Pink
Financial
Consultancy

VIEWPOINT

PINK FINANCIAL CONSULTANCY

If you want to discuss how the details in this newsletter may affect your financial plan please contact us.

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The power to change the world

Ethical and sustainable investing are both popular and it's useful to understand the difference between the two approaches.

Investing in a responsible way is nothing new. It dates as far back as the 1700s, when religious groups such as the Quakers refused to support companies involved with the slave trade or other activities that conflicted with their values. Ethical funds started to appear in the UK in the late 1960s and early 1970s, which allowed people to invest in a way that reflected their personal values.

Ethical investing usually involves using your principles to filter out certain types of securities. For example, some ethical investors avoid sin stocks, which are companies that are involved or primarily deal with traditionally unethical or immoral activities, such as gambling, alcohol or firearms. Businesses involved with the tobacco, mining and oil industries are other typical ones to avoid.

A sustainable approach

Investing sustainably is different to ethical investing because it involves considering a wider range of issues – from how companies are managed to the impact they have on the environment and the roles they play in society. Investors are embracing this approach because there's mounting evidence to suggest these issues affect how companies perform over the long term too.

According to calculations made by the sustainable finance team at Danish bank Nordea, moving your pension savings to sustainable investment funds can be 27 times more efficient than four popular ways of reducing your carbon footprint that involve making lifestyle changes – taking shorter showers, flying less, travelling by train instead of by car, and eating less meat.

It makes good financial sense

Investing in well-managed companies that have a positive impact on society and the environment makes good financial sense. For example, if a company suffers reputational damage because it's been involved in an oil spill, discovered to be treating its workers poorly or accused of corruption, its share price will probably suffer.

Meanwhile, companies that use energy efficiently, invest in training their employees and pay their executives reasonable bonuses are likely to outperform their competitors and return more value to shareholders. Over the long term, they are also better prepared to meet future strategic challenges and take advantage of new business opportunities.

Incorporating an ESG framework

One of the difficulties with sustainable investing is that there's no standard definition of what it means. However, environmental, social and governance (ESG) factors provide a useful set of standards to assess potential investments:

- Environmental criteria look at how a company performs as a guardian for the environment, their impact on climate change or carbon emissions, water use or conservation efforts.
- Social criteria focus on a company's ability to manage relationships with its employees, clients, suppliers and the local communities in which it operates.
- Governance examines a company's leadership, shareholder rights, audits and internal controls, anti-corruption policies, board diversity, executive pay and human rights efforts, for example.

We believe that by incorporating these measures into our processes for selecting the fund managers we use to build portfolios, we can manage risk more effectively and improve returns. In addition, we expect all our investment managers to integrate analysis of ESG risk and rewards into their own investment processes too.

We only engage with those that are signatories to the United Nations Principles of Responsible Investing, the gold standard in the wealth management industry when it comes to incorporating ESG issues into investment practice. The Covid-19 pandemic has had such a substantial impact on societies and economies around the world, and the relevance of integrating a responsible investment approach is greater now than ever before.

If you want to know more about sustainable or ethical investigating visit **omnisinvestments.com/about-us/environmental-social-and-governance or get in touch**

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.

Cohabiting couples should make a Will

When Tom and Pete bought their first property together, things couldn't have been going better. They both had good jobs, were pulling in decent salaries and were excited about spending the rest of their lives together.

They chatted about making a Will a few times, but somehow life always got in the way. Until one day, 10 years later, Pete got a call that would change his life forever. Knocked down by a car while crossing the road, Tom had tragically passed away.

The intestacy trap

Grieving for the loss of his partner, Pete then found out that, due to the UK's intestacy laws, he wasn't entitled to inherit any of Tom's property, financial assets or belongings, unless they were jointly owned. Despite Pete knowing that Tom had loved him and would want him to inherit, the absence of a Will meant that none of that mattered.

Thankfully, Pete and Tom had owned their property as joint tenants, meaning Tom's share automatically passed to Pete according to the rights of survivorship. However, without children or any surviving parents or siblings, the remainder of Tom's assets ended up being passed on to a distant uncle with whom Tom didn't have any contact.

Now, Pete faces a battle to pay his bills and mortgages without Tom's savings and investments, life insurance policy and even the car that Tom owned but they both used.

Three in five UK adults do not have a Will

How a Will could have helped

Had Tom got around to writing a Will, he would have been able to specify exactly who would receive what from his estate, including his savings, investments, car and other belongings. In addition to writing a Will, Tom could have made his wishes known, by nominating beneficiaries to his pension and writing life policies under trust. By taking these steps, Pete would have been given the extra financial support he now so desperately needs.

As it stands, Pete still has the legal right to claim against Tom's estate as they had been cohabiting for more than two years - but this will be a costly and time-consuming process and a positive outcome isn't guaranteed. If Tom had a Will, this added stress could have been avoided.

Don't put it off

With cohabiting couple families growing faster than married couple and lone parent families, it's clear that more people are choosing not to get married, just like Tom and Pete. However, there's a catch. Cohabiting couples have none of the legal protections afforded by marriage, meaning that a Will is one way to ensure your partner inherits according to your wishes. Despite this, research shows three in five UK adults do not have one.

Let us help

Don't let what happened to Pete, happen to you. Speak to a solicitor or Will writing expert to make sure your loved ones are protected.

The Will writing service promoted here is not part of the Openwork offering and is offered in our own right.

Openwork Limited accept no responsibility for this aspect of our business.

Will writing is not regulated by the Financial Conduct Authority

What is income protection?

Income protection insurance pays out a percentage of your monthly income if you are unable to work.

Your income is important and keeps your family secure. So, if you are in a situation where you'd like to protect it if anything happened, you might want some income protection.

How does income protection work?

Income protection is an insurance policy, so you pay a monthly or annual premium for it like any other type of insurance. If you can't work because of sickness, disability, or other reasons (depending on your policy criteria), you will receive a regular income until you either return to paid work, retire, pass away or the policy term comes to an end.

The amount that is paid could be anything from 60% to 65% of your pre-tax income, and payments (which are tax free) will start after a pre-agreed waiting period, which could be weeks or months. You'll pay more in premiums if the waiting period is shorter, and the percentage of your income is larger.

Income protection is different to life insurance or critical illness cover, both of which do not pay regular amounts but instead give you one-off lump sums in the event of your death or the diagnosis of a critical illness. That's why it's important to seek financial advice if you are thinking about getting coverage.

Who could benefit from income protection?

If you work in a high-risk profession or have high-risk hobbies, you might want income protection in case you're unable to work because of an accident. If you've suffered an illness and feel you're at risk of being unable to work because of it, income protection could provide peace of mind, too.

Some things to consider if you are thinking about getting income protection include:

- if you have a good level of statutory sick pay from your employer, you may not need more cover.
- is it the best option for you and your situation? For example, do you (or your partner or spouse) have sufficient savings to help provide an income if you were unable to work?
- can you keep up with the premiums?
- will you find any exclusions in your policy difficult to manage?
- are you close enough to retirement to not need income protection?

How are premiums calculated?

As with any insurance policy to do with your life and health, factors like your age, health condition, if you smoke, your occupation and others (like how much of your income you would like to receive, and how soon you would like payments to start) will be considered when your premium is calculated.

Our Protection Advisers will be able to give you advice and guide you through what type of policy works best for you, helping you find value for money as well as some peace of mind knowing your income is protected.

Our advisers can help you find an income protection policy to suit your needs and keep your family secure.

OW3654 Exp. 19/10/22