Viewpoint

Essential Wealth

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The value of investment advice
Seeking advice on how to save money may not be as exciting as spending it, but it could be more rewarding.

The path ahead for the global economy
We look at the political and economic events that could impact your investments.

The importance of diversification
Who should you listen to when it comes to choosing how you invest?

Spring Statement
A look at some of the headlines behind the Chancellor's statement.

Financial wellbeing in retirement
Certainty of income, access to capital and wealth preservation are important considerations in retirement.

Auto-enrolment update
We look at the minimum contribution levels employers must pay into their pension schemes.

With protection comes choice
The pay out from an insurance policy can do more than just cover your basic outgoings.

The path ahead for the global economy

Much has happened to keep us busy in 2018 so far, but there's plenty to come in the second half of the year in terms of the political and economic events that could shape the future direction of markets, and your investments.

US

The big event at the end of the 2017 was the passing of Donald Trump's tax reforms, including big tax cuts for companies and a drop in income tax which will benefit many American families. However, most won't feel the affect until they file their taxes in April 2019.

A measure of Trump's popularity will be the US midterm elections in November, which historically haven't always gone well for the incumbent president's party. The whole House of Representatives, a third of the Senate, and most governorships will be at stake, along with hundreds of state legislative seats and local offices around the country.

Asia

After China's grand leadership reshuffle late last year, other South East Asian countries are set for a political refresh in 2018. National elections are due in Malaysia, Thailand and Cambodia in the second half of this year, while Indonesia's politicians are already on the campaign trail for elections there in 2019. The US withdrawal from the Trans-Pacific Partnership – a trade agreement between 12 countries, representing some 40% of the world economy – was a big headline last year. However, while it means less reliance on the US, it could ultimately lead to even greater influence from China, now challenging to become the world's largest economy.

If you're concerned about how global events could impact your investment portfolio, please get in touch.

Latin America

Donald Trump has upset many Mexicans with his plans for a wall separating the country from the US. Relations between the two neighbours are likely to figure prominently in the Mexican presidential election on 1 July. The favourite to win is the former mayor of Mexico City, Andres Manuel Lopez Obrador, who is leader of the left-wing National Regeneration Movement (MORENA). He has been very vocal about Trump's policy toward Mexico.

Brazil has had a tough few years. President Dilma Rousseff was impeached in 2016 after allegations of manipulating the government's budget, while former president Luiz Inacio Lula da Silva was convicted of money laundering last year. However, Lula, as he is more commonly known, is among those fighting for re-election in this October's vote.

UK

The second-half of 2018 in the UK should be all about Brexit in the run up to our scheduled departure from the EU on 29 March 2019. Having reached an agreement on the so-called 'divorce bill' at the end of last year, the next stage of negotiations is about the UK's relationship with our European neighbours going forward. With so much still in the air – including future trade and rules around EU citizens living in the UK – decisions made could have an impact on investment markets, especially trading in the pound.

Europe

After a tough ride for Angela Merkel in the German election, and the fallout from Catalonia's bid for independence from Spain, 2018 appears to be a more serene year for politics within the eurozone. However, with such cultural and economic diversity within the bloc, its future sustainability must not be taken for granted. On the economic front, the eurozone as a whole continues to impress in terms of growth, though the European Central Bank (ECB) remains behind the curve in terms of monetary policy – namely it has kept interest rates at 0% while other major economies are beginning to 'hike', or raise, theirs.

With the eurozone economic crisis of a few years back still fresh in our memories, an important milestone could be the results of stress tests of Greece's four largest banks, due to be published by the ECB in May. This will hopefully allow time for any shortfall to be filled before Greece is due to leave its bailout programme in August.

The importance of diversification

With ISA season comes the usual fanfare in the money pages about which investments will deliver the best returns – peppered with the usual important caveats about investment performance and the potential for loss of course.

If you'd like advice on your investment planning, please get in touch.

Every commentator will have a different idea about which areas and which funds are the best bet; and these varying opinions can cause confusion for anyone relying on their expertise.

It's also important to note that none of these talking heads will be privy to your specific financial circumstances and goals – no matter how impressive their CVs. That's why it is so important to seek advice from professionals – like us – who will take the time to find out more about you, what makes you tick and what you'd like to do with your money. This ensures a robust process which results in an appropriate plan and appropriate investments that match your specific risk profile and financial goals.

Diversification matters

Any investment professional worth their salt will tell you about the importance of diversification across your investments, particularly if you plan to save money in your ISA over the longer term (ie. more than five years).

If you invest in individual funds, and we can recommend funds from some of the leading fund managers, the trick is to blend exposure to different asset classes. These asset classes include equities, often referred to as 'stocks' or 'shares', which represent a stake in the ownership of a company.

There are also bonds – sometimes referred to as 'fixed income' securities – which could be described in similar terms as a loan to a company or government which pays interest. Compared to equities, bonds can be less risky should you require a more stable investment environment.

Other, so-called 'alternative' investments could include property, or commodities like gold, natural gases or agriculture, which are all accessed via specialist funds.

Active, daily management

We can recommend a spread of funds through a range of risk-rated portfolios. These are the auto-rebalancing **Openwork Graphene Model portfolios** and the actively managed **Omnis Managed Portfolio Service**.

The latter is managed on a daily basis by experts whose aim is to deliver consistent returns while managing risk through investing in a wide variety of Omnis funds.

Whichever way you invest, it's important that you take up your maximum ISA allowance if you can afford to. This is £20,000 for the 2017/18 tax year.

The tax efficiency of ISAs is based on current rules. The current tax situation may not be maintained. The benefit of the tax treatment depends on the individual circumstances.

The value of your stocks and shares ISA and any income from it may fall as well as rise. You may not get back the amount you originally invested.

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Financial wellbeing in retirement

Financial wellbeing is an important factor when it comes to being able to enjoy life. While we're earning, it's possible to secure the living standards we want for ourselves and our families, but it's also important to put some of that income aside to build up your pension fund.

If you'd like expert advice on your retirement choices, please get in touch.

Generally speaking, and subject to investment performance and charges, the more you save and the earlier you start saving, the better shape your financial assets are likely to be in when you need to draw on them.

When work reduces, or ends, your pension fund will be an important (but not necessarily your only) financial asset. You could have money on deposit and investments in some, or all, of the following:

- ISAs
- collective investments
- stocks and shares
- insurance-based products
- Buy to Let property

… to name a few!

The decision on where to draw funds from when you achieve retirement will be an important and potentially complex decision and there are many factors that can influence it:

- whether, and if so, how and when to access pension savings held either in a personal or workplace pension
- how to make your pension last through retirement (given most of us are living longer)
- how to protect your retirement income against the effects of inflation

The State Pension

For many the income the State provides will form a key part of their retirement income. The amount of State Pension you're entitled to usually depends on the National Insurance (NI) contributions you've paid.

If you reach your State Pension age after 6 April 2016, you may be entitled to the new state pension, the full amount of which is £164.35 a week (2018/19). The full state pension is payable with 35 years NI contributions or credits.

State Pension Age for women is gradually increasing and will reach 65 by November 2018. State Pension Age for both men and women will then increase to 66 by October 2020 and then to 67 and eventually 68 by 2046.

Ensuring good decision-making

Clearly, the greater the value of your investments, the greater chances you'll have of a financially-rewarding retirement. But the more investments you have, the more important it will be to think very carefully about where you take money from when the time comes to take it.

The various investments mentioned above will have different tax rules applying to them so having a good understanding of these rules, or seeking advice from a tax specialist, will be helpful to good decision making. You'll also need to think about the relative importance of certainty of income, access to capital and preservation of capital for your family, as well as the degree of risk you're prepared to take to achieve your required level of return on the investments that remain in your pension fund.

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

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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Auto-enrolment update

It's reasonable to suggest that auto enrolment has been a major success story. In fact, more than 1 million employers and 9 million employees have made pension saving a part of everyday life since its introduction in 2012.

6 April 2018 saw the second phase in the development of auto-enrolment; when employer and employee minimum contributions rates for defined contribution qualifying schemes will increase (and do so again on 6 April 2019).

Are you ready?

If you're an employer, you should have received a letter from The Pensions Regulator advising you of your duty to increase contributions. However, this isn't necessarily a simple exercise as the minimum level of contribution depends on the rules of the scheme and the definition of pay used to calculate the contributions.

The table below illustrates the different definitions of pensionable pay and the respective minimum levels of contributions:

If you'd like help understanding your auto-enrolment duties or you'd like to consider outsourcing your responsibilities to a specialist, please get in touch.

	Date effective	To 5 April 2018	6 April 2018 to 5 April 2019	From 6 April 2019
Qualifying Band Earnings or Own definition (at least to basic pay and 85% total pay, please see below)	Employer	1%	2%	3%
	Employee	1%	3%	5%
	Total minimum	2%	5%	8%
Basic pay (Does not include bonuses, overtime shift pay or relocation allowances)	Employer	2%	3%	4%
	Employee	1%	3%	5%
	Total minimum	3%	6%	9%
Total pay (Includes all elements of pay and earnings)	Employer	1%	2%	3%
	Employee	1%	3%	4%
	Total minimum	2%	5%	7%

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With protection comes choice

How many times have you heard the phrase "It won't happen to me" when it comes to the chances of suffering a serious illness? Unfortunately, given that 1 in 2 people born after 1960 in the UK will be diagnosed with some form of cancer during their lifetime we should perhaps adopt the lottery approach and assume "it could be you".

If you'd like to talk to us about critical illness cover and income protection as part of a protection portfolio, please get in touch.

Did you know?

The **average age** of a critical illness policy claimant is **47**, and **54** for a terminal illness claimant. - *Legal & General Claims Department 2017, based on critical illness and terminal illness claims paid in 2016*

If you have a mortgage, or people who rely on your income, you should have some sort of protection cover in place in the event that you have to stop work. We can advise you on a range of policies designed to either pay out a lump sum, or provide a temporary regular income.

Critical Illness cover

Following a successful claim, receiving a lump sum on diagnosis of a specified critical illness can give you precious breathing space; space that allows you and your family to overcome the initial shock and begin a potentially gruelling treatment regimen without the added strain of mounting debt.

But it's not just your finances that a critical illness pay out could help with. What if you wanted to pay for treatment that's not available on the NHS, or you needed to make structural changes to your home as a result of your illness? And after the treatment, wouldn't it be lovely to take the family away so that you could all relax and spend some quality time together?

Income protection

According to research from Macmillan Cancer Support, four out of five cancer patients face a monthly expense of £570 a month as a result of their illness, due to the impact of reduced earnings and additional expense including hospital visits and higher utility bills. When you consider that the average weekly household spend in the UK in 2017 was £554.20, it's clear that even a relatively short time off work could have an immediate impact.

Income Protection can replace part of your income if you're unable to work for a long time due to illness or disability. This can help you keep up your regular outgoings such as rent or mortgage payments and the usual household bills and expenses. Some plans have the facility to add unemployment cover and some offer additional benefits like counselling services which can ease the burden during a potentially difficult and stressful time.

Will your policy pay out?

If you're put off buying protection because you don't think it will pay out when you need it, think again. According to the Association of British Insurers **£4.7bn** was paid out on protection claims in 2016, the equivalent of **97%** of all protection claims received during the year.

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