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YOUR WEALTH AUTUMN 2019

INSIDE THIS ISSUE

RENEWED INTEREST IN MULTI-ASSET FUNDS

Multi-asset funds are enjoying a new vogue. Amid worldwide geopolitical instability, a volatile market and weaker growth, many investors are becoming more risk aware. To manage risk and protect capital whilst simultaneously exploring new growth opportunities, an increasing number of investors are turning to these types of funds.

Multi-asset funds appeal to many investors because they allow them to diversify their portfolios. They invest in a wide variety of asset classes, including but not limited to bonds, equities, and even property and commodities.

A NEW BEST-SELLER

Recent figures show an impressive upswing in the amount of new money being channelled into existing funds and a number of new funds have launched this year as well. According to investment researcher Morningstar, there are currently 1,027 UK-domiciled multi-asset funds available to UK investors. And, with net retail sales of £7.9 billion, multi-asset was the best-selling asset class of 2018, the Investment Association has reported.

With an ever-increasing number of funds out there to choose from, investors would be wise to seek professional advice.

GREEN-FINGERED INVESTORS MAY SEE THEIR PORTFOLIOS FLOURISH

Just as a garden will fail to thrive if it is neglected, an investment portfolio will underperform if investors take a laissez-faire approach to their finances. Like gardeners, investors must put time and effort into growing their portfolios and sowing the seeds for future success.

REAP WHAT YOU SOW

Any gardener worth their salt knows that rooting out the weeds will help their flowers to bloom. Investors also know the importance of keeping on top of their portfolios, digging out any perennially underperforming funds and planting more lucrative ones in their place. For those with new money to invest, carefully choosing new funds to add to their crop could really reap rewards.

PRUNE TO PROMOTE GROWTH

Keeping an eye on your portfolio's growth and continually making small adjustments will ensure that it remains balanced and representative of both your current and long-term financial goals. For example, if your risk appetite changes, your portfolio will need to be pruned and trimmed to match. In order to ensure you're fully benefiting from any potential tax allowances, profits may be taken at certain points of the year.

Any plant becomes overgrown over time, no matter how perfectly it was originally shaped. To avoid the same happening to your portfolio, regular reviews of the allocation of different asset classes, such as equities, bonds, property and cash will need to take place. After re-evaluating, you may find a trimming back of certain assets is needed to maintain the perfect balance.

WE CAN HELP

To keep a garden lush and flourishing all year round, professional help is sometimes needed, and it's beneficial for investors to consider seeking advice as well. We're here to help you keep your portfolio blooming.

IN THE NEWS...

PREMIUM BOND POPULARITY

Partly due to the raft of Premium Bond rule changes, including the reduction in the minimum investment from £100 to £25, National Savings & Investments (NS&I) has seen a sharp rise in new customers under the age of 16. Further rises are also expected later this year when, for the first time, any adult will be able to buy Premium Bonds for any child.

WEB FRAUD CRACKDOWN

Following a recent wave of internet scams, frequently targeting vulnerable pensioners, the Financial Conduct Authority (FCA) has established a 'war room' to tackle suspicious investment schemes which are advertised online. Internet-enabled fraudulent schemes are often operated by small groups of criminals, which are defrauding consumers out of hundreds of millions of pounds; the FCA team has been set up with the intention of reducing the number of such schemes.

UNKNOWN NUMBER OF FINES ISSUED

HMRC 'hasn't got a clue' how many fines have been issued for breaches to pension tax relief rules, according to a Freedom of Information response obtained by Royal London[1]. If large numbers of people are being fined, Royal London urges, the industry needs to know so customers can be alerted to the issue.

[1]Royal London, July 2019

INDIVIDUALS IN DRAWDOWN OBLIVIOUS TO FLEXIBLE INCOME

Pension provider Zurich[2] has found that the majority of retirees taking an income in drawdown are unaware that they can reduce or even stop their withdrawals, meaning that they risk taking unsustainable levels of income that may not see them through retirement.

GOOD ADVICE PAYS

Despite flexible income being one of the perks of drawdown, meaning that retirees can tailor their withdrawals to their spending, a YouGov survey commissioned by the provider has revealed that 52% of over-55s in drawdown are completely unaware of this fact.

Unsurprisingly, awareness levels were shown to drastically increase among those who had sought professional advice. While 77% of those receiving ongoing financial advice were aware they could vary their drawdown income, a worryingly low 35% of those not seeing an adviser knew about this benefit.

KEEPING YOUR SAVINGS SAFE

Being in the dark about this key detail could be dangerous; if stock markets fall, unsuspecting investors are at risk of draining their pension pots. Not to be confused with 'pound cost averaging', this is called 'pound-cost-ravaging', and occurs when individuals find themselves having to sell more investments to maintain unsustainable levels of income. We can help you to understand how your drawdown savings work to ensure they last through your retirement.

[2]Zurich, June 2019

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

BALANCING YOUR TIME AND MONEY

The average value of an ISA held by someone aged over 65 is £47,000, an increase of £4,500 on the previous year[3]. This data highlights that many pensioners are continuing to save for their future.

HMRC data suggests many pensioners are putting aside money to cover unforeseen costs and to buy more expensive one-off items, as opposed to relying on their day-to-day income.

HABIT OF A LIFETIME

Breaking the saving habit is tricky for some it seems, as some over-65s are continuing to save through fear of running out of money. Whilst this is a good idea in many cases, some over-65s could be living unnecessarily frugal lives as a result.

BALANCING ACT

It's a fine balancing act ensuring that you plan for your future without forgetting to live in the present. We're here to help you achieve the right balance.

[3]HMRC, April 2019

KEEPING YOU POSTED - IHT

During the summer, the Office of Tax Simplification (OTS) published a second report in relation to its Inheritance Tax (IHT) review, entitled 'Simplifying the design of Inheritance Tax'. The report investigates the principal complexities and technical issues surrounding IHT and makes 11 recommendations which the OTS believes would make the tax easier to comprehend and navigate.

SIMPLE AND INTUITIVE

In an effort to streamline gift exemptions, four of the recommendations relate to lifetime gifts, to change the way the tax works in this area to make it simpler and more intuitive for all of us. Another recommendation focuses on the interaction between IHT and Capital Gains Tax.

The accompanying recommendations consider IHT in relation to farms and businesses, addressing distortions in the operation and scope of reliefs such as those for agricultural and business property.

WHAT NEXT?

The report was commissioned by the Treasury, who will respond to the recommendations in due course. We'll keep you posted on subsequent developments.

STORMY SEAS AHEAD?

The global economy took a knock during the second quarter of 2019, recent data has shown, affected by geopolitical events such as the US-China trade dispute and the UK's upcoming Brexit deadline. Amid heightened fears of a global recession, policymakers have reacted, with the US Federal Reserve (Fed) cutting interest rates for the first time in over ten years.

ECONOMIC GROWTH

Most major economies saw weaker growth in the second quarter, gross domestic product (GDP) statistics reveal. China's GDP grew at an annualised rate of 6.2%, the weakest growth the country has seen since records began in 1992. Meanwhile, the annualised growth rate of 2.1% in the US was significantly lower than the 3.1% recorded in the first quarter.

THE US REACTS

The Fed cut its benchmark interest rate by a quarter of a percentage point on 31 July, also indicating its willingness to provide additional support should the global economy decline further. US borrowing costs were last cut in 2008.

The figures show a decline in global growth over the past months, with many countries facing an uncertain future. The US-China trade wranglings continue to hamper growth opportunities.

PORTFOLIO DIVERSITY

Many investors are getting used to a variety of political, financial and economic factors and learning to look through the 'noise' to focus on what really matters. Portfolio diversity holds the key to approaching your investments and managing risk. It is important to think about longer-term timescales instead of focusing too intently on short-term events and market fluctuations. Financial advice is essential to help position your portfolio in line with your objectives and attitude to risk.

The value of investments and income from them may go down. You may not get back the original amount invested.

UK DIVIDEND OUTLOOK

The overall level of dividends paid by UK listed firms reached record levels in the second quarter of 2019.

Recent data from Link Asset Services[4] shows that dividend payments rose by 14.5% to £37.8 billion during Q2, boosted by both sterling weakness caused by Brexit and some especially large special dividends. A weaker pound is beneficial for UK dividends, due to the fact that multinational companies make a significant percentage of their profits outside of the country. Half the underlying growth rate could be attributed to exchange-rate effects. The report concluded that the outlook for the economy and corporate earnings is worsening, with a weaker-than-expected underlying growth rate, suggesting that the outlook for future dividend payments will be more cautious.

[4]Link Asset Services, July 2019

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PENSIONS TERMINOLOGY BAFFLES BABY BOOMERS

A recent survey[5] that asked people over the age of 55 to define key words and acronyms relating to pensions found that a large percentage of the 2,002 respondents struggled to correctly identify and describe them.

DAZED AND CONFUSED

The results of the survey revealed that many baby boomers were failing to grasp important pensions-related terminology. Even among those old enough to be able to access any defined contribution pensions savings they may have accumulated, knowledge was worryingly poor. Nearly two thirds of 55 to 75-year-olds could not define the Annual Allowance, while over half did not know what the term 'income drawdown' meant. It is apparent that complex jargon is hindering over-55s' ability to understand key facts about their pensions.

SHORT FOR WHAT?

Pensions-related acronyms also stymied many respondents, with an overwhelming 99% unable to say what FAD (flexi access drawdown) stood for. Just under 5% of respondents accurately accurately described TVA as being short for transfer value analysis. Amid this level of confusion, it's hardly surprising that 4% of those surveyed also mistook the texting acronym 'LOL', as well as the shopping channel 'QVC', for pensions-related terms.

ENDING THE PENSIONS PANIC

If trying to keep on top of pensions jargon makes you anxious, then this research should reassure you that you're not the only one! Many people are mystified by the seemingly incomprehensible range of words and letters used. We believe that explaining the facts in straightforward terms is the best way to help you get to grips with your pension and achieve the peace of mind you deserve. We'll end the pensions panic and get you on the way to funding your future with confidence.

[5]Portafina, June 2019

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