

Financial Viewpoint



Local presence, strong partnerships. By harnessing our connections Carl Summers Financial Services strives to provide you with your perfect solution.

The path ahead for the global economy

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

Auto-enrolment update

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

What's your General Insurance start date?

Why it's important to have the right cover in place at the right time.

With protection comes choice

The pay out from an insurance policy can do more than just cover your basic outgoings.

The value of investment advice

Seeking advice on how to save money may not be as exciting as spending it, but it could be more rewarding.

Need help to buy?

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

The importance of diversification

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

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.

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.

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.



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



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.

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.

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.

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.



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%

What's your General Insurance start date?

When you're in the process of buying a house, you might think the best time for your Home Insurance cover to kick in is on the day you move in. Right?

In fact, you must make sure you're covered on the day you exchange contracts, because it's at that point that you become legally responsible for the property.

Avoiding a nightmare

Imagine the scene.... you've just exchanged contracts on your lovely new home and you're packing the last of the boxes and finalising the move date with the removal firm. The next morning, you get a call with the news that a tree has crashed through the roof of your new home during an overnight storm and you now have to find the money to fix the damage, as well as temporary alternative accommodation, because you had arranged your buildings insurance to coincide with your move in a few days' time.

It may seem unlikely, but we would always recommend that you have cover in place on the day you exchange. And when it comes to contents insurance, it's wise to make sure the cover you take out includes 'Goods in transit', in case any of your personal possessions are damaged during the move. Make sure you check with your insurer beforehand as some policies will only cover you for this if you use a professional removals firm.

First time buyer?

If you're taking out buildings and contents insurance on your first home, take the time to compare the policies available and don't just pick the cheapest – it's often a truism that you get what you pay for.

It's useful to check the additional benefits that come with the cover as these will vary with every insurer. For instance, one might offer £1,500 worth of cover for flood damage and another might cover double the amount. Sheds, garages and outbuildings, and the contents inside them, may or may not be covered, so make a point of checking these too.

If you're looking to move to an area that's prone to flooding, it might be worth taking out cover for alternative accommodation so that you don't have that additional worry if your house was to become uninhabitable due to a flood.



Buying your first home, or moving to a new one, can be exciting, but stressful. Talk to us about home insurance cover and we can help to take the strain.



With protection comes choice

How many times have you heard the phrase “It won’t happen to me” when it comes to the chances of suffering a serious illness? Unfortunately, given that 1 in 2 people born after 1960 in the UK will be diagnosed with some form of cancer during their lifetime we should perhaps adopt the lottery approach and assume “it could be you”.



If you'd like to talk to us about critical illness cover and income protection as part of a protection portfolio, please get in touch.

Did you know?

The **average age** of a critical illness policy claimant is **47**, and **54** for a terminal illness claimant. - *Legal & General Claims Department 2017, based on critical illness and terminal illness claims paid in 2016*

If you have a mortgage, or people who rely on your income, you should have some sort of protection cover in place in the event that you have to stop work. We can advise you on a range of policies designed to either pay out a lump sum, or provide a temporary regular income.

Critical Illness cover

Following a successful claim, receiving a lump sum on diagnosis of a specified critical illness can give you precious breathing space; space that allows you and your family to overcome the initial shock and begin a potentially gruelling treatment regimen without the added strain of mounting debt.

But it's not just your finances that a critical illness pay out could help with. What if you wanted to pay for treatment that's not available on the NHS, or you needed to make structural changes to your home as a result of your illness? And after the treatment, wouldn't it be lovely to take the family away so that you could all relax and spend some quality time together?

Income protection

According to research from Macmillan Cancer Support, four out of five cancer patients face a monthly expense of £570 a month as a result of their illness, due to the impact of reduced earnings and additional expense including hospital visits and higher utility bills. When you consider that the average weekly household spend in the UK in 2017 was £554.20, it's clear that even a relatively short time off work could have an immediate impact.

Income Protection can replace part of your income if you're unable to work for a long time due to illness or disability. This can help you keep up your regular outgoings such as rent or mortgage payments and the usual household bills and expenses. Some plans have the facility to add unemployment cover and some offer additional benefits like counselling services which can ease the burden during a potentially difficult and stressful time.

Will your policy pay out?

If you're put off buying protection because you don't think it will pay out when you need it, think again. According to the Association of British Insurers **£4.7bn** was paid out on protection claims in 2016, the equivalent of **97%** of all protection claims received during the year.



The value of investment advice

Let's be honest. Seeking advice on how to look after your money may not be as fun as the immediate thrill of spending it, but it could be a rewarding decision in the long run.



If you'd like to set new financial goals or review your existing plan, please talk to us.

Research published last summer by the International Longevity Centre for Royal London found that those who received financial advice in the 2001-2007 period were around **£40,000** better off than their unadvised peers by 2012-14. The report also found that 9 in 10 people were satisfied with the advice received, with the clear majority deciding to go with their adviser's recommendations.



Advice is crucial

The UK's regulator for financial service firms and financial markets, the Financial Conduct Authority, has also been keen to promote the value of professionals. In a speech late last year, the regulator's supervision director Megan Butler stressed that financial advice is of "unprecedented importance" in the UK today.

This is particularly relevant in the context of the pension freedoms introduced in 2015, which means anyone aged 55 and over can take the whole amount of their pension as a lump sum. With so many legitimate uses we can put our savings towards today, Butler said "the role of the financial adviser is today more important than ever".

This is also true in the context of uncertainties; around Brexit, prospects for the UK economy, and the future direction of investment markets. As we all know from the last global financial crisis, things change very quickly and can catch us off guard. Professional

advisers, like us, are no different in this regard, but with your financial wellbeing at the heart of what we do, together we can create a plan aimed to help you profit in the good times and weather the storm against any possible downturns.

We're here to help

So how can financial advice work best for you? As well as managing your wealth through investments, you may also need specific help arranging a mortgage, or making sure you and your family are protected in the event of something unexpected. We're here to help advise on any, or a combination, of these.

The value of investments and any income from them can go down as well as up and you may not get back the original amount invested.

That you are reading this article suggests you already have, at the very least, made the first step in seeking advice. Indeed, you may well have had a relationship with us for many years. Either way, we're here to help you take the right steps helping to safeguard your financial future.

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

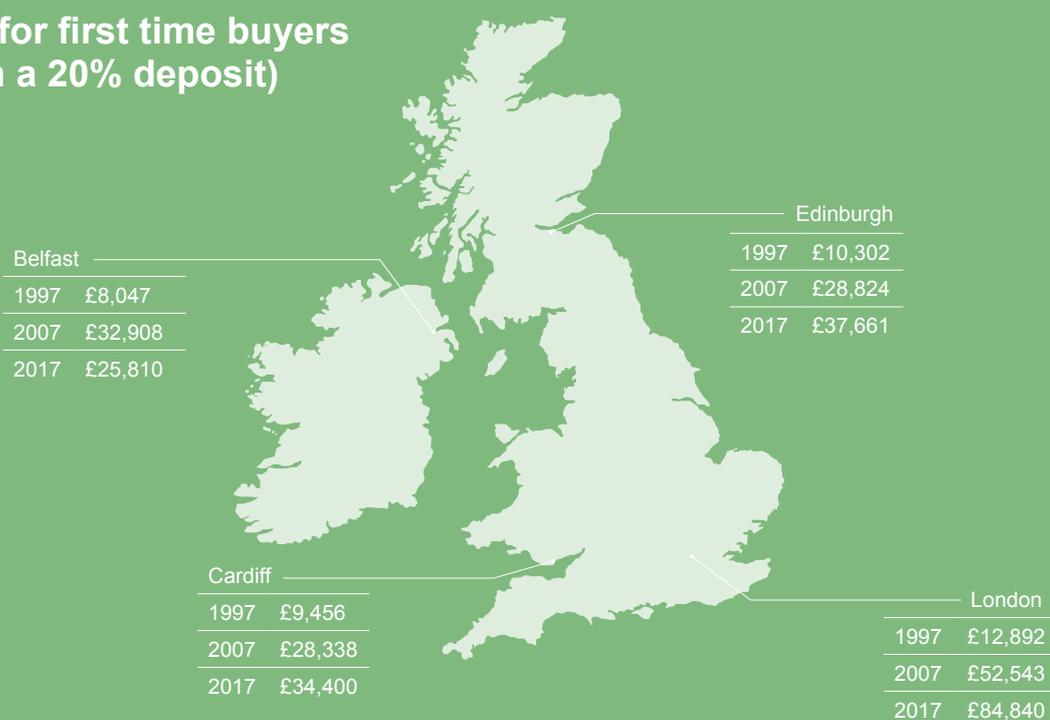
Need help to buy?

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 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.

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