Financial Viewpoint

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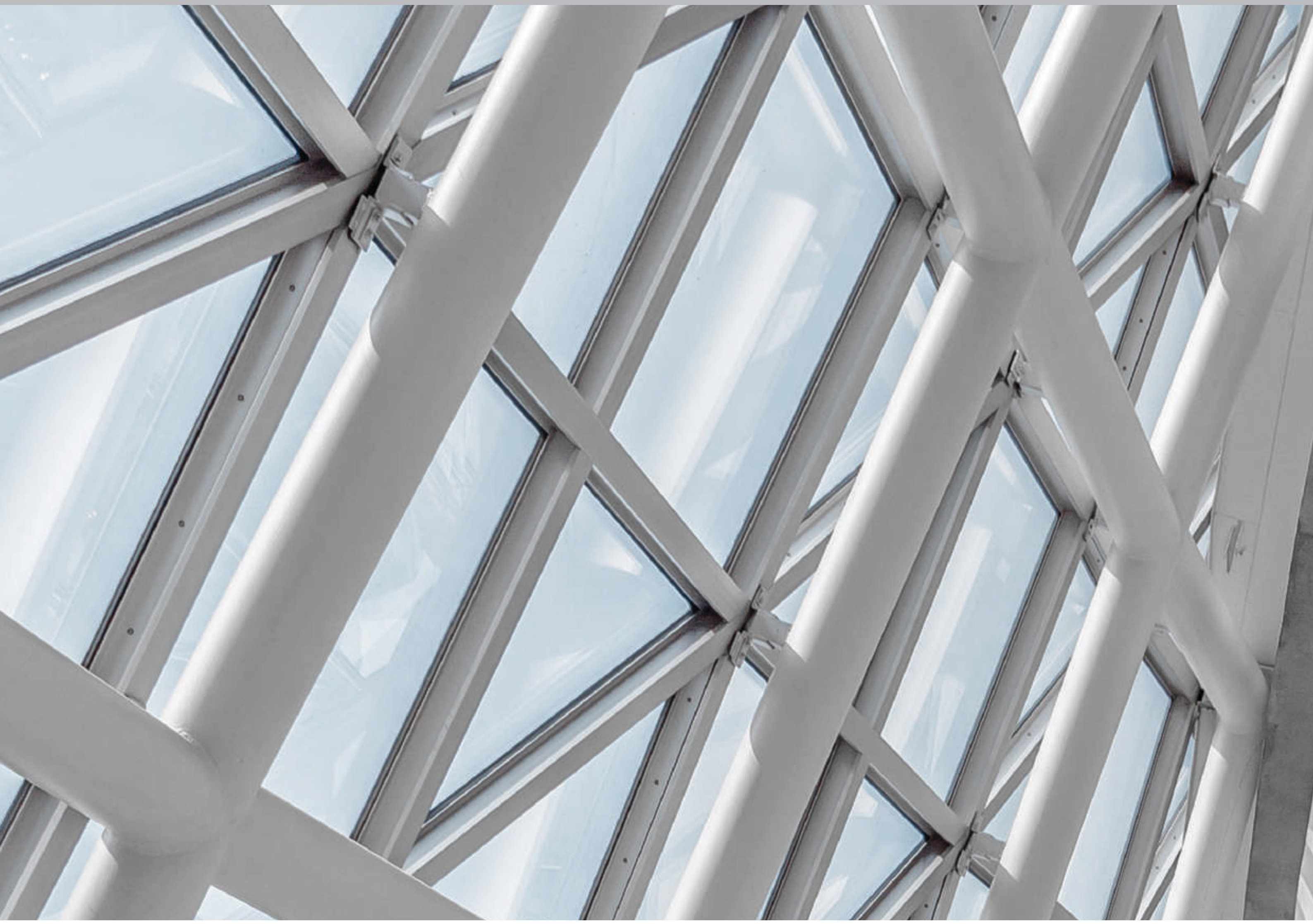

Local presence, strong partnerships. By harnessing our connections Carl Summers Financial Services strives to provide you with your perfect solution.

2018: the half year report

The first half of 2018 had no shortage of political tussles and diplomatic standoffs to deliberate on. Here, we consider some of the big economic events across the globe that have kept us busy, including incidents that have come completely from leftfield.

UK

Brexit has understandably dominated the headlines, and no doubt will continue to be the big topic of conversation for many months to come. In March, it was announced that the UK and EU had agreed terms for the Brexit transition period, which lasts from ‘Brexit day’ on 29 March 2019 until 31 December 2020. The EU will allow Britain to sign its own trade deals during the transition, and the UK will give full free movement rights for EU citizens who arrive during the period.

Also in March, chancellor Philip Hammond used his Spring Statement to unveil upgraded UK growth forecasts. Office for Budget Responsibility (OBR) figures have revised the UK growth forecast for this year upwards from 1.4% to 1.5% . However, growth was just 0.1% for the first three months of the year, in part due to the impact on the economy of the so-called ‘Beast from the East’.

US

Some of the tax reforms passed by Donald Trump at the end of 2017 came into play on 1 January, including a ‘market friendly’ cut of corporate tax rates. In the long-term, these changes are predicted to mean businesses spend more and lift wages. It is of course a gradual process, though a positive ‘earnings season’ for US businesses in the spring has arguably brought some degree of cheer for those looking to invest in the country.

The president has generated plenty of press coverage in other areas too, including his surprise meeting with North Korean leader Kim Jong-un in June. From a stock market perspective, it is the tech giants that continue to have a huge influence. However, the likes of Facebook and Amazon have not had it all their own way, given the former’s Cambridge Analytica data scandal and Trump’s attacks on the latter’s pact with the US Post Office.

Latin America

Argentina was in the headlines in May with its central bank rising interest rates to a whopping 40% as its currency, the peso, fell sharply. The country’s economic vulnerabilities were highlighted by a reform programme under president Mauricio Macri. Later in the month, it emerged the government had been in touch with the International Monetary Fund for a credit line that would help restore confidence in the country’s economy.

Elsewhere, economists have been speculating that Latin America could be an unexpected winner should trade tensions escalate between China and the US. Brazil, Argentina, Chile and Mexico are among the region’s economies that already have extensive trade agreements with China and the US, primarily trading soybeans, iron ore, crude oil and copper into China and manufacturing products into the US.

Europe

After months of uncertainty in Germany, a grand coalition was finally formed between the CDU/CSU and SPD parties and the new government took office in March. However, as one country took steps towards a stable government, another, Italy, was facing its own political stalemate. At the end of May, two populist parties, Five Star and League, formed a new ruling coalition.

In France, president Emmanuel Macron came up against opposition to his pro-business economic reforms, which meant nationwide rolling train strikes in dispute over government’s planned overhaul of state-run railway SNCF.

Someone who seemingly has never had a problem with popularity in his country is Vladimir Putin, who took more than 76% of the vote in a landslide victory in March’s Russian election. His fourth term as president will extend until 2024, much to the ire of many in the West who see his regime as a malicious influence on global diplomacy.

Asia

A key event of the first half of 2018 from a markets perspective was posturing towards a ‘trade war’ between China and the US. What exactly is a trade war? In simple terms it is when countries try to attack each other’s trade with taxes and quotas. In introducing tariffs on a country’s imports, which is what these two nations have been doing on certain products, the intention is to push people to buying cheaper local products instead, thus boosting your domestic economy. However, in truth there are no real winners from a trade war, and so it seems common sense that officials from both countries have been discussing compromises.

Still, the Chinese economy evidently remains in good shape, with growth in the first quarter of the year coming in at an impressive 6.8%. In Japan, however, there have been some problems brewing for prime minister Shinzo Abe, who saw his public support fall off dramatically having been caught up in a political scandal.

Correct as at time of going to print

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

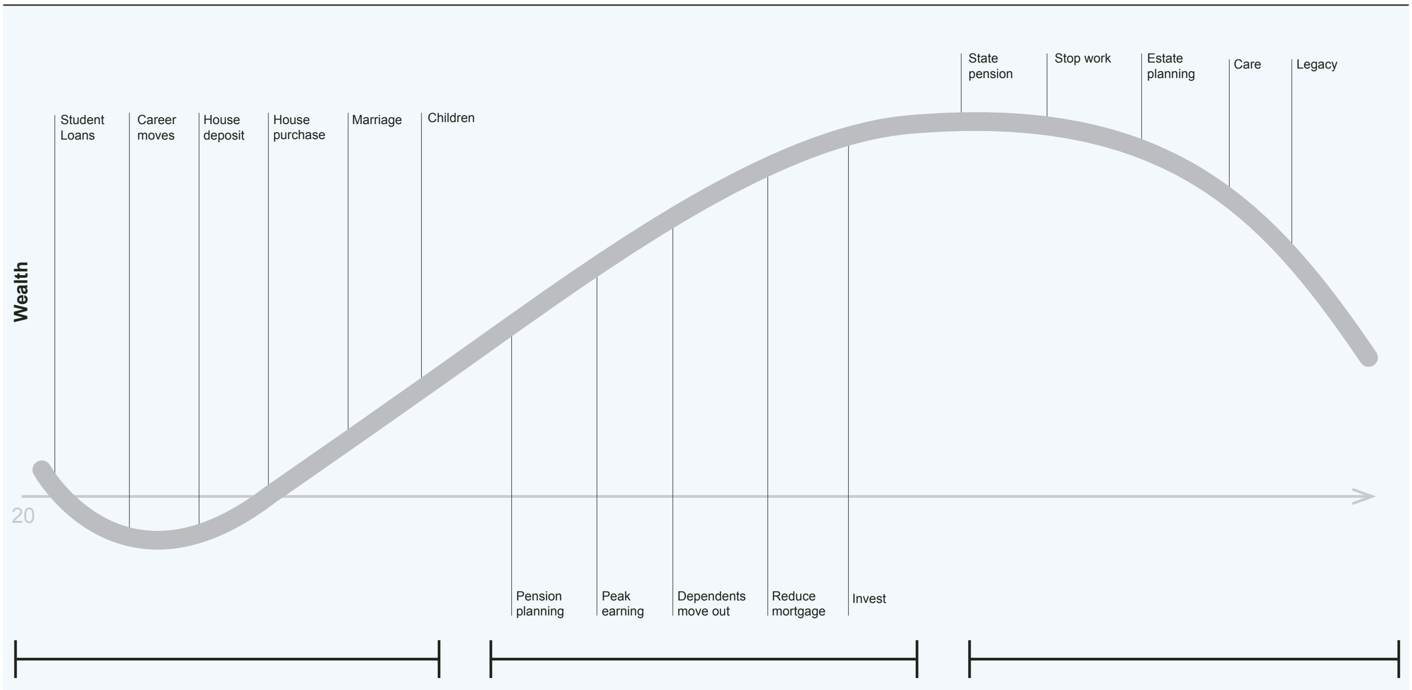
The value of your investments and any income from them can fall as well as rise and you may not get back the original amount invested.

OW1527 Exp. 18.7.19

Advice matters - whatever stage in life you're at

The financial products and services we need to navigate through life will change with our circumstances. In the early years, our financial needs are likely to be more straightforward, getting increasingly complex as we grow older and experience more of life's rich tapestry.

We can provide high-quality financial advice whatever your circumstances. Please talk to us to find out more.



20 - 30's: From single and sorted to settling down

Ah, those carefree days of being young, free and single; possibly still enjoying student life (albeit probably with a loan), starting an apprenticeship, or moving onto and along the career ladder.

Our financial needs at this point might be fairly basic: an inflation-beating savings plan for those starting to think about homeownership, income protection for the workers. If budget allows you might even think about cover that helps to pay the bills in the event of an accident or illness. And when you meet someone and start a family, or take on your first mortgage, the need for protection insurance becomes essential.

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

40 - 50's: Accumulating wealth and paying off debts

For most of us, financial wellbeing will depend on whatever it is we do to earn money. At this stage in life, as well as securing good living standards while we're working, it's important to think carefully about putting some of our income aside for the future.

Generally speaking, and subject to investment performance and charges, the earlier you start saving and the more you save, the better shape your financial assets are likely to be in when you need to draw on them. But deciding on the right investment strategy is complicated because of the various factors that can influence it.
For instance:

- your investment objectives - what do you want from your money?
- the level of risk you're prepared to accept and the potential level of loss your finances can tolerate
- the types of investments you should consider in view of your objectives and risk profile
- the tax-efficiency when it comes to holding these investments
- the ongoing management of your investment

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.

Over 60: Taking your pension; enjoying retirement

When the time comes to draw money from your pension, you'll need to decide how and from where.

Self-evidently, the greater the value of your investment, the better the prospect of a financially-rewarding retirement. But the more investments you have, the more important it will be to think very carefully about where you take money from when the time comes, and how you continue to manage your money throughout your retirement.

It's also wise to make sure your estate is in good order for any potential beneficiaries. Successful estate planning is all about helping to control the amount of tax you pay on the wealth you create and there are a number of key areas to consider as part of this:

- A will
- Lifetime gifts
- Trusts
- Use of exemptions and reliefs
- Tailored investment products
- Pension arrangements
- Life assurance

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OW1473 Exp. 11.7.19

How secure is your business?

Business protection is a crucial element in a company's financial future, but how many have cover in place?

Research by Legal & General in their State of the Nation's Small and Medium Enterprises (SMEs) report has found:

53%

of businesses would cease trading in under a year if a key person became critically ill or died

65%

of businesses have some form of business debt

48%

of sole traders have no business protection in place

70%

of the businesses surveyed had not heard of a Relevant Life Plan.

You may have covered the tangible assets in your business, but have you protected the most important asset; the people who contribute directly to your bottom line?

If the answer is no, you could be putting your business at risk. After all, if you lost a key employee, this could impact the day-to-day running of the business, it could hit profits and create problems repaying an outstanding business loan.

Safeguarding your business

Business protection insurance can help mitigate some of the risks. There are three main types of business protection:

- **Key Person Insurance**
  provides a lump sum to the business on the death of an important member of the business.
- **Shareholder Protection Insurance**
  provides a lump sum that will allow remaining shareholders to buy the shares of a deceased shareholder.
- **Business Loan Protection**
  provides a lump sum to help a business pay any outstanding business loans.

Critical illness cover should also be a consideration, as long-term or permanent absence from work could cause serious financial pressures. In fact, 53% of the businesses surveyed said they would cease trading within a year if a key employee were to become critically ill or die.

Business Protection Insurance is designed to keep you trading. That's why making sure you have the right protection in place should be considered a vital part of running a business.

Get in touch if you'd like to know more about how you can help safeguard your business.

OW1474 Exp. 18.7.19

Long-term investors needn't fear volatility

You may have read in the press that markets have been particularly volatile in 2018. But what does this mean for your investments?

If you'd like to know more about our approach to wealth management, please get in touch.

While stories about stock market falls are guaranteed to make headlines, the subsequent rebounds in prices get less coverage; and that's when the best investors can often make their money. While the great financial crisis of 2008 and the stock market lows of March 2009 are still fresh in many people's memories, it's worth noting that an investment then in global stocks would have grown more than twofold more than a decade down the line*.

That might be an extreme example with those kinds of returns never guaranteed, and those who try to second-guess markets or try to time when to invest their wealth often get it wrong. However, it does go some way to illustrate the benefits of investing over a long-term time horizon and riding through the peaks and troughs of market movements.

Investing for the long term

Indeed, the investment propositions we can recommend to you (our Graphene models and the Omnis Managed Portfolio Service), are designed specifically with a long-term investment in mind - a minimum of at least five to seven years.

The portfolios are also designed depending on your specific attitude to risk and aim to deliver lower volatility than the wider stock market; dampening extreme spikes in prices. How do we do this? The key is what we call 'asset allocation'. This is smoothing out returns through diversification across different investment types, from stocks to bonds, and alternative types of investments, such as property or natural resources like oil or precious metals.

Volatility in markets has many varied causes; from political shifts and central bank actions through to modern media, for example tweets from world leaders like Donald Trump. Rather than focus solely on these, often random factors, the Omnis fund managers responsible for your investment are looking at specifics that determine the real value of stocks and shares, and overarching thematic trends, such as long-term changes in demographics or spending habits across the globe.

Embracing volatility

The key takeaway here is that short-term movements in stock markets, as sharp as they may be, are part and parcel of investing, and volatility is often welcomed by professional investors looking for new opportunities to put money to work. Those with their wealth in well-managed and well-diversified portfolios should, in most cases, have little to fear as long as they follow their adviser's recommendations in investing over a sensible timeframe and their investments correctly reflect their attitude to risk and capacity for loss.

*MSCI World Diversified Financials Index

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.

Past performance is not a reliable indicator of future performance and should not be relied upon.

OW1472 Exp. 12.7.19

Some unusual insurance claims

If we asked you to list the most common reasons for claiming on your household insurance, you'd probably say theft, accidental damage, or damage caused by storms and flooding. The following claims, however, are slightly more unusual…

Get in touch if you'd like advice on the right buildings and contents insurance for you.

Animals do the strangest things

You may have blamed the dog for homework disasters in the past, but one Cornish policyholder took things a step further by claiming £2,000 for a hearing aid which his dog had swallowed. The man had apparently had his hearing aid in his pocket along with the dog's biscuits and got them muddled up by mistake.

And never mind the dog, a report in the Lancashire Evening Post confirmed that a pensioner from Preston had put in a claim for £78 after a snail ate part of his carpet.

Birds have also been the subject of wacky insurance claims with a magpie being cited as stealing a pair of dentures and a low-flying goose who reportedly crashed through a man's roof, damaging furniture, a TV and a games console.

Call the fire brigade

A man in the West Country noticed a loose thread on the bottom of his curtains and decided, in a moment of madness, that the best way to deal with it would be to burn it off with a lighter. He ended up setting the whole curtain alight which soon spread through his house. Perhaps most distressingly for the man was that his insurer considered his act to be deliberate and therefore not covered by his insurance.

Baby blues

Finally, and perhaps our favourite of the lot, according to Confused.com a proud grandad was holding up his new grandson to show him off on a Skype video call when the infant vomited over the computer. The tiny tot caused £450 worth of damage.

These weird and wacky insurance claims might raise a chuckle, but protecting your home and personal belongings from theft, damage or worse, is a serious subject.

OW1469 Exp. 26.6.19

Offset mortgages explained

With interest rates remaining low, you might want to consider an offset mortgage. This combines your mortgage and savings into one account and, rather then pay interest on the savings, the savings balance is deducted from the loan amount and you pay interest on the remaining balance.

To discuss your mortgage needs, please get in touch.

Advantages

- As you'll owe less in interest, you'll effectively be overpaying, which means you could pay your mortgage off early and save money on mortgage interest payments
- You maintain access to your money, should you need it
- Deals can be flexible and allow you to offset savings and current accounts against your mortgage

Disadvantages

- You won't earn interest on the savings held in your linked account.
- If you don't have much saved, you won't save much on the mortgage, meaning it may be better choosing an alternative deal with a lower interest rate
- Offset mortgages are usually more expensive than standard deals
- Your choice of offset mortgage may be limited as not all lenders offer them

Why choose an Offset mortgage?

Taking out an Offset mortgage enables you to use your savings to reduce your mortgage balance and therefore the interest you pay on it. For example, if you borrowed £200,000, but had £50,000 in savings, you would only be paying interest on £150,000.

Usually linked with one bank account (but sometimes more), an Offset Mortgage allows the money in your savings account to be counted as temporary overpayments towards your mortgage. However, you can still access your savings if you need to.

When is it worthwhile?

If you have a mortgage rate that's higher than your savings rate (after tax), you may find yourself better off by offsetting – even if you don't have a high savings balance. An Offset mortgage may be more appealing if you're a higher rate tax payer. As there's no savings interest paid on the money in an Offset savings account, there is no tax liability.

Offset mortgages can offer real financial benefits if you have a mortgage and some savings. By seeking professional advice, you'll get a clearer picture as to whether it's the right choice for you.

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

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

OW1468 Exp. 11.7.19

Protection in trust

Taking out a Life Insurance policy gives you valuable peace of mind; you know you've helped protect your family against financial hardship, should the worst happen. But how can you make sure your policy will pay out quickly, to those who'll need it most, if you weren't around? The answer might be to write your policy in trust.

If you're thinking of putting a life policy in trust, please talk to us first. We can tell you if it's the right choice for you, which type of trust is most appropriate for your circumstance - and help you put the trust in place.

What is a 'trust'?

A trust is a legal document that allows you to specify what will happen to your money after your death. If your life insurance policy is written in trust, any payout will go to the trustees you've chosen, who will then ensure the funds are distributed to the people you'd like to benefit from the policy (the beneficiaries).

According to research by Legal & General, however, it seems there is a significant lack of awareness around the benefits of placing live cover in trust. In fact, their survey found that 82% of people questioned had assets they wanted to bequeath to their loved ones, but two fifths were unfamiliar with the process.

Why is a trust so important?

A trust provides control…

Every year, many people die without having put their life insurance policy in trust. As a consequence, the payouts become subject to the delays caused by the processing of a Will and, where there is no Will, the complex laws of intestacy come into play. This could mean the benefits of the policy will form part of your estate, which may not go to the people of your choosing. With your life insurance in trust, you can specify who you want the beneficiaries to be. This is especially important if you are unmarried or in a civil partnership.

A trust means your life insurance policy won't attract Inheritance Tax…

A life insurance policy that has been 'written in trust' does not form part of your legal estate and is not subject to Inheritance Tax. This allows the entire policy payout to go to the people you intended to benefit from it.

Your beneficiaries will have the money more quickly…

Using a trust should help ensure that the money paid out from your life insurance can be paid to the people of your choice quicker, without waiting for lengthy legal processes, such as probate. This can be a welcome relief for those left behind during what is likely to be a very stressful time.

Setting up a trust

Trusts are usually easy to set up, but it's important to select the right type of trust and complete the documentation carefully. That's where we come in.

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The Financial Conduct Authority does not regulate Trust Advice.

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