



GINKGO
FINANCIAL

GINKGO FINANCIAL

2 Delacourt Road (Unit 1)
Blackheath Royal Standard
London, SE3 8XA

Email contact@ginkgofinancial.com

Phone 020 3675 9050

www.ginkgofinancial.com

ESSENTIALLY **WEALTH**

Q1 2022 ISSUE 23

**WHAT DOES 2022
HAVE IN STORE?**

**HOW TO BEAT
THE BIG FREEZE**

**RESOLVE TO PREP
YOUR PENSION
WITH CONFIDENCE**

GOODBYE
GREENWASHING?
CLIMATE DISCLOSURES
ON THE CORPORATE
AGENDA

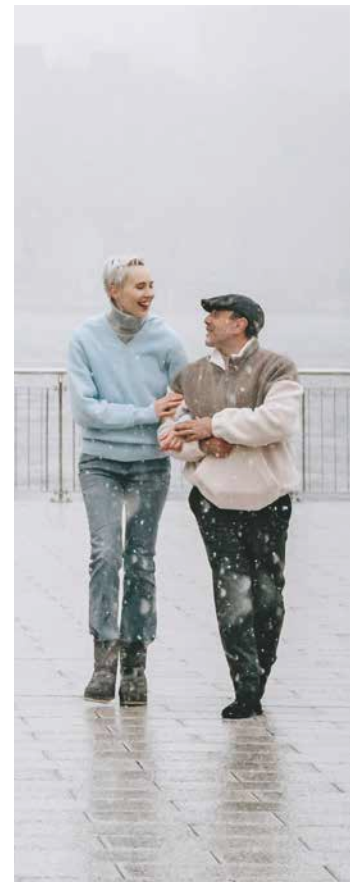
INFLATION-PROOF
YOUR SAVINGS

TALKING CRYPTO



IN THIS ISSUE

RESOLVE TO PREP YOUR PENSION WITH CONFIDENCE	3
GOODBYE GREENWASHING? CLIMATE DISCLOSURES ON THE CORPORATE AGENDA	3
HOW TO BEAT THE BIG FREEZE	4
MORE RETIREES BLOOMING LATE	4
NEW REGULATIONS TO PREVENT PENSION SCAMS	5
INFLATION-PROOF YOUR SAVINGS	5
CLIMATE CHANGE CONCERNS – INVESTORS TUNE IN	6
MUM’S THE WORD – SAVING FOR YOUR CHILDREN IN 2022	7
UNCLAIMED TAX RELIEF TOPS £800M	7
TALKING CRYPTO	8
TAX YEAR COUNTDOWN – CONSIDER THE VARIABLES	8



WHAT DOES 2022 HAVE IN STORE?

As we all settle in to 2022, after the challenges of the last couple of years, it’s only natural to ponder what the year ahead has in store for us all. While ongoing concerns about new variants, supply chain disruption and rising inflation may be disconcerting for investors, the next 12 months are likely to hold opportunities as well as risks, as we hopefully journey towards a post-pandemic future.

Prior to the emergence of the Omicron variant, the International Monetary Fund (IMF) predicted a continuation of the global recovery in 2022 with the world economy forecast to grow by 4.9%. However, there was an acknowledgement that the degree of uncertainty surrounding prospects had risen, with policy choices becoming more difficult and complex.

A key area of concern relates to the new virus strain which the Organisation for Economic Co-operation and Development (OECD) Chief Economist Laurence Boone said could pose “a threat to the recovery, delaying a return to normality or something even worse.” While the forecasting agency did warn that the new variant threatens to intensify the imbalances that are slowing growth and raising inflationary pressures, it also advised monetary policymakers to be ‘cautious,’ stating that the most pressing policy requirement was currently to accelerate the vaccine roll-out programme globally.

Be strategic to build your wealth

Global supply chain issues and rising inflation have created a policy dilemma for central banks. These dual concerns have heightened the need for investors to adopt careful and considered strategic thinking to reposition their portfolios to take advantage of opportunities while ensuring their wealth is inflation proofed as well as possible. With deposit-based savings rates

forecast to remain at low levels, such slim returns have prompted many savers to shift their money into investments, with research¹ suggesting over half of all adults have done so. This move has raised concerns that unrealistically high return expectations could leave some investors susceptible to investment scams.

It’s all about you

While 2022 is sure to present challenges and opportunities for investors, adopting a carefully considered strategy based on sound financial planning principles will be key.

¹Aegon, 2021

**THE NEXT 12 MONTHS
ARE LIKELY TO HOLD
OPPORTUNITIES AS WELL
AS RISKS**

RESOLVE TO PREP YOUR PENSION WITH CONFIDENCE

Do you flounder around when it comes to focusing on financial planning for your retirement? If so, you're in good company – 47% of working age people are a bit lost when it comes to getting their retirement planning on track².

Just over a quarter (28%) feel secure in their understanding of how to manage their pension in the approach to retirement, while only 27% have an idea of what a 'good' amount of pension savings is for someone of their age.

Rearing its ugly head again is the gender pension gap. Women are almost twice as likely (21%) to say they feel completely 'on the back foot' than men (12%). In addition, women are more than twice as likely to lack understanding of how to manage their pension in the approach to retirement (34% of women vs 14% of men).

Approach retirement with confidence

Mary Harper, a Managing Director at Aviva commented, "It's very easy to put thoughts about later life to the back of your mind but investing time in thinking and planning ahead can make a world of difference to your options... evidence suggests that people who access financial advice are, on average, tens of thousands of pounds better off in the long-term."

We can provide advice so you can approach your retirement with laser focus.

²Aviva, 2021



GOODBYE GREENWASHING? CLIMATE DISCLOSURES ON THE CORPORATE AGENDA

With the push towards reducing carbon emissions to net zero by 2050, green changes are being made across society. As more investors seek out sustainable funds for their money, the IMF is calling on governments to protect investors from greenwashing, urging regulators to stop financial companies making misleading claims about their environmental credentials.

Going green

Greenwashing, where organisations present an environmentally responsible public image when this isn't necessarily true, could hinder sustainability efforts, which the IMF is eager to tackle – "Proper regulatory oversight and verification mechanisms are essential to avoid greenwashing."

THE IMF IS CALLING ON GOVERNMENTS TO PROTECT INVESTORS FROM GREENWASHING

The UK government is taking such steps. From April, over 1,300 of the largest UK-registered companies and financial institutions – firms with turnover above £500m and at least 500 employees – will have to disclose climate-related financial information. They will be required to consider the risks and opportunities they face from climate change.

Long-term strategies

Economic Secretary to the Treasury, John Glen, commented, "These requirements will not only help tackle greenwashing but also enable investors and businesses to align their long-term strategies with the UK's net-zero commitments."



HOW TO BEAT THE BIG FREEZE

With both the Inheritance Tax (IHT) nil-rate band and residence nil-rate band remaining frozen at existing levels until April 2026, at £325,000 and £175,000 respectively, many families are already receiving hefty IHT bills. The increase in receipts has been attributed to the big freeze in allowances, rising estate values and the sad increase in deaths among those over 60 due to the pandemic.

If you're concerned about IHT, here are a few things to think about...

- **Gifts** – remember to use your £3,000 annual allowance. You can also make gifts of up to £250 per person, to as many people as

you want in each tax year; make monetary wedding gifts; donate to charities and political parties, and make gifts from surplus income that don't affect your standard of living

- **Use trusts** – for example putting money into a trust to pay for a grandchild's education or to provide support for a relative
- **Make a Will** – and keep it up to date
- **Leave money to charity** – if you leave at least 10% of your net estate to charity, the IHT rate is reduced from 40% to 36%
- **Take out life assurance** – this won't reduce your estate but instead provides a lump sum to your beneficiaries to pay the bill. The policy should be written under a suitable trust
- **Take professional advice** – sensible IHT tax planning can help to reduce the amount of IHT your beneficiaries will have to pay and safeguard your wealth for the future.

MORE RETIREES BLOOMING LATE

A new group of consumers could be about to change the face of retirement, according to research³ into the growing number of 'Late Financial Bloomers'. This group secure their financial stability later in life, which can seriously impact on retirement plans.

Modern family

Socioeconomic factors such as later home ownership and marriage, and divorce trends are driving this shift. On average, first marriages now take place four years later than they did 20 years ago; similarly, divorce rates peak 20 years later than they did two decades previously.

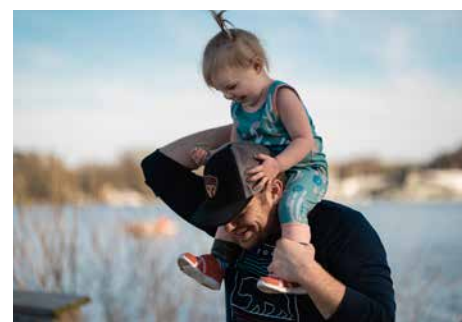
Childbirth plays a role too. More women over 40 now give birth each year than those under 20, which means a growing proportion of the population will be supporting children through education later in life rather than focusing on retirement planning.

Long-term thinking

Currently, just 6% of retirees are considered 'Late Financial Bloomers', though this figure is set to rise significantly over the next 15 years. The shift towards later financial security means more people will face complex retirement journeys, thereby increasing the need to plan ahead.

³Canada Life, 2021

SOCIOECONOMIC FACTORS SUCH AS LATER HOME OWNERSHIP AND MARRIAGE, AND DIVORCE TRENDS ARE DRIVING THIS SHIFT



NEW REGULATIONS TO PREVENT PENSION SCAMS

Pension trustees and scheme managers received new powers on 30 November 2021 to help protect pension savers by stopping suspicious scam transfers. The new regulations will enable trustees to prevent a transfer request if they see evidence of 'red flags.'



More protection

Before the change, pension providers were not allowed to refuse a transfer where the saver had the right to make it, even if the transfer seemed suspicious. With pension scam losses totalling millions each year, the Financial Conduct Authority (FCA) is keen to tackle scams head on to ensure the long-term health of the pensions market.

In a speech to delegates at the Pensions and Lifetime Savings Association, the FCA's Executive Director of Markets Sarah Pritchard said steps have been taken to stop scams reaching consumers, "We want people to be better protected from the risks of scams and know how to protect themselves against them. Our ScamSmart campaign... gives knowledge and tools to help people protect themselves from scams."

Simple steps

We can all take simple steps to protect ourselves against potential scams. These include:

- Making sure you check who you're dealing with
- Never giving out personal information you wouldn't share with a stranger
- Not feeling pressurised into making quick decisions.

INFLATION-PROOF YOUR SAVINGS

Rising inflation is prompting many of us to think carefully before spending, but it should also be a trigger to make us consider the impact on our savings and investments.



The greatest risk to capital

In times of rising inflation and low interest rates, sticking to cash is a major risk, as the real value of your money will be eroded over time. Even if you are happy to tie up your money for five years, you're unlikely to match the current inflation rate.

Diversification is key

It's prudent to keep any emergency funds in cash at the bank, but then to consider inflation-beating assets such as the stock market for longer-term investments. Investment products have historically delivered better returns over the long term, so it's advisable to consider the options.

Don't forget the taxman

Taking advantage of tax-efficient investments such as ISAs or pensions is a simple way to protect investment returns and mitigate the effects of inflation.



CLIMATE CHANGE CONCERNS – INVESTORS TUNE IN

The environment and climate change are more concerning to most people than the economy or COVID-19, a new study has found⁴. Signalling the prominence of climate change in the global debate, out of the ten countries surveyed, the environment or climate change was the primary ESG (Environmental, Social and Governance) concern.

Waste management (8%), pollution (6%) and clean air (5%) feature amongst the other environmental issues cited, and over half of consumers are prepared to boycott companies who demonstrate

poor ESG performance. Tom Parker, Deputy CEO EMEA at SEC Newgate commented, *“There is a widespread interest in and concern about the ethical and sustainability performance of governments and corporates. This is a truly worldwide phenomenon. The surprising consistency in these results illustrates that all local issues are global and that global issues are local.”*

Interestingly, another study shows that 57% of consumers want their pension to be invested responsibly to help combat climate change, but only one in seven who have a pension have taken steps to invest it responsibly⁵.

⁴SEC Newgate, 2021, ⁵Royal London, 2021

**THERE IS A WIDESPREAD
INTEREST IN AND CONCERN
ABOUT THE ETHICAL
AND SUSTAINABILITY
PERFORMANCE OF
GOVERNMENTS AND
CORPORATES. THIS IS
A TRULY WORLDWIDE
PHENOMENON**

MUM'S THE WORD – SAVING FOR YOUR CHILDREN IN 2022

Giving their children a financial flying start, by setting aside money throughout their childhood, is important to many people.

Mums are more likely to make financial provision for their offspring, with 60% of those actively contributing to a child's savings and investments being women⁶. Researchers deduced that this appears to fit in with a broader theme where women tend to connect investing to outcomes for their family more than to their own needs.

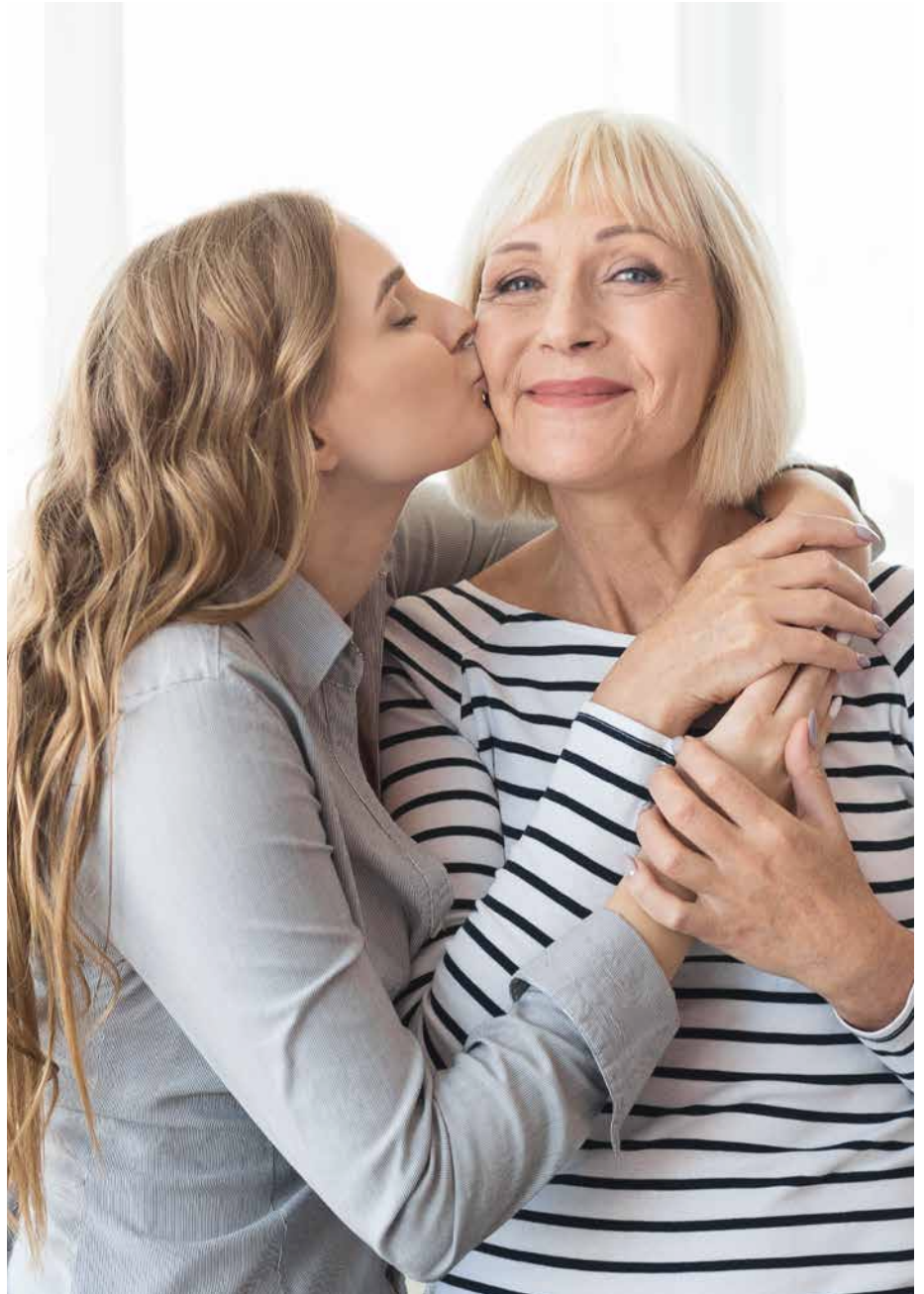
A tailing-off in contributions is evident as children get older. Just over two thirds (67%) of new parents start investing or saving for their new-borns, falling to 54% by the time children reach secondary-school age.

Cash isn't always king

It's important to make sure that the money works hard for the long term. The research highlights that most savings are held in premium bonds or cash products, such as cash Junior Individual Savings Accounts (JISAs). Having recently celebrated its tenth birthday, the JISA allowance has increased over the years from £3,600 a year in April 2011 to £9,000 a year today – currently stocks and shares JISAs make up just 3% of all accounts.

Choosing cash can limit the impact of parents' savings, especially in times of rising inflation, as the real value of cash will erode over time. Although not guaranteed, investment products have historically delivered better returns over the long term, making it advisable to consider the options.

⁶Boring Money, 2021



UNCLAIMED TAX RELIEF TOPS £800M

During the 2018/19 tax year, new stats⁷ have shown that over 1.5 million of the UK's highest earners failed to claim tax relief worth an estimated £810m.

Although higher rate taxpayers benefit from 40% tax relief, eight in ten failed to use their Self-Assessment tax return to claim it during the tax year. Meanwhile over half (53%) of additional rate taxpayers failed to claim the 45% tax relief for which they were eligible.

⁷Pension Bee, 2021

TALKING CRYPTO

Although Bitcoin is the most renowned cryptocurrency, it wasn't the first. Launched over 30 years ago, DigiCash was the forerunner to the swathe of cryptocurrencies we see today. There are around 7,500 digital tokens currently available in the market and over 1,600 dead coins listed, which are currencies that no longer exist.

Fishy business

Digital currency 'SQUID' recently launched a 'rug pull' manoeuvre, whereby the currency creators abandoned the project by exchanging virtual coins for real-world cash and drained liquidity from the product, driving the coin's value to zero. The currency creators pocketed the £3m invested. Scams like this are a regular feature of the cryptocurrency market environment. Danny Knight, Quilter Investors' Head of investment Directors recently referred to crypto investment as, "An area of concern and caution at the moment."

Standpoint

Along with regulatory concerns and a lack of clear guidance and transparency, Rick Eling Investment Director of Quilter Financial Planning, has commented that crypto has the "fundamental characteristics of a bubble. If people are buying stocks because the price has risen and for no other reason, it's a bubble." On valuation, he added, "how do you work out what this thing is supposed to be worth? You can value an asset normally by looking at what the underlying business activities are, the cash it generates, the profit it generates, or you can find some utility for an asset... it doesn't have any use or business activity behind it."

He continued, "The principles of long-term investments are eternal, you need to have a plan, you need to know how much risk you are willing to take, you need a diversified managed portfolio and you need plenty of time, discipline and patience... Please don't think it (crypto) is a legitimate alternative to real investment – because it isn't."



TAX YEAR COUNTDOWN – CONSIDER THE VARIABLES

There was little to grab the headlines in the personal financial planning arena last year, as there were no major changes announced to Income Tax, Inheritance Tax, pensions or Capital Gains Tax. However, other factors, such as higher inflation and the freezing of allowances, shouldn't be overlooked and should be on your radar before the end of the tax year:

Inheritance Tax

Official figures from HM Revenue and Customs (HMRC) for April to September 2021 show that IHT receipts totalled £3.1bn, £0.7bn higher than the same period in 2020. With the nil rate band and residence nil rate band frozen until April 2026 at £325,000 and £175,000, respectively, effective estate planning is vital.

Individual Savings Accounts (ISAs)

The ISA limit has now been frozen at £20,000 for five years. JISAs celebrated their tenth birthday in November – the allowance remains at £9,000.

Pensions

The Lifetime Allowance remains at £1,073,100 and the Annual Allowance remains at £40,000. As these allowances won't be increasing with inflation, it effectively means you can save less in real terms each year if your pension savings are large enough to be affected.

Dividend Tax

Dividend Tax is set to increase by 1.25 percentage points from 6 April 2022 to help fund health and social care. This means investors will have to pay more on any income from shares held outside ISAs and above the £2,000 dividend allowance.

Talk to us

There are many variables that affect your finances – inflation, interest rates, taxation and frozen allowances – all of which will affect each individual differently. Talk to us to get personalised advice.

Important Information: We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.