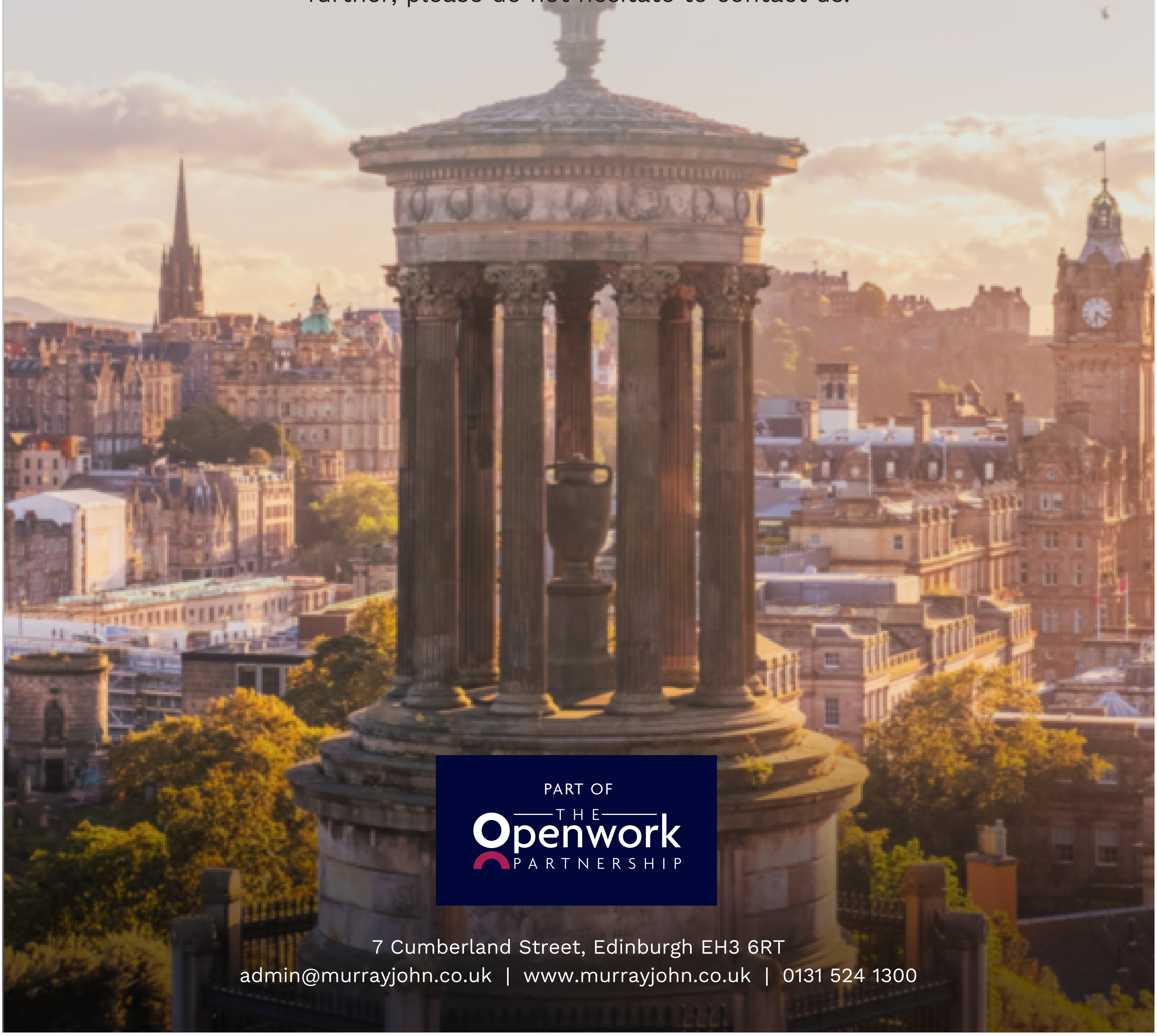
Murray John
& Associates Ltd

# FINANCIAL VIEWPOINT

MURRAY JOHN AND ASSOCIATES LTD

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.



PART OF
THE Openwork PARTNERSHIP

7 Cumberland Street, Edinburgh EH3 6RT
admin@murrayjohn.co.uk | www.murrayjohn.co.uk | 0131 524 1300

# Investing or saving?

## Investing can beat inflation

Investing is a better option if you've got longer-term goals because inflation can erode the value of cash savings over the medium to short term, and your money may not have the same spending power as when you first put it away.

**For example**
If you have £2,000 in savings and the bank offers a 1% interest rate, each year you will get back £20. However, if the inflation rate is 6% the cash in your savings account will fall in value. After one year your cash would be worth £1,887. After five years it would be worth only £1,495.[1]

### Saving money is a great way to prepare for unexpected expenses and investing your money can have the potential for higher growth than saving.

A lot of people put their money in a savings account and leave it there to accumulate interest. While this is a good strategy in the short term, you potentially risk losing out on higher returns in the long run, while also struggling to keep up with inflation. However, investing is a good approach if you have long-term financial goals and want to earn more money than you could by saving it.

## What's the difference between saving and investing?

With saving you are setting aside cash for future use, while investing means using cash to buy assets that you expect to produce a profit or income. The biggest difference between saving and investing is the level of risk. With saving you will always get back at the very least what you have put in, as well as any interest on your deposits. You won't lose any money, making it a less risky option.

Investing your money means it will rise and fall over time and there is a chance you could lose some of your initial investment. Your financial adviser will be able to help you make sure you're aware of the risks and the minimum time you should consider investing for. A longer timeframe (at least five years) will give your investment more time to recover if there are any sudden market swings.

*Speak to your financial adviser to find out about a range of investment opportunities to help you meet your financial goals.*

*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.*

## Types of investments

The main types of asset classes that investors could choose from – which your adviser can go into detail with you – are equities, bonds, and property. Different asset classes have different levels of risk and return. Usually, the safer an asset is the lower the returns will be, while the riskier an asset is, the higher the returns.

**Property** this could be investing in commercial property through investment funds, including retail, office, and industrial property. It makes a good long-term investment and is effective at beating inflation. Property can add diversification to your portfolio as it tends to perform differently to other assets in response to different market conditions. However, property does come with its risks, including a risk of a fall in value as well as the maintenance costs.

**Bonds** sometimes called fixed-term investments, bonds are issued by governments and companies looking to raise money. A bond is essentially a loan made to a company or a government by an investor for a set period – usually several years. In return they pay you a regular income in the form of interest over the life of the bond, after which they must repay your loan. Bonds typically offer stable returns and are a lower risk than equities, although they tend to offer lower returns in the long term.

**Equities** also known as stocks and shares, equities are issued by a public limited company and can be bought and sold on stock exchanges. When you buy an equity, you are basically buying a piece of that company and become a shareholder. Equities can make you money through increases in share price or you can receive income in the form of dividend payments. The disadvantage is that returns are not guaranteed, and the share price could fall below the level that you invested.

OW4163 Exp. 27/09/2023

# Start of the tax year checklist

The new tax year on 6 April 2023 marks a great time for your adviser to help you organise your money and make the most of the allowances available to you.

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

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

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

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

***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 value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.***

## ISAs

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

## Junior ISAs

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

## Pension allowance

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

## Child's pension

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

## Gift allowances

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

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

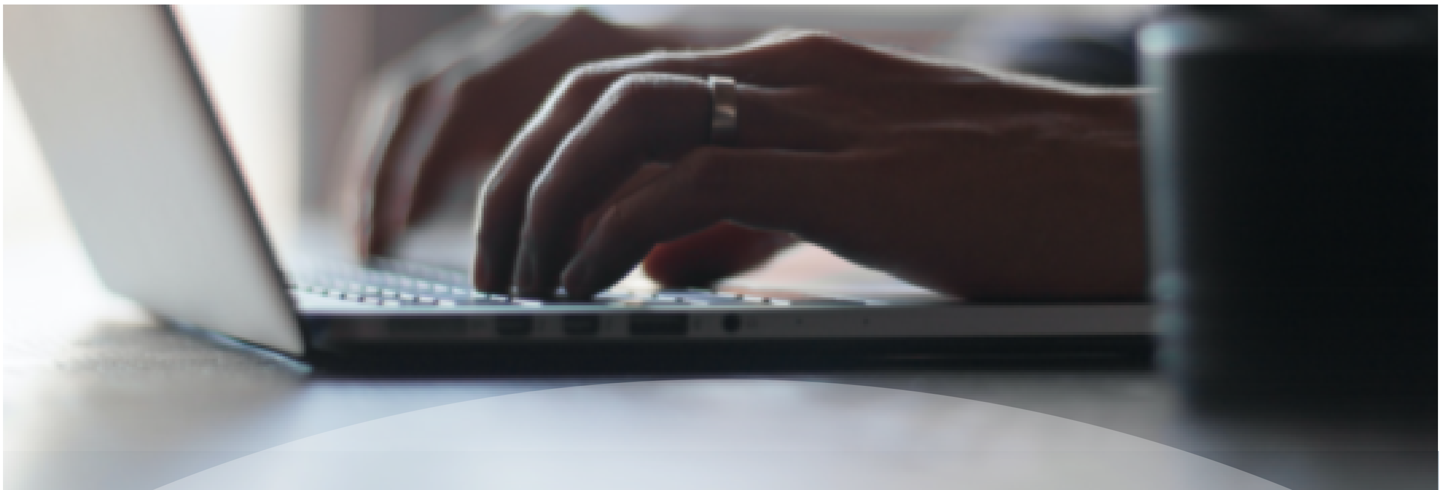
It's worth remembering that any gift you give, even to family members, could be subject to capital gains tax (CGT). CGT is the tax you pay on any profit or gain you make when you dispose of an asset, such as a second home or shares. If you gift an asset and it has risen in value compared to what you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

## Marriage allowance

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

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

OW3389 Exp. 05/04/2023



# Seeking investment talent

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

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

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

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

## Manager selection

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

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

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

## Sustainable investing

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

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

## Ongoing monitoring

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

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

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

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

***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.***