

# Financial Viewpoint

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## *Personal and Corporate Financial Planning*

### **Auto-enrolment update**

We look at the minimum contribution levels employers must pay into their pension schemes.

### **Don't fall for a pension scam**

Pension fraud is becoming increasingly sophisticated, but there are ways to spot the warning signs.

### **Need help to buy?**

Low interest rates and rising inflation make saving for a deposit that much harder.

### **The value of protection**

Why protection insurance is a must if you have a mortgage.

### **The importance of diversification**

Who should you listen to when it comes to choosing how you invest?

### **The gold standard in advice**

Only a small number of firms, like ours, has achieved Chartered status.

### **The path ahead for the global economy**

We look at the political and economic events that could impact your investments.



## Auto-enrolment update

It's reasonable to suggest that auto enrolment has been a major success story. In fact, more than 1 million employers and 9 million employees have made pension saving a part of everyday life since its introduction in 2012.

6 April 2018 saw the second phase in the development of auto-enrolment; when employer and employee minimum contributions rates for defined contribution qualifying schemes will increase (and do so again on 6 April 2019).

### Are you ready?

If you're an employer, you should have received a letter from The Pensions Regulator advising you of your duty

to increase contributions. However, this isn't necessarily a simple exercise as the minimum level of contribution depends on the rules of the scheme and the definition of pay used to calculate the contributions.

The table below illustrates the different definitions of pensionable pay and the respective minimum levels of contributions:



*If you'd like help understanding your auto-enrolment duties or you'd like to consider outsourcing your responsibilities to a specialist, please get in touch.*

	Date effective	To 5 April 2018	6 April 2018 to 5 April 2019	From 6 April 2019
Qualifying Band Earnings or Own definition (at least to basic pay and 85% total pay, please see below)	Employer	1%	2%	3%
	Employee	1%	3%	5%
	Total minimum	2%	5%	8%
Basic pay (Does not include bonuses, overtime shift pay or relocation allowances)	Employer	2%	3%	4%
	Employee	1%	3%	5%
	Total minimum	3%	6%	9%
Total pay (Includes all elements of pay and earnings)	Employer	1%	2%	3%
	Employee	1%	3%	4%
	Total minimum	2%	5%	7%

# 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](http://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/>



# 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)



\*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.**

# The value of protection

Buying a new home is possibly one of life's biggest and most exciting events. It's also a major financial commitment – one that could be with you for 25 years or more.



*Making sure you have the right protection in place is important. We can review your circumstances and the cover options available to you.*

Your ability to maintain your mortgage payments relies on a constant income, so how would you continue to make your mortgage repayments if your income was reduced – or stopped? Here we look at two similar scenarios with very different outcomes.



## David

David arranged a new mortgage with his financial adviser. They discussed protection insurance and David agreed to take out cover so that he could maintain the mortgage repayments if he had to stop work because of serious illness. As a father of two, David also wanted cover so that he could help maintain his family's lifestyle. The mortgage went through and the protection insurance was put in place.

Feeling unwell just a few weeks later, David went to his GP for a check-up. After numerous tests he received the shocking diagnosis of thyroid cancer. David stopped work and started treatment. His adviser supported him through the claims process and the insurer paid the claim promptly and in full. Rather than having to worry about his financial situation, David was free to cope with a tough treatment regime and concentrate on getting better.

Thanks to his protection insurance, David maintained his mortgage payments and monthly bills. He even treated his family to a holiday as part of his recuperation. David made a full recovery, returned to work and life continued as normal.



## Jane

Jane arranged a new mortgage with her financial adviser. She was advised to take out protection insurance that would cover the mortgage payments and help maintain her family's lifestyle in the event she had to stop work due to serious illness. After thinking about the cost of the cover and the likelihood of having to claim, Jane declined.

Feeling overly tired a short while after the mortgage was put in place, Jane went to see her GP. After numerous tests she received the shocking diagnosis of thyroid cancer.

Jane had to stop work and apply for Statutory Sick Pay at the same time as coping with a tough treatment regime and looking after her kids. She started to struggle to cover her outgoings and had to use all her savings.

Unfortunately, Jane was forced to sell her house and move into a smaller property, turning her and her kids' lives upside down. Even though she wasn't quite ready to, Jane had to return to work.

## The importance of protection

You might be like Jane and think that it won't happen to you, but one in two people born after 1960 in the UK will be diagnosed with some form of cancer during their lifetime and four in five people with cancer are affected financially. And if you think that protection policies don't pay out, they do. In 2016 15,464 critical illness claims were made and 92.2% paid out an average £68,000.

There are a range of products available that can provide a lump sum or a regular income on death or diagnosis of a specified critical illness and they could cost less than you think.

# 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.

*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.*

# The gold standard in advice

The prestigious 'Chartered Financial Planner', designated by the Chartered Insurance Institute (CII), is the industry's gold standard for financial planning firms.



*Get in touch to find out why we've achieved the gold standard in advice*



Chartered

Achieving Chartered status means an adviser, or financial planning firm, has committed to the highest levels of technical and professional knowledge and competence. They have successfully completed advanced professional qualifications and can demonstrate an ongoing commitment to continuing professional development and adherence to an industry standard Code of Ethics.

Although the concept of Chartered professionalism dates back hundreds of years, Chartered Financial Planner status has only been achievable since 2005, when the Privy Council granted the CII the power to award it to individuals and firms who could meet the rigorous criteria.

Since then, just 12% of advisers have met this highly-prestigious designation and, like us, can proudly bear the logo on their website and / or business stationery.

## What sets us apart as Chartered Financial Planners?

As holders of Chartered Financial Planner status, you can be confident that we:

- can offer the highest levels of expertise and technical knowledge when it comes to working with you on setting out and achieving your financial objectives
- are committed to continuous development
- observe a specific code of ethical good practice in the way we advise and service our clients.

Like Chartered Accountants, Surveyors, or Engineers, we are incredibly proud to have Chartered status. It was not easily achieved and it takes continuous investment and dedication to maintain.



# The path ahead for the global economy

Much has happened to keep us busy in 2018 so far, but there's plenty to come in the second half of the year in terms of the political and economic events that could shape the future direction of markets, and your investments.



## UK

The second-half of 2018 in the UK should be all about Brexit in the run up to our scheduled departure from the EU on 29 March 2019. Having reached an agreement on the so-called 'divorce bill' at the end of last year, the next stage of negotiations is about the UK's relationship with our European neighbours going forward. With so much still in the air – including future trade and rules around EU citizens living in the UK – decisions made could have an impact on investment markets, especially trading in the pound.



## US

The big event at the end of the 2017 was the passing of Donald Trump's tax reforms, including big tax cuts for companies and a drop in income tax which will benefit many American families. However, most won't feel the affect until they file their taxes in April 2019.

A measure of Trump's popularity will be the US midterm elections in November, which historically haven't always gone well for the incumbent president's party. The whole House of Representatives, a third of the Senate, and most governorships will be at stake, along with hundreds of state legislative seats and local offices around the country.



## Latin America

Donald Trump has upset many Mexicans with his plans for a wall separating the country from the US. Relations between the two neighbours are likely to figure prominently in the Mexican presidential election on 1 July. The favourite to win is the former mayor of Mexico City, Andres Manuel Lopez Obrador, who is leader of the left-wing National Regeneration Movement (MORENA). He has been very vocal about Trump's policy toward Mexico.

Brazil has had a tough few years. President Dilma Rousseff was impeached in 2016 after allegations of manipulating the government's budget, while former president Luiz Inacio Lula da Silva was convicted of money laundering last year. However, Lula, as he is more commonly known, is among those fighting for re-election in this October's vote.



## Europe

After a tough ride for Angela Merkel in the German election, and the fallout from Catalonia's bid for independence from Spain, 2018 appears to be a more serene year for politics within the eurozone. However, with such cultural and economic diversity within the bloc, its future sustainability must not be taken for granted. On the economic front, the eurozone as a whole continues to impress in terms of growth, though the European Central Bank (ECB) remains behind the curve in terms of monetary policy – namely it has kept interest rates at 0% while other major economies are beginning to 'hike', or raise, theirs.

With the eurozone economic crisis of a few years back still fresh in our memories, an important milestone could be the results of stress tests of Greece's four largest banks, due to be published by the ECB in May. This will hopefully allow time for any shortfall to be filled before Greece is due to leave its bailout programme in August.



## Asia

After China's grand leadership reshuffle late last year, other South East Asian countries are set for a political refresh in 2018. National elections are due in Malaysia, Thailand and Cambodia in the second half of this year, while Indonesia's politicians are already on the campaign trail for elections there in 2019. The US withdrawal from the Trans-Pacific Partnership – a trade agreement between 12 countries, representing some 40% of the world economy – was a big headline last year. However, while it means less reliance on the US, it could ultimately lead to even greater influence from China, now challenging to become the world's largest economy.

*Past performance is not a guide to future performance. 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.*



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

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