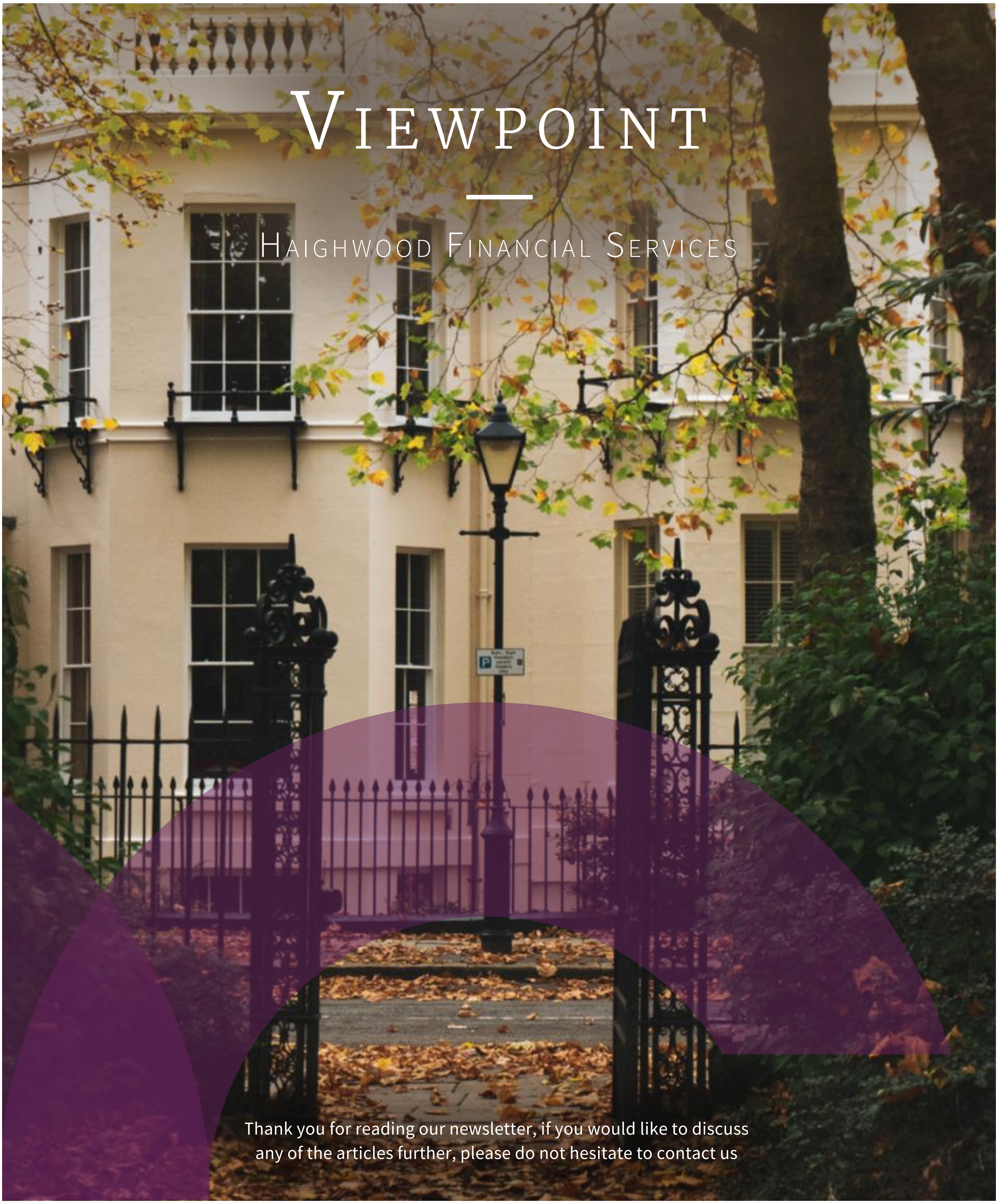
Viewpoint

Haighwood Financial Services



Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

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2020 The story so far

Little did we know, as we entered a new decade, what was in store for the global economy in 2020. Around the globe, the Covid-19 pandemic has inflicted a huge human cost. The response, and the measures to reduce the spread of the virus have inevitably had a significant impact on global economic activity.

A recent Organisation for Economic Co-operation and Development (OECD) outlook, cautioned, *'as restrictions begin to be eased, the path to economic recovery remains highly uncertain and vulnerable to a second wave of infections. With or without a second outbreak, the consequences will be severe and long-lasting.'* With business activity frozen in many sectors, confidence has understandably been undermined.

With lockdowns now easing in some regions and economies beginning to reopen, many major indices have rebounded from the lows reached in March as the pandemic took hold.

On home shores

In the UK, recent ONS data highlighted the UK economy contracted in April by 20.4%, the largest monthly contraction on record. The OECD data showed the UK is likely to be one of the hardest hit major economies due to its service-based nature. The Bank of England's Monetary Policy Committee (MPC) recently increased the size of its bond-buying programme to help fight the coronavirus-induced downturn. The MPC expressed in their minutes, that the fall in global GDP in Q2 will be less severe than expected and there are signs that services output and consumer spending are picking up.

Other regions

As concerns about a second spike of infection surfaced in the US in June, Steven Mnuchin, US Treasury Secretary, ruled out shutting down the US economy again. International Monetary Fund data for the 19-country Eurozone, revealed growth across the bloc contracted by 3.8% in Q1. As lockdown measures eased, European markets have rallied, but should there be a 'second wave' of Covid-19 infections it will dampen optimism. Output in China contracted during Q1, the first recorded contraction since at least 1992. Chinese authorities will not be establishing growth targets this year. The country faces significant challenges, with a struggling economy and rising international hostility.

Uncertain times, keep talking

Uncertainty surrounds the future spread of the virus and the success of efforts to develop a vaccine and therapies to counter it, making it challenging to predict the path for the global economy.

A well-defined investment plan, that considers your personal circumstances, can help you weather market storm. Volatility is a timely reminder to keep your investments under regular review. We want to reassure you that we understand the challenges you may face and are here to support you.

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.

OW2862 Exp. 29/10/2020

Spreading the risk

Stock markets do not react well in times of uncertainty and the effects of the pandemic continue to pile pressure on financial markets worldwide. During periods of increased volatility, such as we have seen over the last few months, the importance of spreading risk and considering the longer term, remain constant investment principles.

Why diversify?

Adopting portfolio diversification means you do not put all your eggs in one basket. A balanced portfolio contains a combination of different asset classes, such as equities (shares), bonds, property and cash. Equities have the potential to deliver higher returns than bonds, but bonds can provide an element of capital preservation for times when a more risk-averse approach is required. You can also diversify your portfolio further through choosing different geographical regions and industry sectors.

Don’t overdo it

While building diversity into an investment portfolio is undoubtedly important, try to guard against over-diversification. This could make your portfolio unmanageable and could mean you spread your investments too thinly, resulting in a detrimental impact on potential returns.

Holding your nerve

The pandemic has unsettled global markets and it has been an unnerving time for many investors. I’s important to remember that stock market volatility is inevitable, and markets can often rebound quickly once immediate issues are resolved. Experienced long-term investors know that the worst investment strategy you can adopt is to jump in and out of the stock market and sell up when investments have hit rock bottom.

Diversification is key

We can help you to identify how much risk you are prepared to take and advise you how to achieve your long-term investment goals, through an appropriate balance of risk and reward. A sensible way to build a portfolio is through collective investment schemes with a risk profile to match your objectives and needs. We can advise on the investment strategies and products most appropriate for your own individual circumstances.

Shares and bonds | Property | Cash | Location and sector

Keep in touch

Financial advice and regular reviews are essential to keep your portfolio in line with your attitude to risk and your objectives. This allows you to develop and continue to follow a well-defined plan.

Your circumstances or objectives may well have changed recently, so please don’t hesitate to contact us with any questions or concerns you may have.

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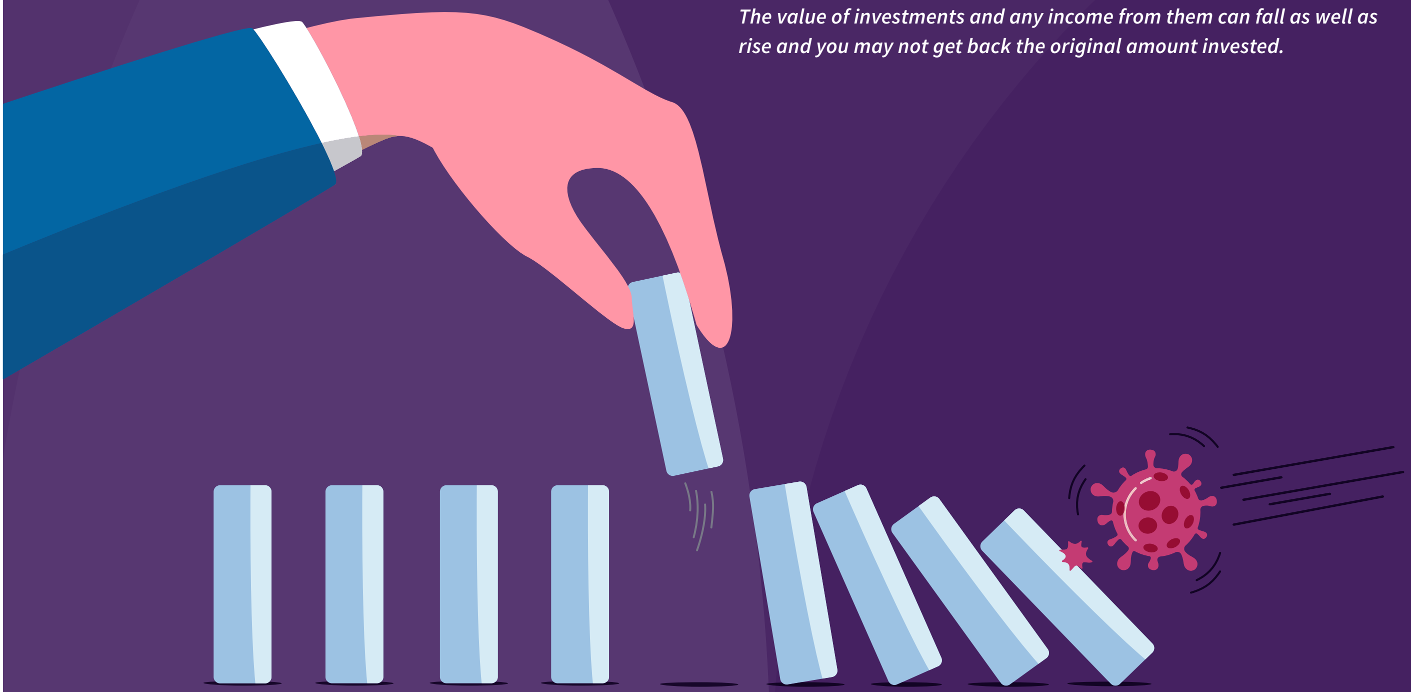

OW2937 Exp. 17/03/21

Protecting your business in difficult times

During the past few months, millions of businesses have been forced to shut temporarily, with employees furloughed or working from home under very difficult circumstances.

With various business sectors reopening in July, many have suffered significant financial damage due to lockdown. For some businesses, productivity has been lost due to illness and self-isolation, while others have lost key personnel or shareholders, leaving a question mark hanging over their future.

Don’t leave your business vulnerable

It is likely that your business would at least experience some financial difficulties if key stakeholders were to fall ill or die.

When thinking about whether you should take out business protection insurance, ask yourself:

> “Would your business survive if something were to happen to you, your co-owners or senior employees?”

If the answer is no, then you would probably greatly benefit from taking out this specialist insurance. Below, we’ve outlined two of the most common types of business protection.

Share protection insurance

Even if a business has multiple owners, the death of just one of them could throw the business into turmoil. If no share protection policy is in place, then the deceased owner’s share in the business may pass to a family member, meaning that the remaining owners could lose control of part (or even all) of the business.

Share protection is essentially a life insurance policy that covers you for the value of your share in the business, with the payout providing your co-owners with the necessary funds to buy your shares back.

Key person insurance

A ‘key person’ can be defined as an employee with specialist knowledge, experience and skills who contributes to the financial success of a business.

If you were to lose a highly-trained employee, who carries out unique functions within your business, it could have a detrimental impact on your income and profits. Meanwhile, you are likely to use up time and resources you can’t afford in training up or recruiting a replacement. A payout from key person insurance could enable your business to avoid financial hardship and give you breathing space to find a replacement at your own pace.

Seek advice

There are many other types of protection insurance available, such as business loan protection and relevant life plans, so it’s advisable to seek guidance from a professional to ensure you choose the policy that works best for you and your business. If you would like to know more, please get in touch.

OW2936 Exp. 17/03/2021

Lasting Powers of Attorney (LPA)

You may have already arranged a Will* to deal with matters in the event of your death, but have you considered what would happen if you became unable to handle your affairs while still alive?

Peace of mind

Have you considered how a physical or mental illness could affect your ability to manage your personal affairs? If the prospect of this worries you, you should consider setting up an LPA. This is a legal document which allows you to appoint one or more people to either help you make legal decisions, or to make them entirely on your behalf.

Knowing that your financial affairs will be looked after by people you trust can give you valuable peace of mind.

Power of Attorney (POA)

There are a number of different types of POA available depending on your requirements:

1. Ordinary POA
2. Lasting POA
3. Enduring POA (replaced by LPAs on 1 October 2007, but still valid if you signed one before this date)

An Ordinary POA can be used while you still have the mental capacity to make your own decisions, but you require temporary assistance. For example, if you are hospitalised or on holiday and you want to empower someone to make financial transactions on your behalf.

LPAs explained

An LPA is required if you want to give someone the legal authority to make decisions on your behalf in the event you lose mental capacity. The word 'lasting' refers to the fact that the power remains in place after the donor loses mental capacity. There are two types of LPA:

1. Health and Welfare LPA - your attorneys will be able to act on your behalf if you become completely unable to make decisions regarding your own wellbeing. For example, if your circumstances mean you require full time care, medical treatment or help with your daily routine, they will step in and act in your interests.
2. Property and Financial Affairs LPA - your attorneys can make decisions concerning your bank accounts, paying bills or even selling your home if required. Unlike the Health and Welfare LPA, this version can be used as soon as it is registered, but only with your permission - i.e. you are still fit to make other decisions on your affairs.

Choosing your attorneys

When deciding who you would like as your attorneys, there are a few things to consider:

- How well do you know them?
- How well do they look after their own affairs?
- Do you trust them to make decisions that are best for you?
- Will they be comfortable making these decisions?

If you choose more than one attorney, you will also need to decide whether they will make decisions separately or together. Replacement attorneys are a good idea in case your chosen attorneys become unable to carry out the role for whatever reason.

Contact us

If you would like any assistance in deciding whether an LPA would be suitable for you, or any help setting up an LPA, please get in touch.

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OW2764 Exp. 02/06/2021

Reviewing your pension contributions

Did you know...?

Gender pay gap
Pensions for women are £7000 less than mens on average and yet on average women live for six to eight years longer than men.

A nation unprepared for retirement
80% of the British population may not be saving enough for retirement.

The rise of pensioners
In 1901, there were ten people working for every pensioner. By 2050 it has been predicted that there will be one pensioner to every two workers.

The value of your investments can fall as well as rise, and you may get back less than you invest.

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

As you approach retirement, you probably want to know when you can afford to stop working. Having worked hard throughout your career you deserve to enjoy your retirement without having to worry about your finances. It may be worth reviewing your pension contributions to make sure you are taking advantage of the incentives offered by the government and your employer.

Make the most of tax relief...

The government tops up your pension contributions in the form of tax relief at your highest rate of income tax to encourage you to save. Basic rate taxpayers receive tax relief of 20%, while higher rate and additional rate taxpayers can claim back 40% and 45% respectively through their tax returns.

..and understand employer contributions

Since 2012, employers have been legally obliged to automatically enrol employees in a pension scheme, although you can opt out. As an incentive, employers top up employee contributions. The government increased the minimum contribution to 8% from April 2019 - at least 3% from employers with employees making up the balance. It is worth remembering that the employee's contribution includes tax relief.

Are you saving enough?

There are no fixed rules about how much you should contribute to your pension because of course everyone's circumstances are different. However, one rule of thumb is to take the age you started saving and divide it by two to give you the percentage of your salary which you might wish to put away each year. So, if you set up your pension at the age of 30, you could aim to pay in 15% of your salary.

Stick within the limits

There are rules covering how much you can contribute, and you could face a hefty tax bill if you break them. The annual allowance for the 2020/21 tax year is £40,000 or your full salary (whichever is lower), although it is tapered for anyone earning over £200,000. You can carry forward any unused annual allowance from the previous three years.

There is also the lifetime allowance – the maximum amount you can withdraw from a pension scheme. It is currently £1,073,100 and likely to increase with inflation. It's probably wise to keep a close eye on the value of your pension if it starts approaching this limit.

Deciding whether or not you can afford to retire is a significant consideration, and so it makes good sense to regularly review how much you are saving and ensure you are taking full advantage of any incentives.