Financial Viewpoint

CARL SUMMERS
FINANCIAL SERVICES

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

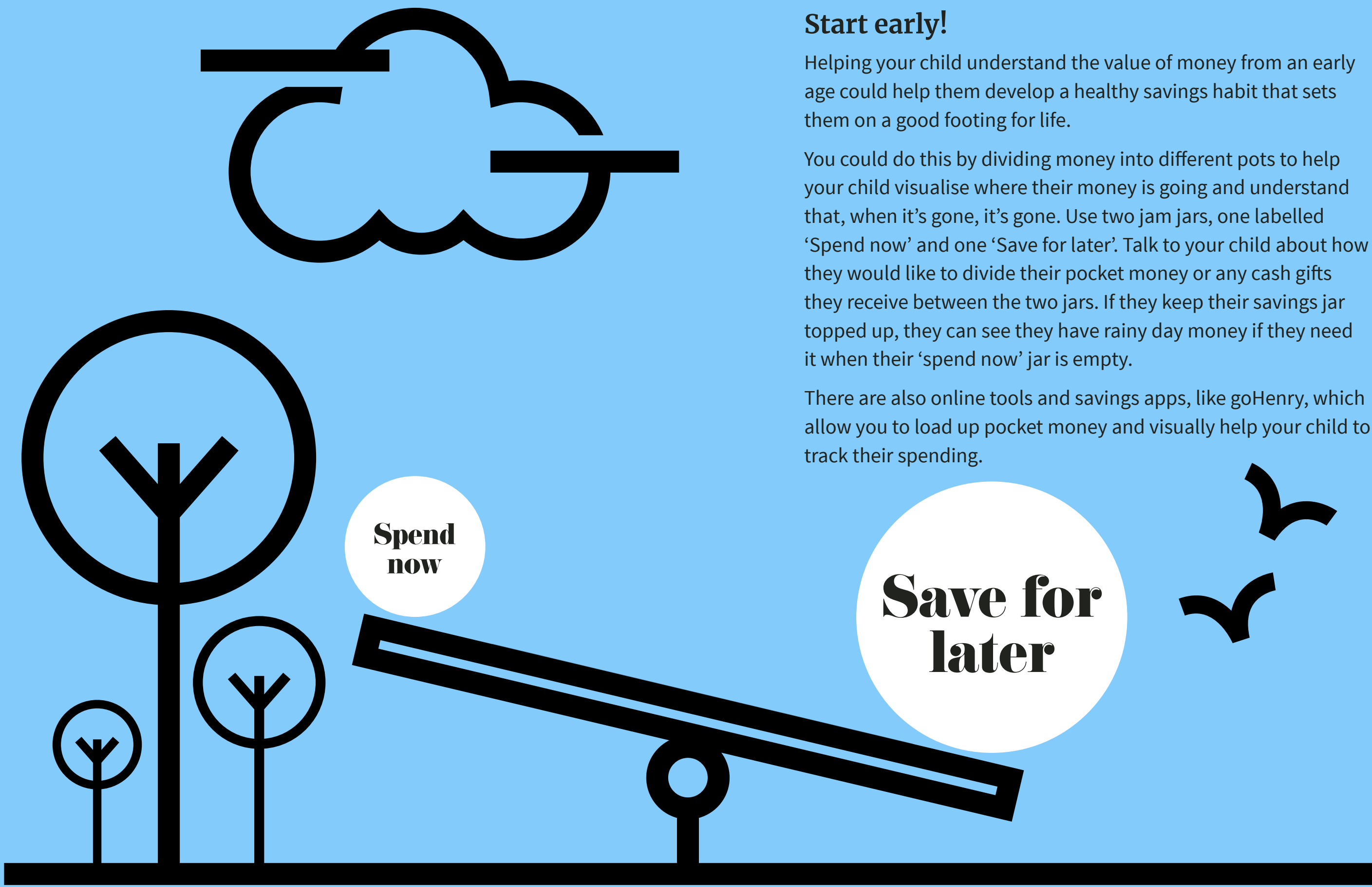
What's stopping you from saving?

Generally speaking, and subject to investment charges and performance, the more you save and the earlier you start saving the better shape your finances are going to be in when you need to draw on them.

So why is it then that many of us are reluctant to put money aside for a rainy day, a specific objective, or – perhaps most importantly – our retirement?

We offer a professional and personal approach to your savings and investments, not only in the initial design of your strategy, but also over the long-term.

Please talk to us to find out more.



Start early!

Helping your child understand the value of money from an early age could help them develop a healthy savings habit that sets them on a good footing for life.

You could do this by dividing money into different pots to help your child visualise where their money is going and understand that, when it's gone, it's gone. Use two jam jars, one labelled 'Spend now' and one 'Save for later'. Talk to your child about how they would like to divide their pocket money or any cash gifts they receive between the two jars. If they keep their savings jar topped up, they can see they have rainy day money if they need it when their 'spend now' jar is empty.

There are also online tools and savings apps, like goHenry, which allow you to load up pocket money and visually help your child to track their spending.

Swap instant gratification for longer-term satisfaction

When you have spare cash it's lovely to spend it on a treat – after all, you don't get instant gratification from saving for the future. But with many of us enjoying long, hopefully healthy retirements thanks to advances in medical science, it's all the more important to invest now so that you have more time to build up a sufficient pension pot.

Think about what you want to do with your money and set clear achievable goals with milestones that make it feel like you're winning but will benefit you in the longer-term.

Don't bury your head in the sand

According to Which? every household needs a pension pot of at least £370,000 to feel comfortable in retirement – a target which could put people off from saving anything into their pension when they should be doing the exact opposite.

Don't ignore your future financial situation, talk to us for advice on how to achieve the retirement you want so that we can work with you to put a plan in place that will help you achieve your investment goals. We'll follow a meticulous process when it comes to helping you create the right portfolio of investments, starting with getting a deep understanding of the following:

1. What are your investment objectives?
2. What level of risk are you prepared to accept and what potential level of loss can your finances tolerate?
3. Which types of investments we think you should consider in light of your objectives and risk profile?
4. What the most tax-efficient way of holding these investments would be?
5. How your portfolio should be managed on an ongoing basis?

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

What's the point of a property survey?

You're not bound by law to have a survey done on a property you're buying, but while it may feel like an unnecessary expense given all the other costs involved in homebuying, it could actually save money and stress in the longer-term.

A survey is basically a health check on a property. If the property fails the health check, you'd want to know about it before you proceed so that you can negotiate with the seller or – if the worst is revealed – pull out of the sale. There are a number of different types of survey ranging in cost:

A condition report

This is the most basic type of survey. It provides an overview of the property's condition and highlights significant issues, but doesn't go into detail.

A HomeBuyer's report

This is more comprehensive and highlights problems like damp and subsidence as well as anything that doesn't meet current building regulations. The survey will include advice on necessary repairs but it's non-intrusive, so the surveyor will only be picking up what they can see.

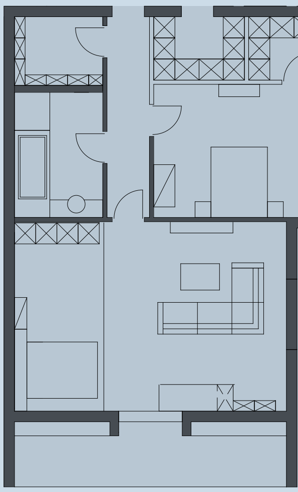
A building survey

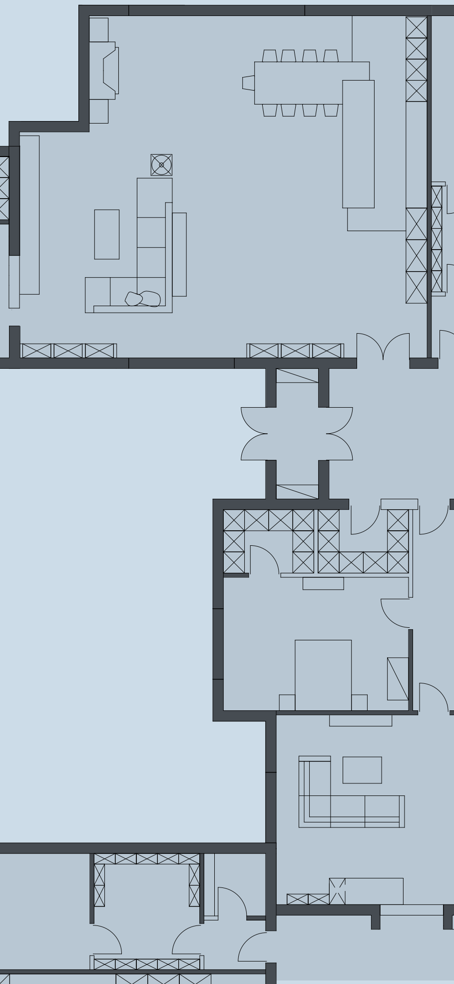
This is the most comprehensive of the three. It analyses the structure and condition of the property, lists defects and advises on repairs and maintenance. Unlike the Homebuyer's report the surveyor will carry out a hands-on investigation, eg. checking the loft or looking under carpets and floorboards.

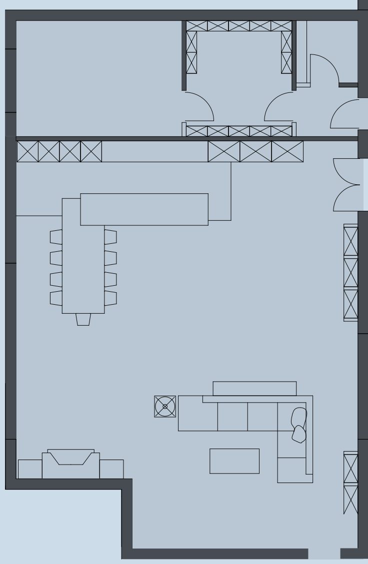
If you're buying a very old or listed property, or one that has an unusual structure, you should go for a building survey or you could be taking a risk if you proceed with the purchase without really knowing what you're buying.

For those buying a new-build property, however, you might just consider getting a snagging survey, as new-builds typically come with a guarantee where the builder will put things right if you find a more serious fault.

Remember, the lender's valuation of the property is not a survey. It simply gives a value of the property to make sure it's worth the sale price before the mortgage can be approved.







As a member of Openwork, I can refer you to the Openwork Surveying service, which provides:

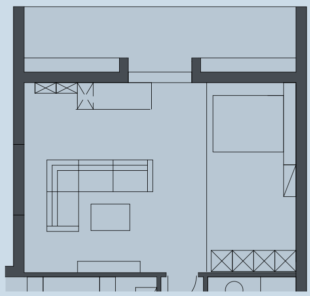
— Access to a large network of approved surveyors across England, Wales and Northern Ireland

— Access to surveyors who focus on undertaking Homebuyers and Building surveys, rather than just simply undertaking valuations

— A straightforward process where you are involved in the decision-making

— Peace of mind that you won't have any potentially costly surprises after you've moved in

To discuss buying, selling or surveying a property please get in touch.

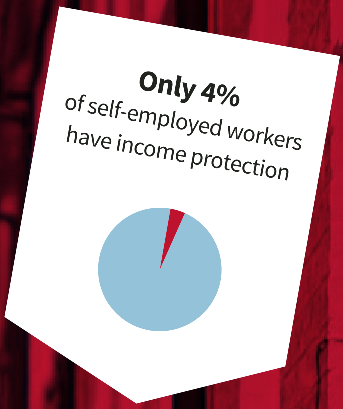


Surveying is not regulated by the Financial Conduct Authority.

Self-Employed lack protection

Just 4% of self-employed workers have income protection in place, leaving the majority vulnerable to financial difficulties if they are suddenly forced to stop working through illness or accident.

In its survey of more than 9,000 adults, LV= identified the self-employed as a niche group who would struggle to make ends meet if they stopped earning. This is partly down to the fact that they have no employer's safety net and little, if anything, in the way of emergency funds.



The benefits of income protection

Income Protection pays out a regular income if you're unable to work due to an accident or illness or, with certain policies, unemployment. For a monthly premium that can be adjusted to suit your budget, this valuable insurance will help to reduce stress, prevent your family suffering financial hardship and help you get back on your feet.

And budget is clearly a factor when it comes to the self-employed taking out protection, with two fifths (41%) surveyed saying they could not afford to save money on a monthly basis.

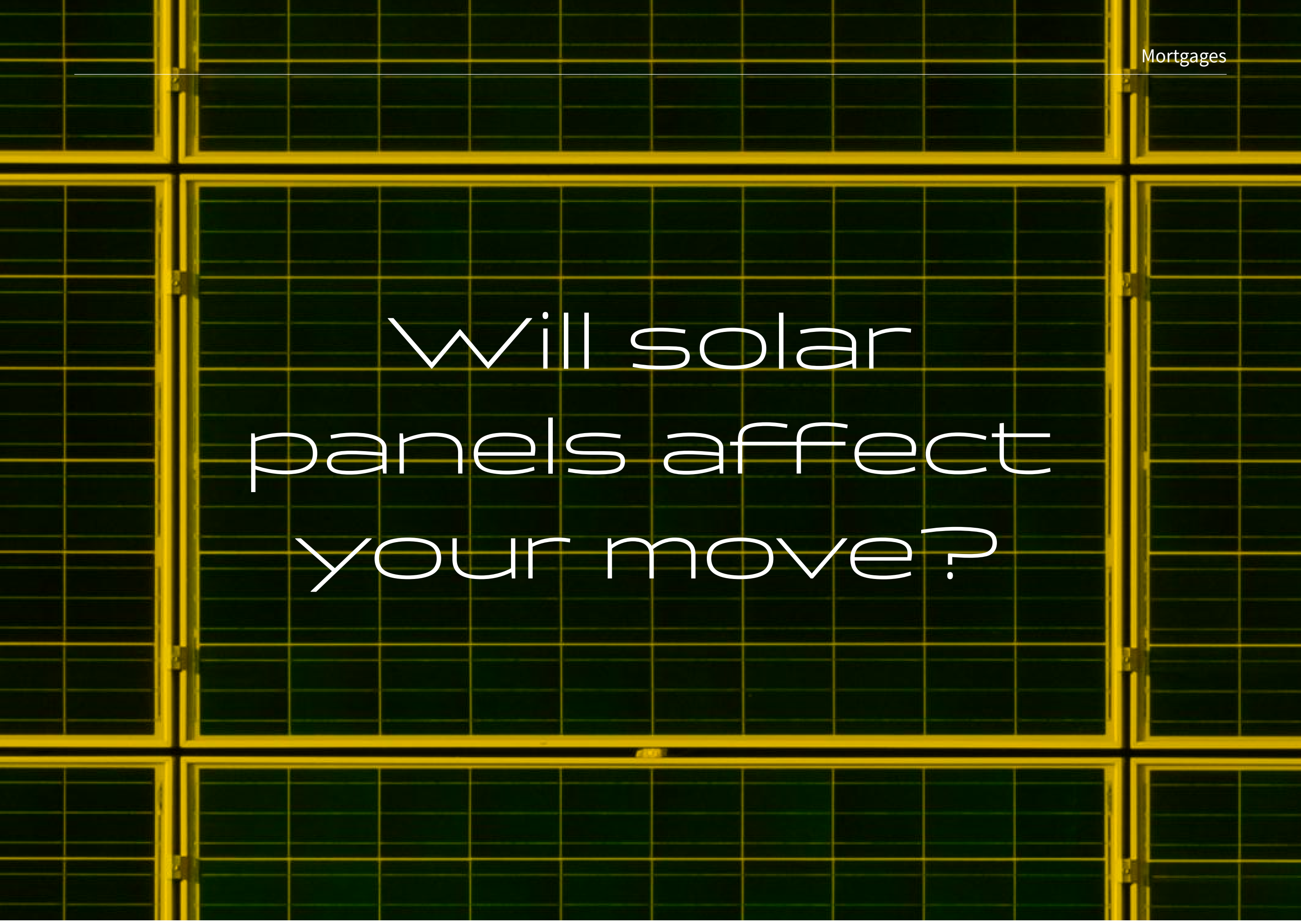
LV= also found there was a lack of understanding among the self-employed, which could account for such a large number having no income protection cover. In fact, four out of ten self-employed workers mistakenly believe they aren't eligible for this sort of cover.

How can you protect yourself?

Most of us don't think twice when it comes to protecting our vehicles or treasured possessions, and yet it's our income that enables us to enjoy these material things. Those of us who are employed may have some kind of cover provided by their employer, but if you're self-employed you could be exposed.

If you'd like advice on how to protect your finances, or you'd like to review your protection needs, please get in touch.

OW1630 Exp. 11/01/2019



Will solar panels affect your move?

2010 was a good year for homeowners wanting to go “off grid”, as the government launched its Feed-in Tariffs (FIT) scheme, which guaranteed an income to those producing their own electricity. Since then, there’ve been over 780,000 domestic installations – mostly of solar photovoltaic panels which capture the sun’s energy and convert it to electricity.

The scheme also had the effect of attracting numerous companies keen to offer to install the panels in return for the FIT payments. This ‘free’ installation seemed a good offer for the homeowner given the expense of the panels, but it effectively means they are leasing them, rather than owning them outright, and this could impact the ability to buy, sell or remortgage the property.

What are the options?

If the solar panels are owned outright by the property owner this won't affect a lending decision if you’re looking to sell, although it might impact the property valuation (positively or negatively). It's where the panels are leased (ie. by transferring the FIT payments to the installer) where things might get more onerous. In this scenario the panels remain the property of the panel provider and the terms of the lease would continue to apply to a new buyer.

In a bid to help the solar panel market, mortgage lenders and homeowners finding themselves in this situation, the Council of Mortgage Lenders (CML) and Building Societies Association (BSA) published joint guidance. Providing the installation conforms to these requirements it is possible to get a mortgage on a property with leased solar panels, albeit different lenders might have different terms. There may also be a buyout option with the solar panel provider, but the bill could run into tens of thousands of pounds and therefore may not be worth the investment if you’re planning on moving anytime soon.

Looking to add solar panels?

The government has announced that the FIT Scheme could end in March 2019 so if you are considering taking advantage you need to do so now and make sure you take the following considerations into account:

— find an installer certified with the Microgeneration Certification Scheme

— check the installer warranty to see what it covers

— check with your home insurer to find out whether any panel damage is covered and if you need to increase the sum insured for your property

— think long and hard about any potential pitfalls to your future mortgage plans.

If you are looking to buy, sell or remortgage your home, please get in contact to discuss your mortgage needs.

Developed vs emerging markets

The most popular markets among investors typically fall into one of two categories – developed or emerging. There's no universal definition for either category, but MSCI, a research firm which provides many of the indices used by investment funds as benchmarks, classifies countries according to three main criteria: economic development, liquidity and market accessibility.

To put this into context, developed markets are economically advanced and have active and easily accessible capital markets. On the other hand, emerging markets (EMs) tend to experience fast growth, but their capital markets are less mature and may be harder to access.

MSCI classifies the US and Canada, most Western European and Scandinavian countries alongside Australia, New Zealand, Japan, Hong Kong and Singapore as developed markets. There are too many EMs to list individually, although the BRICS – Brazil, Russia, India, China and South Africa – rank among the fastest growing. It might come as a surprise to see China and India listed as emerging considering the size of their economies, but they started from a lower base than developed markets.

A new dawn

Traditionally, EMs have been associated with commodities such as oil and precious metals, but these days they are home to global leaders in several industries. Companies like Tencent and Alibaba are not household names yet, but they are the Chinese equivalent of the West's big tech players, and they serve a growing consumer sector in China's middle class.

In fact, demographics are working in favour of EMs as a whole. According to the Organisation for Economic Cooperation and Development (OECD), most of the global growth in the middle class over the next 12 years will come in EMs. An expanding middle class leads to greater consumption and domestic demand; two of the key driving forces behind economic development.

It is also worth noting that many EMs are undertaking structural reforms which should help to stabilise their economies. For instance, in 2016 India removed from circulation its two highest denominated currency notes to reduce tax evasion.

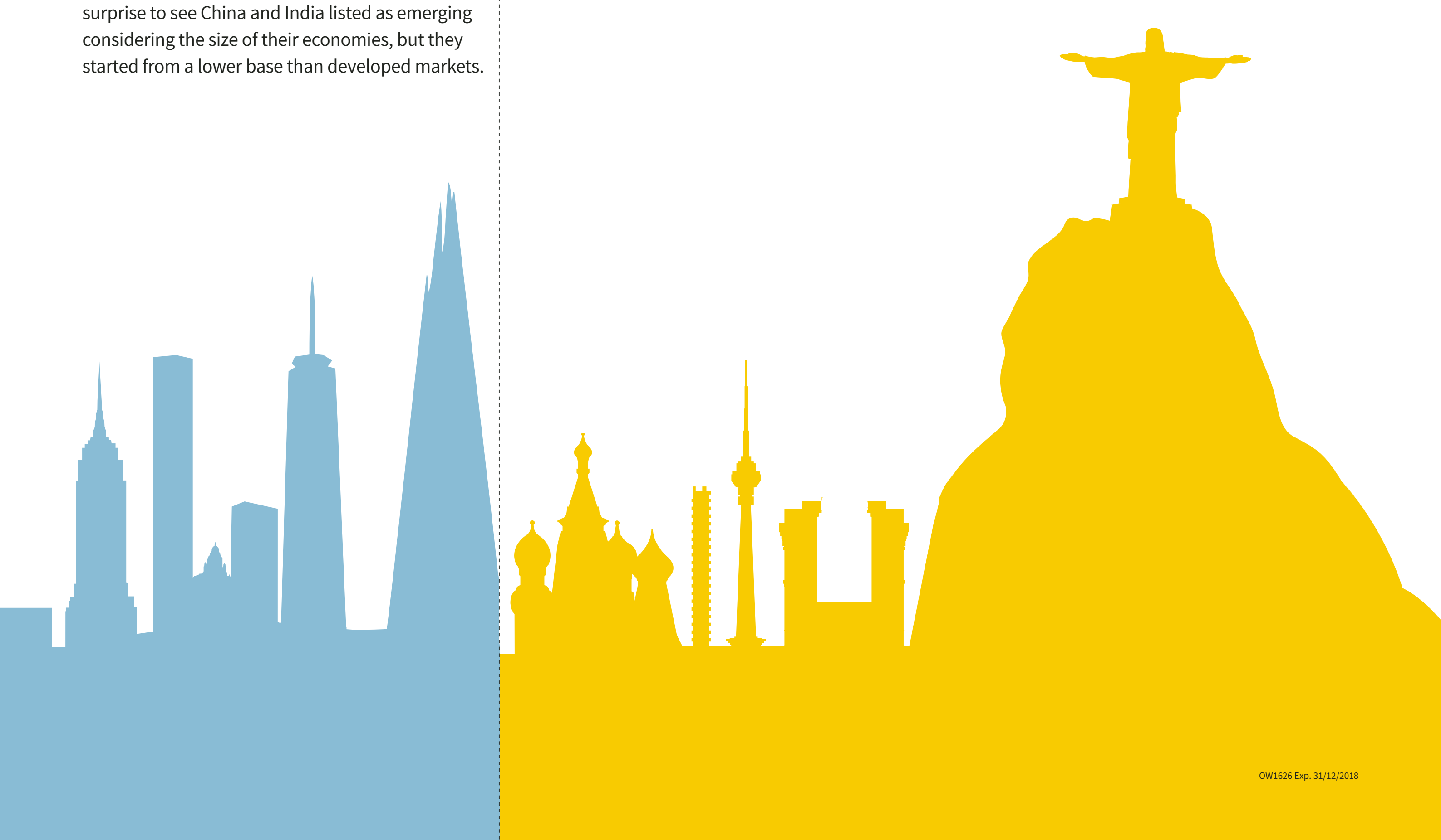
Should you invest in EMs?

When deciding whether to invest in developed or emerging markets, investors must weigh up risk against reward. The risk of investing in EMs tends to be higher, due to geopolitical instability and less transparent capital markets, but so are the potential returns that could be earned in rapidly-expanding countries.

In general, EMs are suitable for long-term investors who can cope with occasional market turbulence. This principle is reflected in our investment propositions; the auto-rebalancing Graphene model portfolios and our actively-managed Omnis Managed Portfolio Service. In both cases, EM assets account for roughly 15% of the adventurous portfolios and 10% of the balanced portfolios, while the cautious portfolios hold little or none.

For guidance on which type of portfolio matches your needs, please get in touch.

Remember, the value of your investment can fall as well as rise, no matter where you invest. You may not get back the amount you originally invested. The returns on overseas investments may also be affected by currency fluctuations.



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Shining a light on home insurance

Home and contents insurance seems to be a mystery to many households according to research by the Co-Op, which found more than five million have no cover despite the average value of contents reaching almost £40,000.

Top 10 regions without contents cover:

North East	31%
Northern Ireland	28%
Wales	25%
London	24%
South East	24%
East Midlands	23%
Yorkshire and The Humber	19%
South West	18%
North West	18%
East Anglia	17%

On the face of it, this type of insurance seems straightforward. It covers you for the loss of, or damage to, personal possessions in your home; ranging from laptops, TVs and furniture to clothing and jewellery. It's perhaps when you get to the small print that the problems start.

In fact, 42% of the people surveyed said they find insurance policies confusing and 92% would like insurers to make policies easier to understand. It's easy to see how this confusion could put someone off taking out cover, or prompt them to choose the cheapest policy available. And when you put price before value you risk taking out cover that lets you down when you need it most.

Evidently the insurance industry should do more to make their policies easier to understand, but there are a few steps you can take to make sure you find appropriate, good quality cover that fits your circumstances. If you're confused about the cover you have, or you're about to take out a new policy, these are some of the things we think you should consider:

Key steps to take

1. Check the insurer's definition of valuables
2. Find out if the policy comes with accidental damage as standard – many don't
3. Don't underinsure, make sure your possessions are covered for the right price and tell your insurer about any particularly valuable items
4. Check if the contents of your garden shed or outbuildings are covered
5. If you live in a flood-risk area, check your insurer's policy on flood damage
6. Check the policy exclusions before signing up
7. Keep your policy up to date to allow for new purchases

Don't stay in the dark about home insurance. Talk to us for expert, tailored advice.

To find out more about the investment and income solutions we can offer, please get in touch.

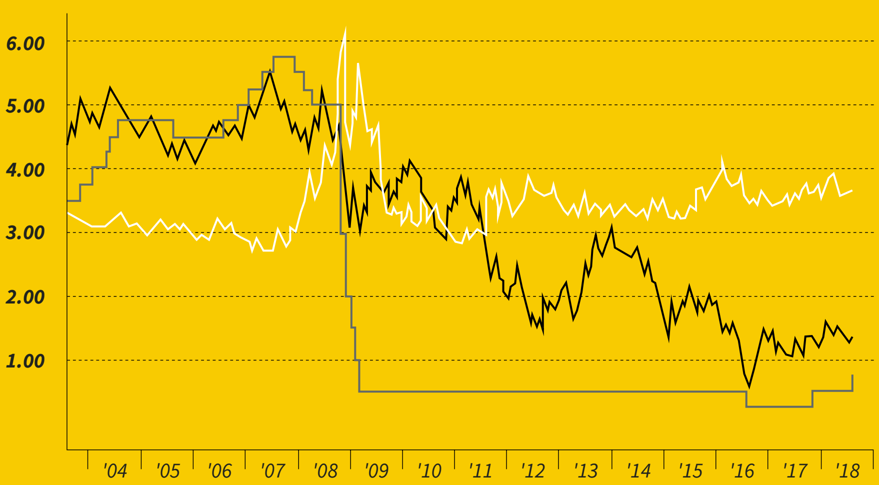
The search for a reliable retirement income

It's been over three years since the April 2015 pensions changes which scrapped compulsory annuities and gave pensioners greater choice over how to take their retirement income.

This historic change to UK pension legislation opened up a range of investment opportunities for pensioners. With increased control of their pension, investors can seek to position their portfolios to deliver the income required, while retaining – and perhaps even growing – their invested capital.

UK interest rates, gilt yields and dividend yields (%)

10-Year Gilt Yield *BoE Bank Rate* *FTSE All-Share Dividend Yield*



Source: *Bloomberg Finance L.P*

You should not use past performance as a reliable indicator of future performance. It should not be the main or sole reason for making an investment decision. The value of investments and any income from them can fall as well as rise. You may not get back the amount you originally invested.

Generating income in a low interest rate environment

While the changes offer many opportunities, generating investment income remains difficult – particularly in view of low interest rates.

As the chart shows, the Bank of England's target interest rate had been stuck at 0.5% for more than eight years. It was cut to 0.25% in August 2016, then increased to 0.5% in November 2017, then 0.75% in August 2018. Meanwhile, the income that can be earned through holding UK government bonds – a traditional staple instrument of low-risk, income-focused investment portfolios – has shrunk from over 5% before the 2008 financial crisis, to 1.3% in August 2018.

Equity markets risk income stability

The chart also shows that the dividend income available on UK equities has risen somewhat, making them an attractive proposition for many investors.

However, income-seekers should be wary of rushing headlong into equities in search of the returns that have been eroded in other asset classes. Investing in equities comes with a degree of risk, particularly for those relying on their investment portfolio for their means of living.

Should equity markets suffer a setback, retirees may find their pension fund reduced in size and incapable of generating the necessary income.

Taking a diversified approach

A robust income strategy should not be overly reliant on a single asset class. But making a decision on which asset class to hold is tricky – the top performer changes regularly and the returns can be volatile.

Investors who are over-committed to one asset class run the risk of disproportionate losses should that asset class underperform.

An alternative approach is to take a much wider view and consider other potential sources of income from a broader range of asset classes and capital structures, across many different countries and regions.

Taking a more diversified approach means that a drop in the value of one asset may then be offset by increases in other asset classes, leading to smoother overall performance – and a potentially more stable source of retirement income.

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