Haighwood

SUMMER NEWSLETTER 2018

2018 the half year report
A look back at the global political and economic events from the first half of 2018.
PAGE 2

A summer of sports
Helping you put the right preparation and protection in place.
PAGE 3

How secure is your business?
Less than half of small and medium-sized businesses in the UK have succession plans in place.
PAGE 4

Some unusual insurance claims
From snails to birds, we look at the more weird and wacky claims.
PAGE 5

Long-term investors needn't fear volatility
Short-term movements in stock markets are part and parcel of investing.
PAGE 6

The gender pension gap
There are a number of ways women can boost their income in retirement.
PAGE 7

Advice matters whatever stage in life you're at
A high-level look at the financial planning requirements you might need through life.
PAGE 8

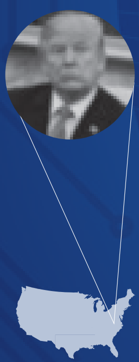
2018: the half year report

The first half of 2018 had no shortage of political tussles and diplomatic standoffs to deliberate on. Here, we consider some of the big economic events across the globe that have kept us busy, including incidents that have come completely from leftfield.

UK

Brexit has understandably dominated the headlines, and no doubt will continue to be the big topic of conversation for many months to come. In March, it was announced that the UK and EU had agreed terms for the Brexit transition period, which lasts from ‘Brexit day’ on 29 March 2019 until 31 December 2020. The EU will allow Britain to sign its own trade deals during the transition, and the UK will give full free movement rights for EU citizens who arrive during the period.

Also in March, chancellor Philip Hammond used his Spring Statement to unveil upgraded UK growth forecasts. Office for Budget Responsibility (OBR) figures have revised the UK growth forecast for this year upwards from 1.4% to 1.5% . However, growth was just 0.1% for the first three months of the year, in part due to the impact on the economy of the so-called ‘Beast from the East’.



US

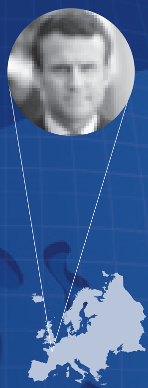
Some of the tax reforms passed by Donald Trump at the end of 2017 came into play on 1 January, including a ‘market friendly’ cut of corporate tax rates. In the long-term, these changes are predicted to mean businesses spend more and lift wages. It is of course a gradual process, though a positive ‘earnings season’ for US businesses in the spring has arguably brought some degree of cheer for those looking to invest in the country.

The president has generated plenty of press coverage in other areas too, including his surprise meeting with North Korean leader Kim Jong-un in June. From a stock market perspective, it is the tech giants that continue to have a huge influence. However, the likes of Facebook and Amazon have not had it all their own way, given the former’s Cambridge Analytica data scandal and Trump’s attacks on the latter’s pact with the US Post Office.

Latin America

Argentina was in the headlines in May with its central bank rising interest rates to a whopping 40% as its currency, the peso, fell sharply. The country’s economic vulnerabilities were highlighted by a reform programme under president Mauricio Macri. Later in the month, it emerged the government had been in touch with the International Monetary Fund for a credit line that would help restore confidence in the country’s economy.

Elsewhere, economists have been speculating that Latin America could be an unexpected winner should trade tensions escalate between China and the US. Brazil, Argentina, Chile and Mexico are among the region’s economies that already have extensive trade agreements with China and the US, primarily trading soybeans, iron ore, crude oil and copper into China and manufacturing products into the US.



Europe

After months of uncertainty in Germany, a grand coalition was finally formed between the CDU/CSU and SPD parties and the new government took office in March. However, as one country took steps towards a stable government, another, Italy, was facing its own political stalemate. At the end of May, two populist parties, Five Star and League, formed a new ruling coalition.

In France, president Emmanuel Macron came up against opposition to his pro-business economic reforms, which meant nationwide rolling train strikes in dispute over government’s planned overhaul of state-run railway SNCF.

Someone who seemingly has never had a problem with popularity in his country is Vladimir Putin, who took more than 76% of the vote in a landslide victory in March’s Russian election. His fourth term as president will extend until 2024, much to the ire of many in the West who see his regime as a malicious influence on global diplomacy.

Asia

A key event of the first half of 2018 from a markets perspective was posturing towards a ‘trade war’ between China and the US. What exactly is a trade war? In simple terms it is when countries try to attack each other’s trade with taxes and quotas. In introducing tariffs on a country’s imports, which is what these two nations have been doing on certain products, the intention is to push people to buying cheaper local products instead, thus boosting your domestic economy. However, in truth there are no real winners from a trade war, and so it seems common sense that officials from both countries have been discussing compromises.

Still, the Chinese economy evidently remains in good shape, with growth in the first quarter of the year coming in at an impressive 6.8%. In Japan, however, there have been some problems brewing for prime minister Shinzo Abe, who saw his public support fall off dramatically having been caught up in a political scandal.

Correct as at time of going to print

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

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.

A summer of sports

With a number of major sporting events happening this summer you might feel inspired to dig out your sportswear and get involved. Just make sure you're prepared for the inevitable knocks, bumps and breaks that might leave you having to take time off work.

June

Football World Cup, Russia
14 June - 15 July

July

Wimbledon Championships
2 July - 15 July

Tour de France
7 July - 29 July

Women's Hockey World Cup
21 July - 5 August

August

England v India Cricket Test Series
1 August - 5 August

European Sports Championships
1 August - 12 August

September

Ryder Cup
28 September - 30 September

Unmissable events

Watching world-famous athletes and sporting legends competing at the top of their game may inspire you to get involved, even if it's just at grass-roots level at your local leisure centre or sports ground.

Grass-roots sports play a crucial role in keeping us, our children and our communities healthy and active and anyone can - and should - take part. But even with the best instructors, facilities and equipment, accidents and injuries can happen. And if they're serious enough they could lead to time off work.

Help to protect against injuries

We all try our best to avoid accidents and stay injury free, but when you're playing sport you run the risk of a sprain, twist or broken bone, all of which can take time to heal. If you are thinking of pulling on your running shoes, or joining the local five-a-side, there are a number of things you can do to limit the risk of injury:

- Warm up properly before exercise and cool down afterwards
- Know your limits - don't go beyond your current fitness level
- Use the right equipment
- Learn the correct techniques

Before you decide to get involved in a sporting event, be it a local park run or Sunday League football team, get in touch with us to discuss accident protection.

As well as the physical training and preparation, you can also make financial preparations, by taking out accident protection cover.

This type of cover can either be standalone, or as an add-on to other protection insurances and pays out if you suffer a specified accident or injury and require hospital treatment. It's a sports safety net that can help you and your family to stay financially stable while you're off work.

Research by Legal & General in their State of the Nation's Small and Medium Enterprises (SMEs) report has found:

53%

of businesses would cease trading in under a year if a key person became critically ill or died

65%

of businesses have some form of business debt

48%

of sole traders have no business protection in place

70%

of the businesses surveyed had not heard of a Relevant Life Plan.

How secure is your business?

Business protection is a crucial element in a company's financial future, but how many have cover in place?

You may have covered the tangible assets in your business, but have you protected the most important asset; the people who contribute directly to your bottom line?

If the answer is no, you could be putting your business at risk. After all, if you lost a key employee, this could impact the day-to-day running of the business, it could hit profits and create problems repaying an outstanding business loan.

Safeguarding your business

Business protection insurance can help mitigate some of the risks. There are three main types of business protection:

- **Key Person Insurance** provides a lump sum to the business on the death of an important member of the business.
- **Shareholder Protection Insurance** provides a lump sum that will allow remaining shareholders to buy the shares of a deceased shareholder.
- **Business Loan Protection** provides a lump sum to help a business pay any outstanding business loans.

Critical illness cover should also be a consideration, as long-term or permanent absence from work could cause serious financial pressures. In fact, 53% of the businesses surveyed said they would cease trading within a year if a key employee were to become critically ill or die.

Business Protection Insurance is designed to keep you trading. That's why making sure you have the right protection in place should be considered a vital part of running a business.

Get in touch if you'd like to know more about how you can help safeguard your business.

Some unusual insurance claims

If we asked you to list the most common reasons for claiming on your household insurance, you'd probably say theft, accidental damage, or damage caused by storms and flooding. The following claims, however, are slightly more unusual…

Get in touch if you'd like advice on the right buildings and contents insurance for you.

Animals do the strangest things

You may have blamed the dog for homework disasters in the past, but one Cornish policyholder took things a step further by claiming £2,000 for a hearing aid which his dog had swallowed. The man had apparently had his hearing aid in his pocket along with the dog's biscuits and got them muddled up by mistake.

And never mind the dog, a report in the Lancashire Evening Post confirmed that a pensioner from Preston had put in a claim for £78 after a snail ate part of his carpet.

Birds have also been the subject of wacky insurance claims with a magpie being cited as stealing a pair of dentures and a low-flying goose who reportedly crashed through a man's roof, damaging furniture, a TV and a games console.

Call the fire brigade

A man in the West Country noticed a loose thread on the bottom of his curtains and decided, in a moment of madness, that the best way to deal with it would be to burn it off with a lighter. He ended up setting the whole curtain alight which soon spread through his house. Perhaps most distressingly for the man was that his insurer considered his act to be deliberate and therefore not covered by his insurance.

Baby blues

Finally, and perhaps our favourite of the lot, according to Confused.com a proud grandad was holding up his new grandson to show him off on a Skype video call when the infant vomited over the computer. The tiny tot caused £450 worth of damage.

These weird and wacky insurance claims might raise a chuckle, but protecting your home and personal belongings from theft, damage or worse, is a serious subject.

Long-term investors needn't fear volatility

You may have read in the press that markets have been particularly volatile in 2018. But what does this mean for your investments?

If you'd like to know more about our approach to wealth management, please get in touch.

While stories about stock market falls are guaranteed to make headlines, the subsequent rebounds in prices get less coverage; and that's when the best investors can often make their money. While the great financial crisis of 2008 and the stock market lows of March 2009 are still fresh in many people's memories, it's worth noting that an investment then in global stocks would have grown more than twofold more than a decade down the line*.

That might be an extreme example with those kinds of returns never guaranteed, and those who try to second-guess markets or try to time when to invest their wealth often get it wrong. However, it does go some way to illustrate the benefits of investing over a long-term time horizon and riding through the peaks and troughs of market movements.

Investing for the long term

Indeed, the investment propositions we can recommend to you (our Graphene models and the Omnis Managed Portfolio Service), are designed specifically with a long-term investment in mind - a minimum of at least five to seven years.

The portfolios are also designed depending on your specific attitude to risk and aim to deliver lower volatility than the wider stock market; dampening extreme spikes in prices. How do we do this? The key is what we call 'asset allocation'. This is smoothing out returns through diversification across different investment types, from stocks to bonds, and alternative types of investments, such as property or natural resources like oil or precious metals.

Volatility in markets has many varied causes; from political shifts and central bank actions through to modern media, for example tweets from world leaders like Donald Trump. Rather than focus solely on these, often random factors, the Omnis fund managers responsible for your investment are looking at specifics that determine the real value of stocks and shares, and overarching thematic trends, such as long-term changes in demographics or spending habits across the globe.

Embracing volatility

The key takeaway here is that short-term movements in stock markets, as sharp as they may be, are part and parcel of investing, and volatility is often welcomed by professional investors looking for new opportunities to put money to work. Those with their wealth in well-managed and well-diversified portfolios should, in most cases, have little to fear as long as they follow their adviser's recommendations in investing over a sensible timeframe and their investments correctly reflect their attitude to risk and capacity for loss.

*MSCI World Diversified Financials Index

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.

Past performance is not a reliable indicator of future performance and should not be relied upon.

The gender pension gap

If you overheard a conversation about the gender gap, you might automatically think about it in terms of pay, given the relatively recent requirement for firms with more than 250 employees to disclose their pay data.

What is less well known though is the gender pension gap. In the UK, this is thought be between **30 and 40 per cent** and down to two principle reasons:

1 **women need more money in retirement**

2 **women tend to save less than men.**

If you'd like to know more about investing for retirement, please talk to us for advice.

More money needed in retirement

So why would a woman need more money in retirement than her male counterpart? In part, it's down to mortality; women are more likely to live longer than men (estimations suggest by 2.5 years from age 65), which means they will need a bigger pension pot to secure the same level of income throughout their retirement. Because women are more likely to out-live their male partner, they would also effectively lose that second income and potentially have to shoulder things like healthcare-related costs on their own.

Less likely to save as much as men

Women also typically have shorter careers than men; given they are more likely to take career breaks to have children. They are also likely to earn less – as we know from the gender pay gap reports.

What's more, women typically save less than men and are likely to be more cautious when it comes to investing - which means, although there's less risk to their capital, they would lose out on the higher rewards that more adventurous investments have the potential for.

Bridging the gender pension gap

There are a number of ways women can boost their income in retirement:

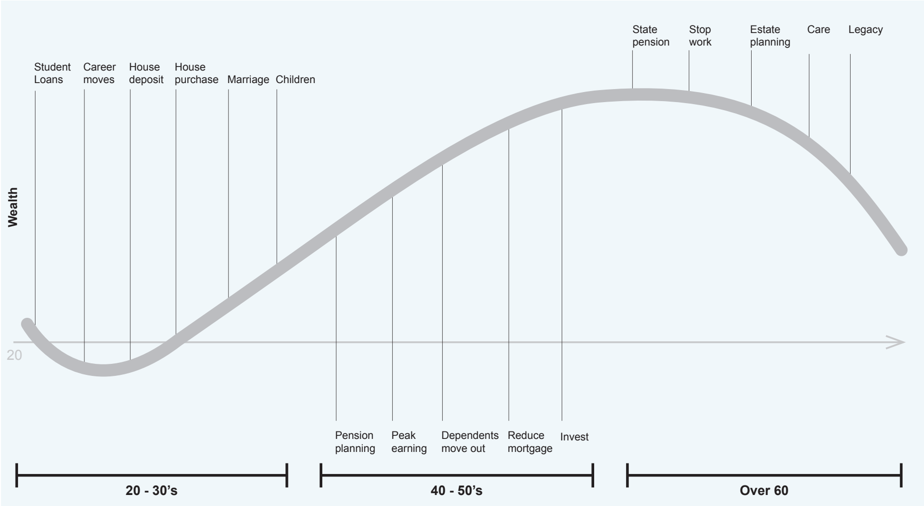
- **Get Advice!** Research published in 2017 by the International Longevity Centre for Royal London found that people who received financial advice in the 2001-2007 period were around £40,000 better off than their unadvised peers by 2012-14.
- **Start saving more, earlier.** The longer you save the more time it has to grow.
- Find a way to **increase your pension contributions** by budgeting elsewhere
- If you come in to some extra cash from a lottery win to bonus you can **pay a lump sum in to your pension** - basic rate tax payers could get 20% tax relief

The value of investments and any income from them can go down as well as up 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.

Advice matters - whatever stage in life you're at

The financial products and services we need to navigate through life will change with our circumstances. In the early years, our financial needs are likely to be more straightforward, getting increasingly complex as we grow older and experience more of life's rich tapestry.



20 - 30's: From single and sorted to settling down

Ah, those carefree days of being young, free and single; possibly still enjoying student life (albeit probably with a loan), starting an apprenticeship, or moving onto and along the career ladder.

Our financial needs at this point might be fairly basic: an inflation-beating savings plan for those starting to think about homeownership, income protection for the workers. If budget allows you might even think about cover that helps to pay the bills in the event of an accident or illness. And when you meet someone and start a family, or take on your first mortgage, the need for protection insurance becomes essential.

40 - 50's: Accumulating wealth and paying off debts

For most of us, financial wellbeing will depend on whatever it is we do to earn money. At this stage in life, as well as securing good living standards while we're working, it's important to think carefully about putting some of our income aside for the future.

Generally speaking, and subject to investment performance and charges, the earlier you start saving and the more you save, the better shape your financial assets are likely to be in when you need to draw on them. But deciding on the right investment strategy is complicated because of the various factors that can influence it.
For instance:

- your investment objectives - what do you want from your money?
- the level of risk you're prepared to accept and the potential level of loss your finances can tolerate
- the types of investments you should consider in view of your objectives and risk profile
- the tax-efficiency when it comes to holding these investments
- the ongoing management of your investment

Over 60: Taking your pension; enjoying retirement

When the time comes to draw money from your pension, you'll need to decide how and from where.

Self-evidently, the greater the value of your investment, the better the prospect 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, and how you continue to manage your money throughout your retirement.

It's also wise to make sure your estate is in good order for any potential beneficiaries. Successful estate planning is all about helping to control the amount of tax you pay on the wealth you create and there are a number of key areas to consider as part of this:

- A will
- Lifetime gifts
- Trusts
- Use of exemptions and reliefs
- Tailored investment products
- Pension arrangements
- Life assurance

We can provide high-quality financial advice whatever your circumstances. Please talk to us to find out more.

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