Haighwood

SPRING NEWSLETTER 2018

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Spring Statement

March has traditionally been the month for Budgets, but no longer. In Autumn 2016 the then new Chancellor, Philip Hammond made clear he thought the propensity of previous Chancellors to turn their Autumn Statements into second Budgets was not a good idea and that he wanted to make only one set of tax announcements each year and so announced he would be moving to Autumn Budgets and Spring Statements.

The economic background has changed only marginally since last November's Budget, helping the Chancellor to keep his speech short:

The Office for Budget Responsibility (OBR) was projecting that government borrowing would be £49.9bn in 2017/18, it is now forecasting £45.2bn. The drop is hardly surprising: ten months into the fiscal year the government had borrowed just £37.7bn, helped by the second highest ever recorded surplus of £10bn in January.

The OBR's November Budget estimate for economic growth of 1.4% for the current year has now been increased by 0.1% to 1.5%, but for the next two years the OBR has left its growth projections unchanged at 1.3%.

The 2018 projection for annual inflation on the Consumer Prices Index was left unchanged at 2.4% with a fall to 1.8% expected in 2019.

The Chancellor may have revealed nothing on the tax and spending front, but there was no such reticence when it came to consultations. In all the Treasury website listed 13 consultations, although in practice the number included some responses to earlier consultations and several calls for evidence. The topics ranged from single use plastic to the bringing forward of English business property rate revaluation by one year to 2021.

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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If you'd like to find out how the Spring Budget affects you, please get in touch.

So what did emerge from this final Spring Budget?

- Forecast of **1.5%** growth for 2018, revised up from 1.4%.
- Forecast for borrowing of **£45.2bn** in 2017-18, revised down from £49.9bn.
- Debt is forecast to fall as a share of GDP in 2019-20 to **85.1%**.
- Business rates revaluation bought forward from **2022 to 2021**.

Don't fall for a pension scam

Frank Field, Labour MP and chair of an influential parliamentary committee, has called for legislative action to help keep pension savings safe.

As your trusted Financial Adviser you should always talk to us before taking any critical financial decisions, especially when it comes to something as important as your pension.

This comes after Police data shows that more than £43m of people's retirement savings have been lost to fraud since the pension freedom reforms were announced. Figures from The Pensions Regulator estimate that around £500 million is stolen from our pensions every year.

There are different types of scam, but they often begin by someone contacting you unexpectedly by phone, email or letter. They may invite you to learn more about:

- an investment or other business opportunity that you've not previously spoken to them about
- taking your pension money before you're 55
- ways that you can invest your pension fund

Protect yourself from fraud

Fraudsters and their scams are becoming increasingly sophisticated. They can be financially articulate and very convincing; with websites and marketing material that make them look legitimate. So how would you know if you're about to be the next victim?

Spot the warning signs - If you're contacted out of the blue, if the investment risks are downplayed, or they are using pressurised selling tactics which offer a bonus or discount, it should set off alarm bells. And if the offer is 'one time only' or you're asked not to share the details of the 'opportunity', you should be suspicious.

Check the Financial Services Register – https://register.fca.org.uk or call 0800 111 6768. If an individual or company is not on the register it's probably a scam.

A good rule of thumb with all scams if it's too good to be true, it probably is.

If you think you are being targeted by a scam hang up the call, delete the email, rip up the letter. If you think you have been the victim of a scam already contact Action Fraud, the UK's national fraud and cybercrime reporting centre, immediately on 03001232040.

To find out more about how to protect yourself from financial scams visit

FCA ScamSmart
www.fca.org.uk/scamsmart

Take Five
https://takefive-stopfraud.org.uk/

Pension Wise
https://www.pensionwise.gov.uk/en

The Pension Advisory Service
https://www.pensionsadvisoryservice.org.uk/

It happened to him

Don't let the 'it won't happen to me' approach affect your decision on whether or not to take out critical illness cover.

David thought he was a fit, healthy, middle-aged man, with a good exercise regime and diet. He was a keen runner, and had even completed the New York marathon. It was only when he experienced angina-like symptoms that he went to his GP.

He was diagnosed with hereditary coronary heart disease.

David was shocked at this diagnosis – and even more so when his surgeon informed him he had already had a heart attack. The surgeon suggested that David's seemingly normal response to running had disguised the symptoms of angina.

Luckily, David had critical illness insurance cover in place and after receiving the diagnosis, David got in touch with his policy provider who provided useful information and guidance on how to make a claim. The process was straightforward and the provider kept in touch with David right up until the cheque was banked.

David is self-employed and chose to stop work while he received treatment for his heart condition. Having the financial payout from his policy meant that he could concentrate on recovery and make sure his family didn't have the additional burden of paying the bills while he wasn't working. He now works part time and enjoys more time at home with his family.

David has always been a firm believer in having cover in place for the unexpected, and in his case it has been worth every penny.

Based on a real-life case study. The names have been changed to protect the privacy of individuals.

Don't leave it to chance, get in touch with us today and we can review protection arrangements for you and your family.

Critical illness cover is often underestimated when it comes to taking out protection insurance as many people think it's an expensive monthly outgoing when the chances are "it's not going to happen to me". But with statistics like this, it's a mindset more of us should think about changing:

15,464

Critical Illness claims were made in 2016

1 in 17 **1 in 13**

More than a fifth of all cancer deaths are from lung cancer, and it's estimated 1 in 13 men and 1 in 17 women will be diagnosed with this in their lifetime

100,000

Around 100,000 people in the UK have Multiple Sclerosis, with most people diagnosed between ages 20 and late 60s

OW1291 Exp. 31/12/18

The ABC of Junior ISAs

The Junior Individual Savings Account (ISA) was introduced in 2011, 12 years after the launch of the original ISA in 1999, which recently celebrated its 18th birthday.

In a nutshell, the Junior ISA is a long-term, tax-free savings account for children. It effectively replaced the Child Trust Fund and aims to enable parents to save a tax-efficient nest egg for their children.

Junior ISAs

A
B C

There are two types of Junior ISA and your child can have one or both types:

- A cash Junior ISA, where you won't pay tax on interest on the cash you save.
- A stocks and shares Junior ISA, where your cash is invested and you won't pay tax on any capital growth or dividends you receive.

Managing the money

Only parents, or guardians with parental responsibility, can open a Junior ISA for under 16s, but the money belongs to the child. Until the child turns 16, the parent can manage the account if they want to make changes. For example, they could change the account from a cash to a stocks and shares Junior ISA or change the account provider.

The child takes over control of the account when they turn 16 and they can access their money from age 18 (when the ISA automatically loses its 'Junior' status).

Children aged 16 or older can open their own Junior ISA, as well as an adult cash ISA (with maximum contribution limits of £4,128 and £20,000 respectively, for the 2017-18 tax year).

Paying into a Junior ISA

Anyone can pay into a Junior ISA, but the total amount paid in can't exceed £4,128 in the 2017/18 tax year and £4,260 for 2018/19. If you go over this limit, the excess is held in a savings account in trust for the child and cannot be returned.

During the 2017/18 tax if you have paid £2,000 into a child's Cash Junior ISA you can only pay £2,128 into their stocks and shares Junior ISA. You can make contributions into a Junior ISA until the child's 18th birthday.

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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.

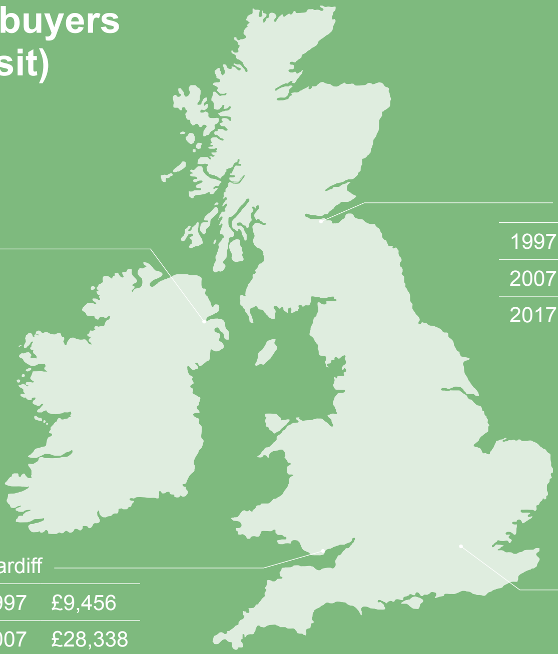
If you'd like more information on Junior ISAs, please get in touch.

Need help to buy?

2018 began with a surprising pick-up in house price growth, up 0.6% month-on-month with January seeing a ten-month high increase of 3.2 per cent. Even with the wider economy and Brexit developments, the housing market activity is only expected to slow a modest amount.

If you'd like advice on buying your first home, we'd love to help.

Deposits for first time buyers (based on a 20% deposit)



Belfast	
1997	£8,047
2007	£32,908
2017	£25,810

Edinburgh	
1997	£10,302
2007	£28,824
2017	£37,661

Cardiff	
1997	£9,456
2007	£28,338
2017	£34,400

London	
1997	£12,892
2007	£52,543
2017	£84,840

*House prices are around 40% lower in Northern Ireland than in 2007

This is great news for those already enjoying the benefits of home-ownership, but if you're looking to buy your first home the rising house prices mean you're going to need a bigger deposit.

In fact, deposits have increased 220% in the past two decades in Belfast and a staggering 558% in London, to an average of over £80,000. This means a typical buyer would take around eight years to save for a deposit rising to around ten years in London, based on saving 15% of take home pay.

Help for those struggling to save

Low interest rates, the squeeze on wages and rising inflation have all made it more challenging than ever to save for that all-important deposit. At the same time stricter affordability requirements can mean those in the market for their first home may have to save a larger deposit to begin with.

Even with predictions of modest growth in the housing marketing in 2018/19 this still means that house prices and therefore deposits will increase.

Help is at hand

The good news is there are options out there for those who struggle to save such a large amount.

Help to Buy: Shared Ownership is available to first-time buyers, those who used to own a home but can't afford to buy one now, or existing shared owners looking to move. The scheme gives you the chance to buy a share of between 25% and 75% of the home's value, and you then pay rent on the remaining share.

Help to Buy: Equity Loans are available to first time buyers as well as homeowners looking to move. The home you want to buy must be a new build costing £600,000 or less. The Government will lend you up to 20% of the cost of the home, so you'll only need a 5% cash deposit and a 75% mortgage to make up the rest.

A home for £1?

Perhaps we might also start to see more initiatives like the one that began in Liverpool back in 2013, where empty, boarded-up houses are offered to sale to first-time buyers who live or work in Liverpool for just £1. If you have the money and resources to do the work required to make the property habitable (and within a certain timeframe) this is certainly an innovative way of bringing rundown areas back to life.

Your home may be repossessed if you do not keep up repayments on your mortgage.

OW1308 Exp. 31/07/18

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.

OW1251 Exp. 03/04/19

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.

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