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Savings vs Investments

Savings

- Short-term
- Emergency fund
- Instant access
- Specific purpose
- Variable rate of interest

Investing

- Longer term - 5 years plus
- Better return than cash potentially
- Risk to capital
- Volatility

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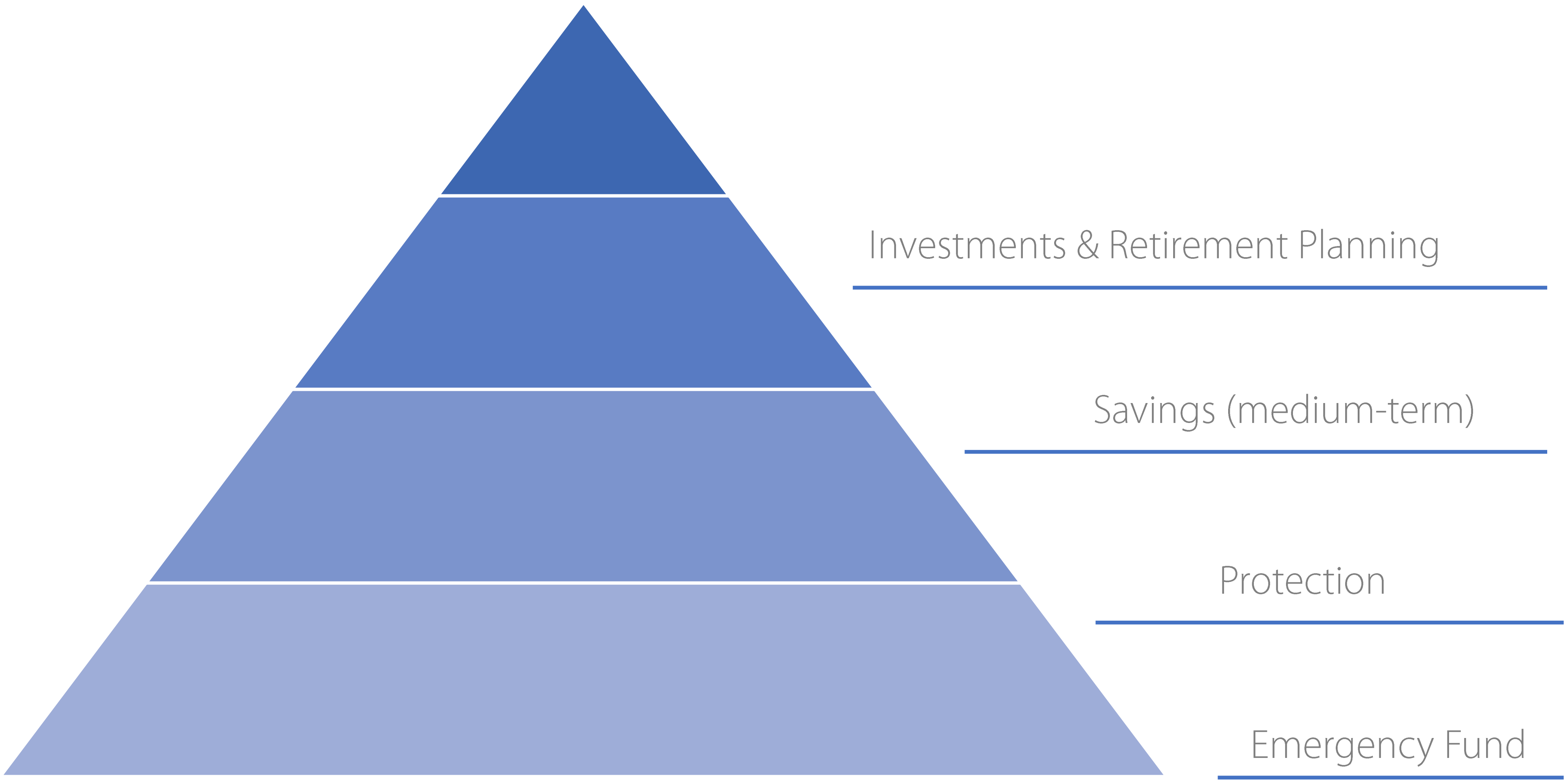
Financial Planning Hierarchy



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Emergency Fund

- Typically held in cash to cover unforeseen circumstances.
- 3 - 6 months net salary saved (or multiple of essential and non-essential expenditure)
- Regular amounts are best, saved immediately on arrival by standing order
- Helps you avoid expensive short-term borrowing, e.g. credit cards & personal loans
- Cash ISAs useful but beware of interest rate
- Check www.moneyfacts.co.uk & www.moneysavingexpert.com to compare rates

Emergency Fund

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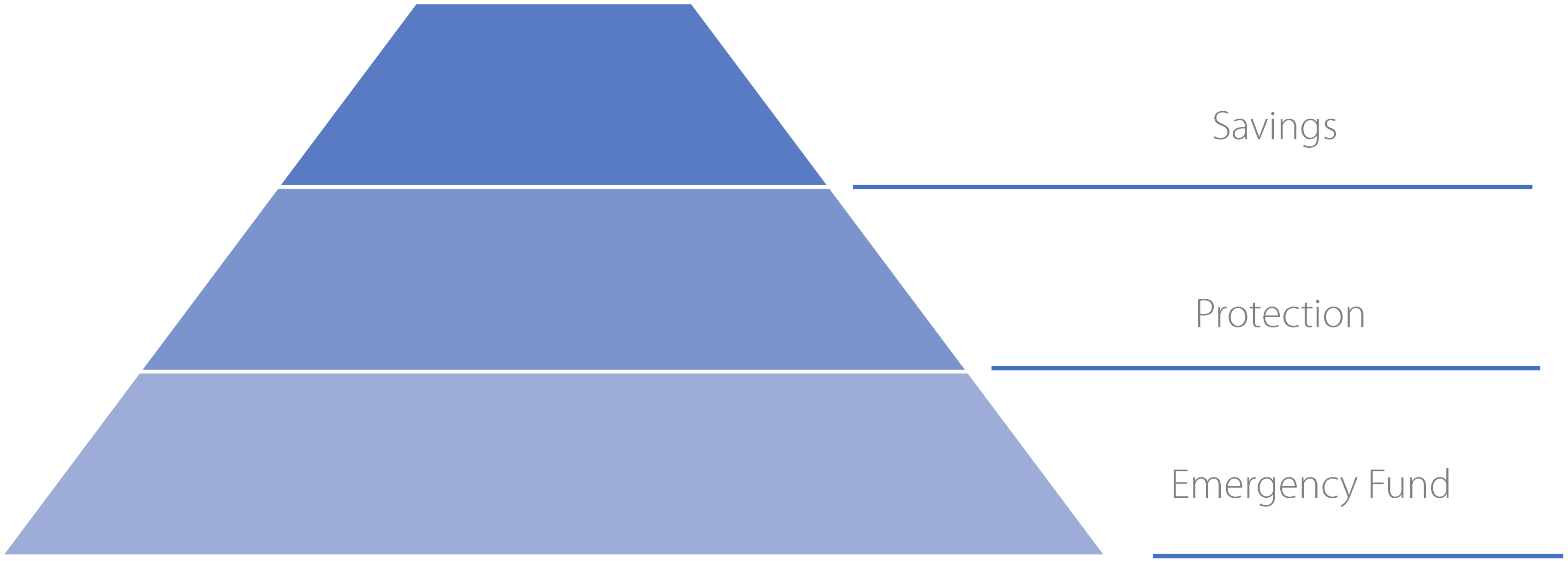
Savings – short & medium term

- Starting to plan - Foreseeable Expenditure - New car, family holiday, wedding, house deposit…
- Avoid using credit – save regularly, or earmark exceptional income items e.g. bonus/windfalls
- Typically cash and/or low risk savings
- Lifetime ISAs make saving for a house deposit much easier!



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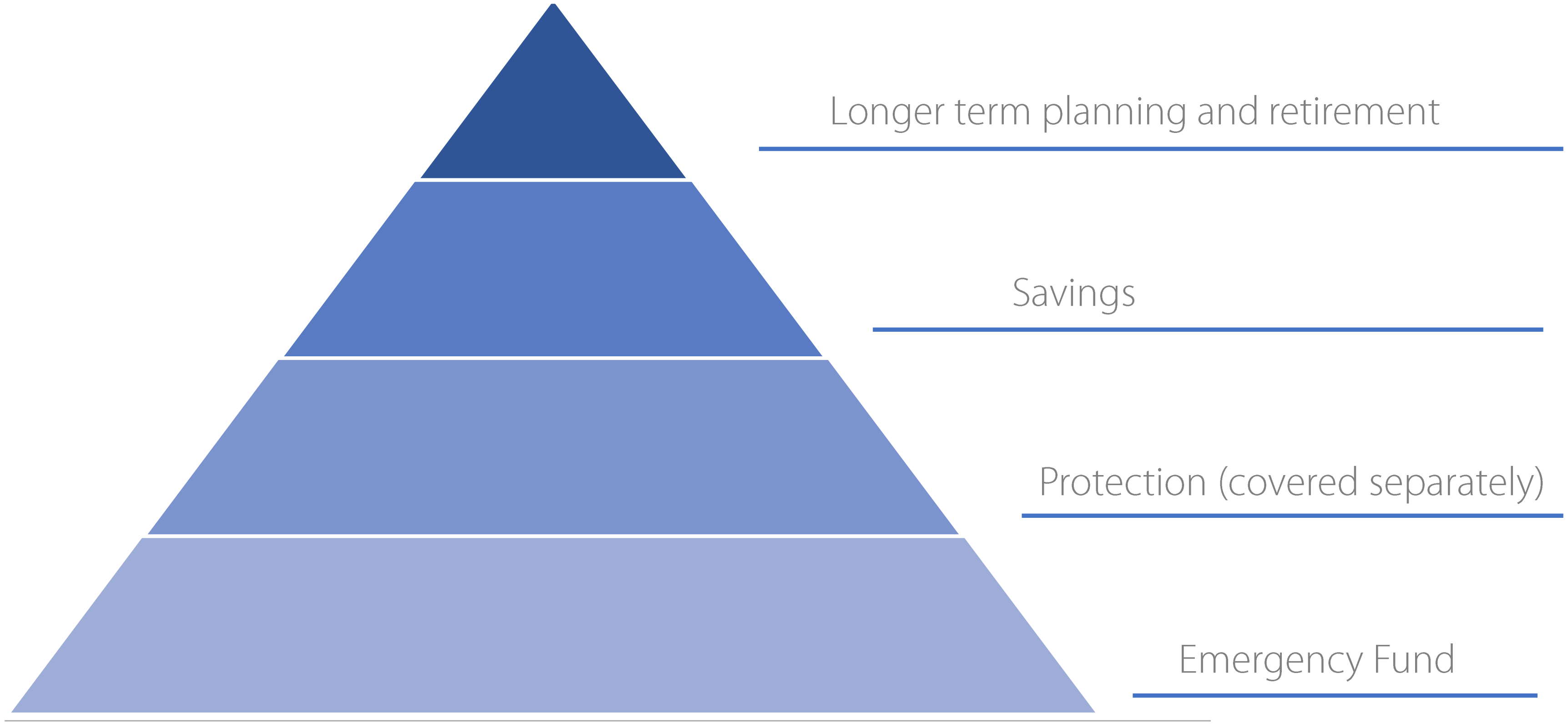
Investment – longer term goals

Having a goal makes it easier to plan:

- Equity ISA's, LISA's & JISA's.to meet long term obligations.
- Think about investment linked options: higher risk, but potential for higher growth



Normal rules of investing still apply

- How shares have fared compared with cash and bonds: Total returns 1901–2022

	Nominal	Real (inflation-adjusted)
	Average annual return	Average annual return
Cash[1]	4.55%	0.87%
UK bonds	5.14%	1.44%
UK shares	9.18%	5.35%

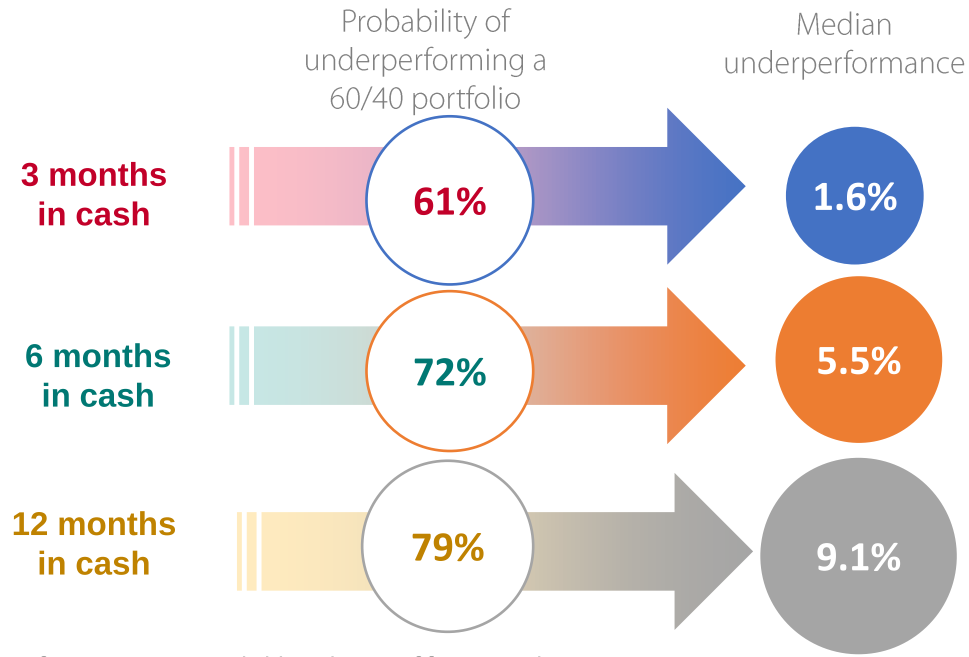
Past performance is not a reliable indicator of future results.

Sources: Vanguard, using Dimson-Marsh-Staunton global returns data from Morningstar, Inc. (the DMS UK Equity Index, DMS UK Bond Index, DMS World Bill Index).

Notes: Data cover 31 December 1900 to 31 December 2022. Returns are in GBP. Nominal value is the return before adjustment for inflation with dividends and income reinvested; real value includes the effect of inflation.

[1] UK Treasury bills are used here as a proxy for cash.

- Investors who have reacted to market events by moving to cash have seen their portfolios underperform the markets



Past performance is not a reliable indicator of future results.

Source: Vanguard calculations in GBP, based on data from Refinitiv.

Data is based on the period between 31 January 1990 and 28 February 2022.

Notes: The chart shows the percentage of times that cash has underperformed a global 60% equity/40% stoc portfolio over 3-, 6-, and 12-month periods after 2-month total returns of global equities were below 5%. For example, global equity returns from 31 August 2008 to 31 October 2008 were -20.74%. Over the following 3-month period until 31 January 2009, cash returned 0.84%, while the 60/40 portfolio returned 1.76%, so that th excess returns of cash were at -0.93%. Equity comprises global equity (MSCI AC World Total Return Index). Fixe income comprises hedged, global bonds (Bloomberg Global Aggregate Bond Index Sterling Hedged). Cash is represented by GBP 3-Month Deposits.

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Risk

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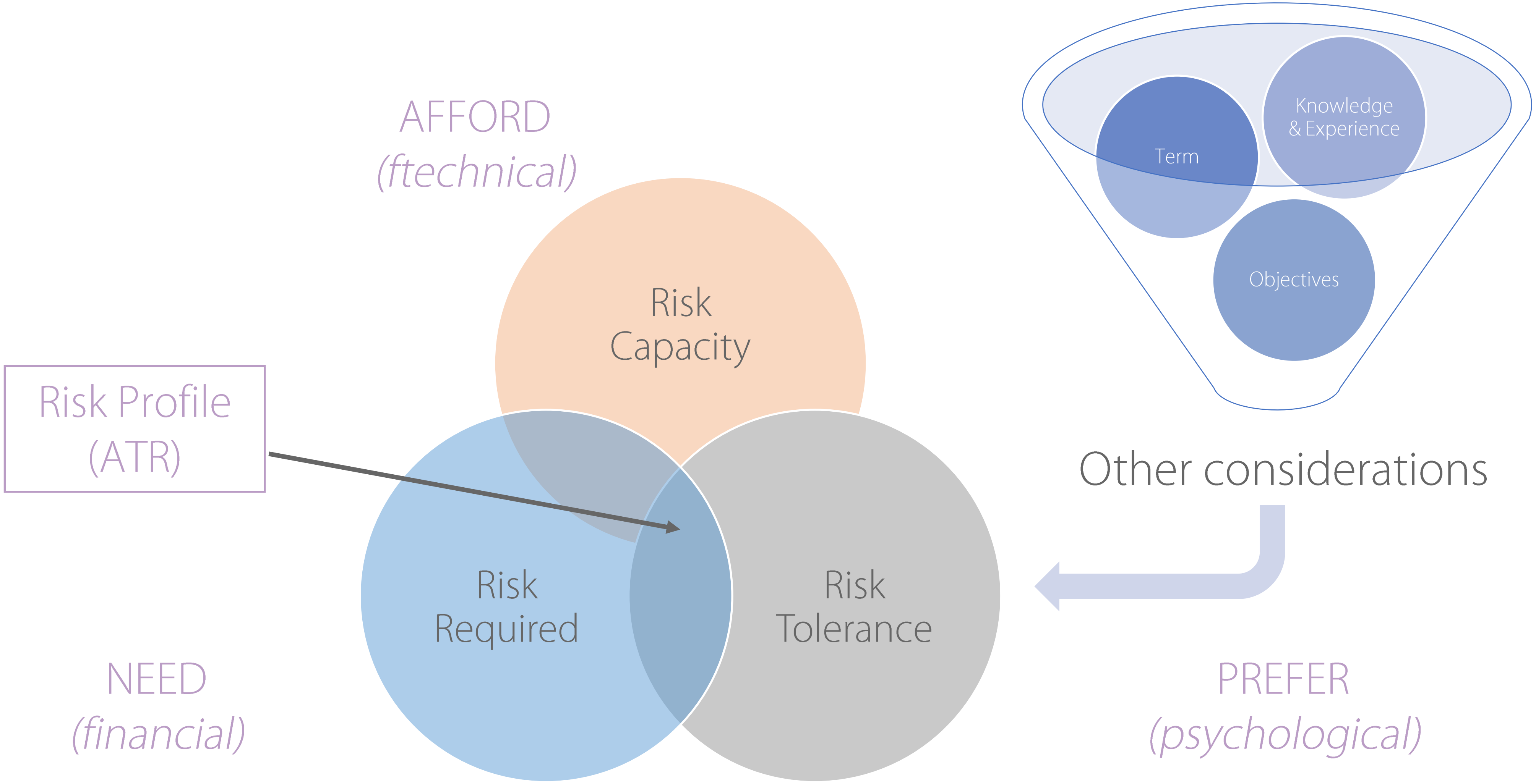
Risk Profile



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Asset classes

Four main asset classes

Cash

Fixed interest

Equities

Property

Other investable assets

Commodities

Hedge funds

Currency

Venture Capital

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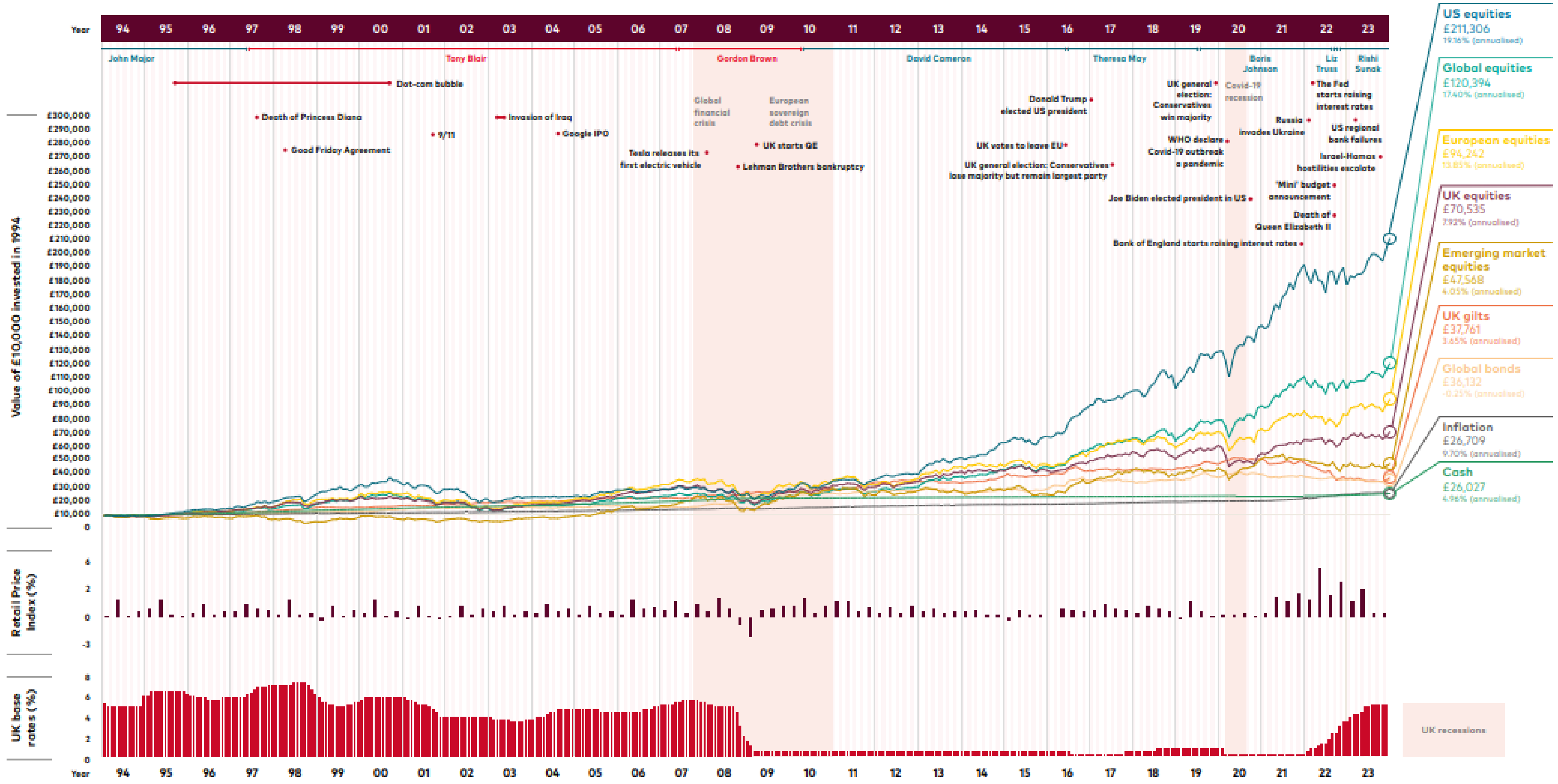
Market Returns

2024 index chart

MARKET RETURNS – 31 DECEMBER 1993 TO 31 DECEMBER 2023



Past performance is not a reliable indicator of future results.
Source: Bloomberg, Factset and Bank of England, as at 31 December 2023.
Notes: Cash = ICE LIBOR – GBP 3 month; Global equities = the MSCI World Index; US equities = S&P 500; UK equities = FTSE All-Share; Inflation = Retail Price Index, (Jan 1987=100); Global bonds = Bloomberg Global Aggregate; European equities = MSCI Europe; UK gilts = ICE BofA UK gilt (local total return); Emerging market equities = MSCI emerging markets; all shown gross of taxes and of fees and in GBP. Annualised performance refers to the entire period. Performance includes the reinvestment of income.
The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

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Diversification

Don’t put all your eggs in one basket

Reduce risk by investing in several asset classes

Look for low correlation

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Collective Investments

- Unit Trusts, Investment Trusts etc
- Diversify holdings
- Potentially reduce costs
- Let the professionals do it!

Individual Stocks

- Not a good idea for most retail investors
- Difficult to decide which stocks to buy
- High stock specific risks
- Can have high trading costs (spreads)

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Product = Tax wrapper

ISAs

Pensions

Life Assurance Bonds

General Investment Account

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ISA (Individual Savings Account)	GIA (General Investment Account)
Limit of £20,000 (plus new £5,000 UK ISA allowance)	No limit
Cash or stocks and shares	Less tax efficient than an ISA
Tax free income and growth	Subject to Capital Gains Tax (10% or 20%) above the CGT exemption which is £6,000 this year and going down to £3,000 in 2024-25
Can be accessed at any point	Can be accessed at any point

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JISA – Junior ISA

Limit of £9,000 pa

Held in cash or stocks and shares

Old Child Trust Funds can be transferred into JISA

Regular contributions can be deemed normal expenditure and fall outside estate for Inheritance Tax

Investments can be made by third parties – grandparents

LISA – Lifetime ISA

Up to £4,000 pa

Government top up by 25%

Deposit on new home or for retirement 60+

LISA property limits £450,000

Per person not per house i.e. two first-time buyers = two LISAs to fund deposit

Available for 18 – 39-year-olds

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Active or Passive?

Active Managers

- Use their skill and judgement to decide which stocks to buy
- Peer group relative benchmarks
- Potentially higher costs

Passive Options

- Track the performance of an index, benchmark or asset
- Have lower costs
- Different ways of buying passive investments – tracker funds and ETFs

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Investment Bonds

- Life Assurance Policies issued by onshore and offshore Life Assurance Companies.

- Tax efficient with annual withdrawals of 5% or less, tax deferred. Tax assessed on chargeable event gains, e.g. excess withdrawals, final surrender, maturity, death of last life assured

- Life Assurance Policies can be ignored during the financial assessment "means test" carried out by a local authority when determining your assets. Unless the deliberate deprivation of asset rules are applied

- Can include lots of different types of investments. And you can choose the currency denomination.

- They can be gifted to family or friends and held in trust.

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Venture Capital Trusts ‘VCTs’

- Investments with a government backed tax incentive to encourage investment in small, early-stage, high growth, high risk UK companies held for +5 years.
- Up to £200,000 per tax year benefits from 30% income tax relief.
- Tax Free Dividends.
- No Capital Gains Tax (CGT) when disposing of VCT shares.
- VCTs typically have a five-year minimum investment time horizon and you should be thinking longer if you wish to invest.

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Enterprise Investment Scheme 'EIS' Investments

- Another Government Tax incentivized scheme to encourage investment in small, high growth, high-risk, UK companies held for +3 years.
- Income tax relief of 30% on contributions up to £1m. (Up to £2million for knowledge intensive companies).
- Tax Free Growth.
- CGT deferred while EIS investments held.
- EIS investments can qualify for up to 100% Business Property Relief and are, in effect, exempt from Inheritance Tax after being held for two years.
- Again, Very high risk and do not typically pay dividends.

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	VCT	EIS
Income tax relief	30%	30%
Minimum holding period	5 years	3 years
Tax-free dividends	✓	✗
Secondary market	✓	✗
Listed on recognised exchange	✓	✗
Loss relief	✗	✓
Maximum investment	£200,000	£2 million
Price	Quoted	Not quoted
Tax-free gains	✓	✓
CGT deferral	✗	✓
IHT exemption	✗	✓

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Inheritance Tax Portfolios (AIM)

- Investments in companies on the AIM (Alternative Investment Market) can qualify for IHT relief as they can qualify for Business Property Relief (BPR).
- If you are concerned about inheritance tax you may contemplate using tax efficient investments such as this.
- Some can be held in an ISA too.
- Portfolio's managed by professional investors typically have 20-30 investments within them diversifying the risks.
- These are again very high-risk investments designed for experienced investors whose estates are large enough to be impacted by IHT.

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Summary next steps

- ✓ Review your finances and consider taking professional advice
- ✓ No charge for an initial 30-minute meeting with a LIFT adviser
- ✓ Opportunities to take advantage of before 5th April
- ✓ Have a financial plan, stick to it and be tax efficient

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Q & A

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- The value of investments and any income from them will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.
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- Past performance is not a guide to future returns.
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