



THORNTONS WEALTH

INVESTING WITH IMPACT

How ESG creates long-term value

POST-LOCKDOWN BOOST TO FINANCIAL WELLBEING FADES

Continuing impact on people's physical health and financial wellbeing

PLANNING FOR THE ROAD AHEAD

Gen Z's caring nature supporting both themselves and loved ones

CHRISTMAS GIFTING

How to make gifts to a charity, family and friends

Thorntons Wealth

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Thorntons Wealth is a trading name of Thorntons Investment Management Limited (SC438886) and Matheson Financial Consulting Ltd (SC241755). Both companies are registered in Scotland and the registered address is Whitehall House, 35 Yeaman Shore, Dundee DD1 4BU. They are authorised and regulated by the Financial Conduct Authority.



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THORNTONS WEALTH MAGAZINE.

Welcome to the December 2021 issue of Thorntons Wealth monthly e-zine newsletter.

It's no secret that the growth of Environmental, Social and Governance (ESG) investments in recent years has been fundamental. This has largely been fuelled by the climate emergency, leading to growing scrutiny of company practices with some governments mandating a change in companies' and individuals' behaviour. The idea behind ESG investing is that corporations which respect these three pillars in their business practices will achieve long-term value creation. From tackling climate change, to equal rights and animal welfare – you can select investments based on your values in a way that could help you achieve your long-term financial goals.

The coronavirus (COVID-19) pandemic has had, and will continue to have, a major impact on our lives. It is not just impacting on people's physical health but also their financial wellbeing. The economic consequences of the COVID-19 outbreak for some people will make it harder for them to achieve their financial goals. This is why financial planning is key to align your needs, your values and your personal goals with every aspect of your finances, to give you a complete picture of where you are now and where you can get to in the future.

Over-50s workers in the UK could have a £5.3 billion hole in their collective pension pot due to cutbacks on retirement savings over the course of the pandemic, according to new research. The new findings estimate that approximately 10% of pre-retired over-50s – 1.4 million people – are continuing to save less every month when compared to before the pandemic. At present, those over 50 saving less have reduced their monthly savings by £155 a month. However, at the peak of the pandemic this was an average of £219 less a month.

Younger generations deserve much more credit for planning ahead and beginning to think about retirement when it will still feel so far away for them, according to new research. The pandemic will likely have impacted their mindset, with issues such as longevity and later life care now at the forefront and providing a stark reminder of the need to have

provisions in place for the future – to support both themselves and loved ones. Generation Zers (those aged between 18 and 24) appear to be rising to the challenges they face so far and planning for the road ahead and the additional strains their finances will likely need to cover.

Planning to make gifts to a charity, family and friends? With the festive season approaching, Christmas is the time of giving. Have you thought about some of the ways you can make gifts to a charity, family and friends? Lifetime gifting is not only a good way to set up children for adulthood but is also a way of mitigating any Inheritance Tax concerns. However, what's clear is that not all saving products for children are made equally. With interest rates at historic lows, if you are looking to put money away for a child to enjoy when they grow up investing is by far the best way to maximise your gift.

Create a secure financial future for yourself and your family with a personal financial plan and investment strategy from our experienced team. To find out more, please contact us. We hope you enjoy this issue. ■

Best Wishes,

Thorntons Wealth

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INVESTING WITH IMPACT

How ESG creates long-term value

IT'S NO SECRET THAT THE GROWTH OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INVESTMENTS IN RECENT YEARS HAS BEEN FUNDAMENTAL. THIS HAS LARGELY BEEN FUELLED BY THE CLIMATE EMERGENCY, LEADING TO GROWING SCRUTINY OF COMPANY PRACTICES WITH SOME GOVERNMENTS MANDATING A CHANGE IN COMPANIES' AND INDIVIDUALS' BEHAVIOUR.

The awareness of ESG has increased over recent years and these factors are becoming more important in the investment decision-making process of investors.

The idea behind ESG investing is that corporations which respect these three pillars in their business practices will achieve long-term value creation.

From tackling climate change, to equal rights and animal welfare – you can select investments based on your values in a way that could help you achieve your long-term financial goals.

APPETITE FOR SUSTAINABLE INVESTMENTS

COVID-19 has undoubtedly heavily influenced some investors' agendas, driving a re-evaluation of the environment and 'what matters most'. Data from 'The Power of Advice' report^[1] shows how for one in two investors (51%), the pandemic has fuelled their appetite for sustainable investments.

45% went further still, saying that they now only want to invest in ethical companies and funds. In fact, only 11% of the sample (across all generations) said they didn't intend to invest in ESG investments over the next five years.

YOUNGER PEOPLE HAVE A 'KEY ROLE TO PLAY'

Furthermore, 39% of clients said they expected to increase the amount they invested in socially responsible investments, 31% maintaining their current level and just 5% decreasing their spend.

Younger people have a 'key role to play' in the move towards sustainable investing, according to the report. It revealed younger family members (42%), societal pressures (47%) and media commentary (53%) were the top influences for people considering sustainable investing.

EVERY LEVEL OF BUSINESS DECISION-MAKING

Once upon a time, the concept of 'sustainability' was confined to environmental and social issues, but it is now factored in at every level of business decision-making. The awareness of ESG has increased over recent years and these factors are becoming more important in the investment decision-making process of investors.

For many, the pandemic has prompted a change in financial priorities, accelerating the demand for responsible investing. ■

LOOKING TO INVEST FOR A BETTER FUTURE?

We all want to make responsible choices as more of us are becoming aware of global challenges, such as environmental issues, human rights and climate change. In recent years, ESG and ethical investing have moved from niche strategies to a mainstream part of investing. To discuss how we can help you, please contact us.

Source data:

[1] *The Power of Advice Report – Pru part of M&G Plc* – <https://www.mandg.com/sustainable> (2021)

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.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

POST-LOCKDOWN BOOST TO FINANCIAL WELLBEING FADES

Continuing impact on people's physical health and financial wellbeing

THE CORONAVIRUS (COVID-19) PANDEMIC HAS HAD, AND WILL CONTINUE TO HAVE, A MAJOR IMPACT ON OUR LIVES. IT IS NOT JUST IMPACTING ON PEOPLE'S PHYSICAL HEALTH BUT ALSO THEIR FINANCIAL WELLBEING. THE ECONOMIC CONSEQUENCES OF THE COVID-19 OUTBREAK FOR SOME PEOPLE WILL MAKE IT HARDER FOR THEM TO ACHIEVE THEIR FINANCIAL GOALS.

This is why financial planning is key to align your needs, your values and your personal goals with every aspect of your finances, to give you a complete picture of where you are now and where you can get to in the future.

PLANNING FOR AND PROTECTING THE FUTURE

Findings from a new survey show the pandemic has led to changes in long-term financial planning when it comes to people supporting their families, with around one in ten (9%) having increased the scope of their long-term financial planning to include more generations as a result of the pandemic⁽¹⁾.

Almost three quarters (73%) of UK households surveyed considered preparing for the future financial wellbeing of loved ones in other generations to be important, with more young people aged 18-24 of this

view than any other age group (82%). Nearly one in four households surveyed (24%) would not consider other generations (such as children or parents) in their financial planning at all.

Of those households which have increased the scope of their long-term financial plans, more than one in four (27%) were not previously including other generations of their family in planning before the onset of the pandemic. This suggests a considerable change in behaviour, with those aged 35-44 recording the largest shift in favour of planning financially for future generations.

WORKPLACE ACTIVITY, INCOME AND JOB SECURITY

Positive news during the third quarter came from the labour market as UK households experienced improved trends

with regard to both job security and income from employment. For the first time since Q1 2020, households' income from employment rose over the quarter. At the same time, business activity continues to rise steeply, according to UK households. The rate of growth remained close to the survey record high recorded in Q2.

This combination of rising activity and greater incomes led some households to take an optimistic view with regard to job security – with the lowest level of pessimism recorded since the second quarter of 2019. Those in the youngest age group (18-34) recorded by far the strongest trend for job security in the third quarter of 2021.

HOUSEHOLD FINANCES

Q3 data also pointed to a further fall in the amount of cash UK households have available to spend. The rate of decrease quickened slightly on the quarter and was sharp, highlighting that rising living costs have partly offset increased employment income. As a result, household savings declined at the fastest rate since the end of 2020, with only the highest earners recording a rise over the third quarter.

Of those households which have increased the scope of their long-term financial plans, more than one in four (27%) were not previously including other generations of their family in planning before the onset of the pandemic.

Meanwhile, UK households registered a sustained fall in demand for unsecured credit, such as overdrafts and credit cards, with the decrease the strongest on record. The focus remained instead on paying down debt, which declined solidly again in Q3. ■

WHAT IS YOUR VISION AFTER YOU'VE LEFT THE 9 TO 5 BEHIND?

We all have our own idea of the life we'd like to lead after we've left the 9 to 5 behind. Whatever your vision, we're here to talk you through your options. To find out more, speak to us today – we look forward to hearing from you.

Source data:

[1] The Scottish Widows UK Household Finance Index™ (HFITM) is compiled each quarter by IHS Markit, using original monthly survey data collected by Ipsos MORI from a representative sample of 4,500 UK households.



SIGNIFICANT IMPACT ON RETIREMENT PROSPECTS AND PLANNING

£5.3 billion lost from over-50s' retirement pots throughout the course of the pandemic

OVER-50S WORKERS IN THE UK COULD HAVE A £5.3 BILLION HOLE IN THEIR COLLECTIVE PENSION POT DUE TO CUTBACKS ON RETIREMENT SAVINGS OVER THE COURSE OF THE PANDEMIC, ACCORDING TO NEW RESEARCH^[1].

The new findings estimate that approximately 10% of pre-retired over-50s – 1.4 million people^[2] – are continuing to save less every month when compared to before the pandemic. At present, those over 50 saving less have reduced their monthly savings by £155 a month. However, at the peak of the pandemic this was an average of £219 less a month.

SAVING LESS TOWARDS RETIREMENT

Overall, over-50s saving less towards retirement will have contributed £3,283 less on average over the course of the pandemic than they otherwise would have. Over-50s

workers who are continuing to save less are doing so for a variety of reasons, such as pay decreases (39%), redundancies or job losses (22%) and the impact of being furloughed (13%).

One in five over-50s saving less (20%) have also had to reduce their retirement contributions in order to provide more monetary support to their loved ones.

SIGNIFICANT IMPACT ON RETIREMENT

It's completely understandable that those who have faced financial hardship as a result of the pandemic may have looked for opportunities to cut back on

their outgoings. However, the research shows that saving less, particularly for those in their 50s, could have a significant impact on retirement prospects and planning.

As we look ahead towards a period of recovery, the best thing people can do is commit to spending a day sorting through their affairs to better understand the options at their disposal, rather than burying their head in the sand. ■

FINANCING YOUR RETIREMENT

It's never too early to start planning the future you want. Whatever stage of life you're at – nearing retirement, already retired or just starting to think about it – we can help you make the most of your pension options. We're here to talk you through your options. To find out more, please contact us.

**Source data:**

[1] Opinium survey of 2,160 UK over-50s in the UK who have not retired between 9 - 13 August 2021, 224 of which are saving less towards retirement, compared to before the pandemic.

Opinium and L&G ran two studies amongst pre-retirees aged 50+, and asked them how much less they were saving, if at all. Up to Jan, the average amongst all in this group were saving £27.01 less per month. Up to August, the average was £16.17. Applied across the relevant months from April 2020 onwards, this means this group on average saved £383 less overall. $£383 \times 13,944,731 = £5,344,851,289$ or £5.3 billion.

[2] Opinium estimates there are currently 13,944,731 over-50s who are not retired in the UK. 224 out of 2,160 pre-retirees aged 50+ said they are saving less towards their retirement. $224 / 210 \times 13,944,731 = 1,446,120$ or 1.4 million.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE 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. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS-TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

One in five over-50s saving less (20%) have also had to reduce their retirement contributions in order to provide more monetary support to their loved ones.

PLANNING FOR THE ROAD AHEAD

Gen Z's caring nature supporting both themselves and loved ones

YOUNGER GENERATIONS DESERVE MUCH MORE CREDIT FOR PLANNING AHEAD AND BEGINNING TO THINK ABOUT RETIREMENT WHEN IT WILL STILL FEEL SO FAR AWAY FOR THEM, ACCORDING TO NEW RESEARCH^[1].

The pandemic will likely have impacted their mindset, with issues such as longevity and later life care now at the forefront and providing a stark reminder of the need to have provisions in place for the future – to support both themselves and loved ones.

SAVINGS JOURNEY

Generation Zers (those aged between 18 and 24) appear to be rising to the challenges they face so far and planning for the road ahead and the additional strains their finances will likely need to cover. Generation Z is also the first to have been auto-enrolled into a workplace pensions scheme from the start of their working lives, and will have an

entirely different saving experience to that of their parents and grandparents.

As Generation Z begin their savings journey, they may look to benefit from the wisdom of those currently in retirement. With hindsight, a quarter (26%) of retired people wish they had saved more, while 25% felt they underestimated the potential length of their retirement and wish they had known this before they stopped working.

RETIREMENT FINANCES

Almost two-thirds (62%) of adult Generation Zers say they are happy to spend less on themselves so they can help loved ones and any children they have in future. Demonstrating a positive awareness of the

demands their retirement finances might have to cover, a quarter (25%) of Generation Z expect to be paying for long-term care for a loved one in retirement, and 25% also expect to help their parents/in-laws financially.

The findings look to understand the attitudes, hopes and behaviours of people as they manage their finances to and through retirement, while considering the influence that age, affluence, education and gender have on their financial engagement and wellbeing.

FINANCIAL SUPPORT

The research reveals Gen Zers to be a highly caring generation, with 39% believing it's the responsibility of adult children to provide financial support to parents (compared to 29% of 45-54-year-olds, and 21% of 55-64-year-olds).

Providing fresh insight into the financial behaviours and attitudes of various socio-groups, the report shows Gen Z adults are



already thinking about their future finances, with three in ten (29%) saying they have done 'a great deal of planning or thinking' about how much money they will need to live on in retirement.

FUNDING SOURCES

They appear to have done more planning than their elders, as only a fifth (21%) of Generation X say they've done a great deal of planning or thinking about retirement. Gen Z are thinking about future finances almost as much as the Baby Boomers – the generation closest to or currently in the early stages of retirement – where 31% say they have done a substantial amount of planning.

Furthermore, 62% of Gen Z adults state they are even worried they're spending too much money now in case they run out later in life. However, while Gen Z show a high level of consideration for how much they

may need in retirement, and what they may spend their money on, there are still some elements they are unsure about, with a fifth (20%) not having given any thought to their potential funding sources for retirement – the highest of any age group. ■

HOW CAN I MAKE THE MOST OF MY PENSION PLAN WHILE I'M YOUNG?

How you approach your pension planning early in your working life could make a huge difference to how much money you have later on. The sooner you start, the longer your money is invested and has the potential to grow. How much you'll need to save will depend on what sort of lifestyle you'd like to enjoy later in life. Contact us to discuss your requirements.

Source data:

[1] Boxclever conducted research for Standard Life among 4,896 UK adults. The research is nationally representative of UK adult population in terms of age, gender, region, with 578 people falling into Generation Z. Quantitative fieldwork was conducted between 16 - 23 July 2021. Qualitative fieldwork was conducted between 3 - 11 August 2021.

CHRISTMAS GIFTING

How to make gifts to a charity, family and friends

WITH THE FESTIVE SEASON APPROACHING, CHRISTMAS IS THE TIME OF GIVING. HAVE YOU THOUGHT ABOUT SOME OF THE WAYS YOU CAN MAKE GIFTS TO A CHARITY, FAMILY AND FRIENDS?



SIGNIFICANTLY HIGHER RETURNS

Lifetime gifting is not only a good way to set up children for adulthood but is also a way of mitigating any Inheritance Tax concerns. However, what's clear is that not all saving products for children are made equally. With interest rates at historic lows, if you are looking to put money away for a child to enjoy when they grow up investing is by far the best way to maximise your gift.

Some people remain worried about the volatility of investing but, with an 18-year horizon, putting money to work in the market can give significantly higher returns than products such as Premium Bonds.

One option to consider is a Junior Individual Savings Account (JISA). These were introduced in the UK on 1 April 1999 as a long-term replacement for Child Trust Funds (CTFs). If a child was born between 2002 and 2011, they might already have a Child Trust Fund, but these can be transferred into a JISA.

SAVE AND INVEST ON BEHALF OF A CHILD

If the CTF is not transferred, when a child reaches 18 they'll still be able to access the money. Or they can choose to transfer it into a normal Cash ISA. A JISA is a long-term savings account set up by a parent or guardian and lets you save and invest on behalf of a child under 18 without paying tax on income or gains.

With a Junior Stocks & Shares ISA account, you can put your child's savings into investments like funds, shares and bonds. Any profits you earn by trading investment funds, shares or bonds are free from tax. Investments are riskier than cash but could give your child a bigger profit, and the value of a Junior Stocks & Shares ISA can go down as well as up.

Money in the account belongs to the child, but they can't withdraw it until they turn 18, apart from in exceptional circumstances. They can start managing their account on their own from age 16.

FINANCIAL EDUCATION FROM A YOUNG AGE

The Junior ISA limit is £9,000 for the tax year 2021/22. If more than this is put into a Junior ISA, the excess is held in a savings account in trust for the child – it cannot be returned to the donor. Friends and family can also save on behalf of the child as long as the total stays under the annual limit.

When your child turns 18, their account is automatically rolled over into an adult ISA. They can also choose to take the money out and spend it how they like. It is therefore important to ensure that children are given financial education from a young age so that when they can get their hands on the funds they use them wisely.

THE GIFT OF GIVING

You can gift money to family members tax-efficiently if the gift is given at least 7 years before you die; the gift is given to your spouse, registered civil partner, or a UK registered charity; and, the total gift is less than the annual allowance (currently £3,000 tax year 2021/22).

When making gifts to a spouse or registered civil partner no Inheritance Tax is payable on transfers. Effectively the amount liable to Inheritance Tax is deferred until the death of the second spouse or registered civil partner.

Each individual can give away up to £3,000 in total, every tax year, free from Inheritance Tax under the annual exemption. This allowance can be

backdated by one year and so you can carry forward any unused allowance to the next tax year.

Small gifts of up to £250 in value are exempt from Inheritance Tax as long as you're not gifting to someone you've already used your £3,000 allowance on.

Any gifts you make in consideration of a marriage or registered civil partnership are exempt from Inheritance Tax as long as you make the gift before the wedding and the wedding goes ahead. You can gift up to £5,000 to a child, £2,500 to a grandchild, and £1,000 to anyone else.

CHARITABLE DONATIONS

If you are thinking of making a charitable donation, charities can claim Gift Aid on most donations. You can donate unlimited amounts of money to charity without Inheritance Tax being due. Donating through Gift Aid means charities can claim an extra 25p for every £1 you give. It will not cost you any extra.

You need to make a Gift Aid declaration for the charity to claim. You usually do this by filling in a form and can contact the charity if you have not got one.

If your employer, company or personal pension provider runs a Payroll Giving scheme, you can donate straight from your wages or pension. This happens before tax is deducted from your income. ■

NEED MORE INFORMATION?

Whilst it is kind and appreciated if you gift generously, remember you should always only give what you feel you can afford. Helping out family financially is hugely beneficial to recipients, but also make sure your needs are met too.