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YOUR WINDOW ON FINANCIAL MATTERS

INSIDE THIS ISSUE

YOUR PLANS FOR 2018 AND BEYOND – FOCUS ON THE LONG GAME

A New Year brings a fresh mindset – an opportunity to take stock and re-focus for the year ahead, in both our personal and financial lives.

The year starts with the Winter Olympics in South Korea and in February we enter the Chinese New Year of the dog, symbolising loyalty and honesty. With a royal wedding and Commonwealth Games in the springtime – anticipation hangs in the air, before the World Cup in Russia kicks off in June – exciting times ahead.

TAKE STOCK

It's also a time for reflection. Geopolitical and economic uncertainties have become consistent features that will not dissipate overnight, as Brexit negotiations continue. Despite uncertainty being the order of the day over the past year, all major stock markets have generated healthy positive returns.

The performance of the UK stock market has defied investors' concerns. The UK remains home to some of the world's most successful businesses that have demonstrated an ability to thrive regardless of the economic and political backdrop.

Looking globally, in the US economic fundamentals are supportive. Europe has performed strongly, encouraging elections (albeit inconclusive in Germany's case) boosting investor sentiment, the outlook for the region remains bright. Elsewhere, against an improving global economic backdrop, investor sentiment towards Asia and emerging markets has seen a resurgence, rapid growth and multiple market opportunities.

BE CLEAR ON WHAT YOU WANT TO ACHIEVE

What's important is that as an investor, you regard the New Year as the perfect time to revisit your investment objectives. By visualising your objectives as connected to your aspirations and hopes, you can engage with your future wealth; a great motivator.

Think about your attitude to risk and capacity for loss. Have they altered? If so, this will need to be reflected in the allocation of your assets. Clear communication of these changes is key.

THINK HOLISTICALLY – THE BIGGER PICTURE

Think about all of your investments collectively to ensure the full allocation of assets, including cash, does not duplicate and is a true reflection of your risk requirement; portfolio diversification is crucial. Long-term investment should transcend short-term concerns – don't let events cloud your judgement. Investors would do well to understand the broad, historical context of the stock market and fund managers' long-term histories.

HIGHLIGHTS FROM THE AUTUMN BUDGET 2017

- Stamp duty abolished immediately for first-time buyers purchasing properties worth up to £300,000
- To help those in expensive areas, the first £300,000 of the cost of a maximum £500,000 purchase will be exempt from stamp duty, with the excess of up to £200,000 incurring 5% duty
- Not applicable in Scotland unless Scottish government decides to follow suit
- Pension lifetime allowance to increase in April 2018 to £1,030,000
- Higher-rate tax threshold to increase to £46,350 from April 2018 (Scotland may differ)
- ISA limit for 2018/19 to remain at £20,000

BOTTOM LINE

Investing in a changing world presents different opportunities and exciting new themes. Get re-energised for the year ahead and take control of your investment strategy. Displaying the same attributes as the loyal and honest dog – you can rely on us to guide you through your investment journey.

OVER £40M STOLEN FROM PENSIONERS

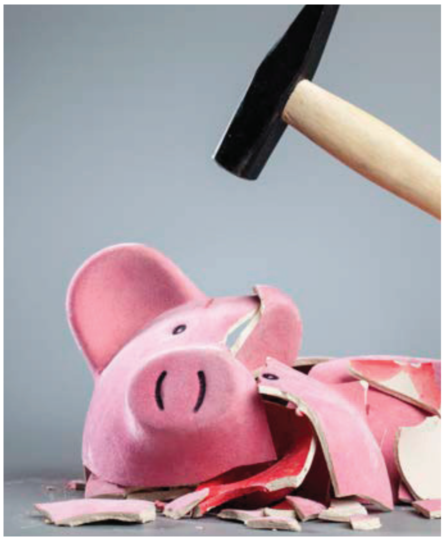
Police reports show that since the introduction of the pension freedoms, more than £43m in retirement savings has been lost to fraud. Concerns have been raised in parliament, and the Work and Pensions Committee has held an inquiry that, amongst other things, heard evidence as to what might be done to prevent these potentially devastating losses. The Financial Conduct Authority has promised to publish a strategy to tackle the problem.

Research has shown that scammers frequently search for information in social media profiles, emails and texts, that can help them sound genuine and authentic when they cold-call their victims. Fraudsters gather their information from fake online forms, and phishing emails that fool recipients into giving away vital personal information. This means that when they call, they can sound very convincing.

BE ON YOUR GUARD

The much-anticipated ban on pensions cold-calling, that will also include texts and emails, is likely to go before parliament in the first half of 2018. Companies that do not have prior permission to contact consumers, or do not have an existing client relationship with them, will face fines of up to £500,000.

In the meantime, everyone needs to be aware of the signs to look out for. The Pensions Regulator urges savers to protect themselves against pension fraudsters in several ways. It recommends hanging up on anyone who calls out of the blue to discuss pension opportunities. They warn about the dangers of any firms that offer high guaranteed returns, especially on unregulated offshore investments, and recommend that they check that any companies they are thinking of dealing with are regulated by the Financial Conduct Authority.



Signs that a cold-caller could be part of a scam and trying to trick consumers out of their pension savings include suggesting that what is on offer is only available to sophisticated investors, and will only be available for a short period of time, meaning that decisions must be taken quickly. Be scam savvy – don't let it happen to you.

OLDER WORKERS FACING THE PRESSURE OF INTERGENERATIONAL NEEDS

It's estimated that around 1.9m workers aged over 50 find themselves juggling the competing needs of the younger and older generations, sometimes overlooking their own financial planning requirements. As a result, many feel under pressure to go on working for longer; others sacrifice saving for their retirement to help other family members.

The problem is likely to intensify as the younger generation increasingly look to the 'Bank of Mum and Dad' to help with major expenditure such as house purchase. Elderly parents are living longer and need more care. This means that many over-50s are squeezed in the middle and find themselves taking the financial strain. Government statistics show a record number of over-50s remain in work, some from choice, others out of necessity.

SUPPORT FOR CHILDREN

According to a recent report[1] almost two in five workers aged over 50 with dependants say they will retire later than they had originally anticipated because their children still need their financial support. Almost a third say their adult children's financial needs are the only reason they're still working.

LOOKING AFTER PARENTS

Many older workers also find themselves helping their parents financially and with their care. More than two in five respondents mentioned concerns about being able to balance their work commitments with their responsibilities as carers.

PENSION PROVISION SET ASIDE

Worryingly, almost a quarter of over-50s with financial dependants admitted that they had sacrificed saving for a comfortable retirement to provide financial support for adult children, while 12% of respondents said they had stopped saving completely to support the children and parents who depend on them financially.

GETTING THE RIGHT ADVICE

Whatever age they are, everyone should make provision for their later years. Even small sums saved regularly will go some way towards providing a pension income. Getting good advice will help you work out how much you will have available to live on in retirement, and how you can improve your pension outlook.

[1] Aviva, Real Retirement Report, 2017

IF YOU EMPLOY A NANNY OR A CLEANER, YOU MAY NEED TO SET UP A PENSION

Whilst you might not think of yourself as an employer, if you have a carer, gardener, nanny or cleaner, you may find yourself classed as that under government pension rules. As part of the government's auto-enrolment scheme designed to encourage pension saving, almost every worker in the country must have a pension fund set up and paid into by their employer.

So, if you pay a nanny or cleaner directly, you'll be expected to provide for their pension. However, if you employ staff from an agency, then it's the agency's responsibility to make pension provision for them. If you drop your children off with a childminder, these rules normally don't apply, as most childminders are self-employed, as are many gardeners.

Figures released by the Department for Work and Pensions show that there are still 400,000 employers that haven't yet registered their staff. Failure to do so could result in a fine.

WHO QUALIFIES?

Employees aged between 22 and state pension age who earn more than £10,000 a year (or £833 a month, or £192 a week) must be automatically given a workplace pension.

If you employ someone who earns more than £5,876 a year, or someone who is older or younger than the age range, they have the right to 'opt in' to a workplace pension and receive employer contributions. Anyone earning less than £5,876 a year can still choose to opt-in to a workplace pension, but employers don't have to contribute to their pension.

If you employ someone who qualifies for auto-enrolment, you need to find them a pension provider, enrol them and then make regular contributions to the scheme. The current total minimum contribution of 2% will increase on 6 April 2018, to 5%, and on 6 April 2019, reaching a total minimum amount of 8%.

PENSIONERS IN DRAWDOWN FEAR RUNNING OUT OF MONEY

Since the introduction of the new pension freedoms in April 2015, more and more retirees have opted to take flexible withdrawals from their pension funds by going into what's referred to as drawdown. The Financial Conduct Authority recently reported that drawdown has become much more popular, with twice as many pots moving into drawdown than go into annuities.

Income drawdown is where you leave your pension pot invested and take an income directly from it, instead of using the money in your pot to buy an annuity (a regular guaranteed payment from an insurance company). With drawdown, the money left in your pot will continue to benefit from any investment growth.

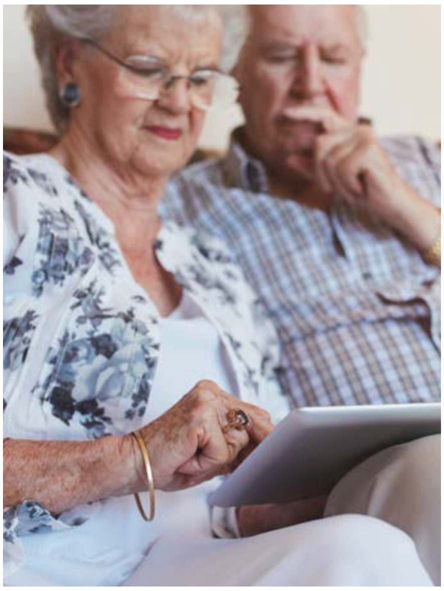
MAKING THE RIGHT DECISIONS

Whilst being in control of their pension pots has given retirees more options as to how and when they access their funds, making the right choices about their money can be a daunting task for those unaccustomed to dealing with pension and investment issues. Understandably, many people fear running out of money in later life.

GETTING THE RIGHT ADVICE

If you're thinking about accessing your pension savings, you need to be aware that although the first 25% of funds withdrawn from a pension pot are normally tax-free, if you take more than that, it will be regarded as income for tax purposes and could push you into a higher tax bracket.

We will be able to put together a plan that will help ensure you make the best use of your savings. Being aware of your likely cash flow in retirement will help you avoid the risk of using too much of your pension pot too soon.



The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

READY TO INVEST? HERE'S HOW TO GET STARTED

If you're looking to get a better return from your money than you can from your bank account, then the time might be right to think about investing for the future. Before you begin, here are some golden rules to consider.

HOLD SOME CASH

You'll need to have ready access to a cash fund to cover everyday living expenses and unforeseen expenditure. Obviously, there's no point rushing into investment if you've got substantial debts or if you know you're going to have to make major financial commitments that will take up all your spare cash. A vital part of your financial planning must be providing adequately for retirement, not least because of the tax breaks available on pension contributions.

DEFINE YOUR GOALS

You need to be clear why you're investing and what your goals are. The sort of life events that people often invest for include a child's education, a daughter's wedding, to repay a mortgage, retire at 55 – the list can be a long one. Knowing your time horizon helps ensure you put in place the right investment strategy for your needs.

KNOW YOUR RISK PROFILE

You will need to establish how much risk you're comfortable with, and the impact that has on the rate of return you can realistically expect to earn. You should bear in mind that the level of return can vary from year to year, and that past performance is not a guide or a guarantee of future returns. The value of shares can go up and down.

GO FOR DIVERSITY

A portfolio that includes a range of assets alongside shares, such as bonds, property, and cash, has been shown to perform better over the longer term than one that is only invested in one type of asset. This process is known as asset allocation, and is almost always the starting point when deciding where to invest.

GETTING INVESTMENT ADVICE MAKES SENSE

We will be able to help you in a variety of ways. Firstly, we can work with you to review and assess your current situation, any existing holdings you may have, your family circumstances and tax position. Drawing on our expertise and extensive knowledge of the market, we will recommend the asset allocation that will meet your requirements, together with the investment options that are suitable for you.

While building a potentially profitable portfolio means taking a longer-term approach, we will want to schedule regular reviews with you so that your investments can, if necessary, be altered or rebalanced in response to economic and market forces.

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A GAME OF ENDURANCE AS DISPOSABLE INCOMES HIT SIX-YEAR LOW

The average household in Britain is currently enduring the lengthiest dip in disposable income for six years. Cash-strapped consumers are struggling with the combination of lacklustre growth in their wages, which is providing modest support to disposable incomes, and inflation, which is taking its toll on the pound in their pocket as the cost of everyday items increase.

Recent data from the Office for National Statistics (ONS) revealed real household disposable income fell by 1.1% per head in the second quarter of 2017, meaning disposable incomes have declined for four consecutive quarters, marking the longest period of negative growth since the tail end of 2011.

The data from the ONS coincides with a study[1] disclosing that for the first time in two years, households said they thought their personal financial situation had deteriorated. This perception will no doubt have a negative impact on people's saving and spending habits.

It is anticipated that the interest rate rise in November could help temper rising inflation, which has been fuelled further by the Brexit-hit pound. Watch this space.

[1]Eurobarometer Consumer Survey, Oct 2017

IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.