Edition 26

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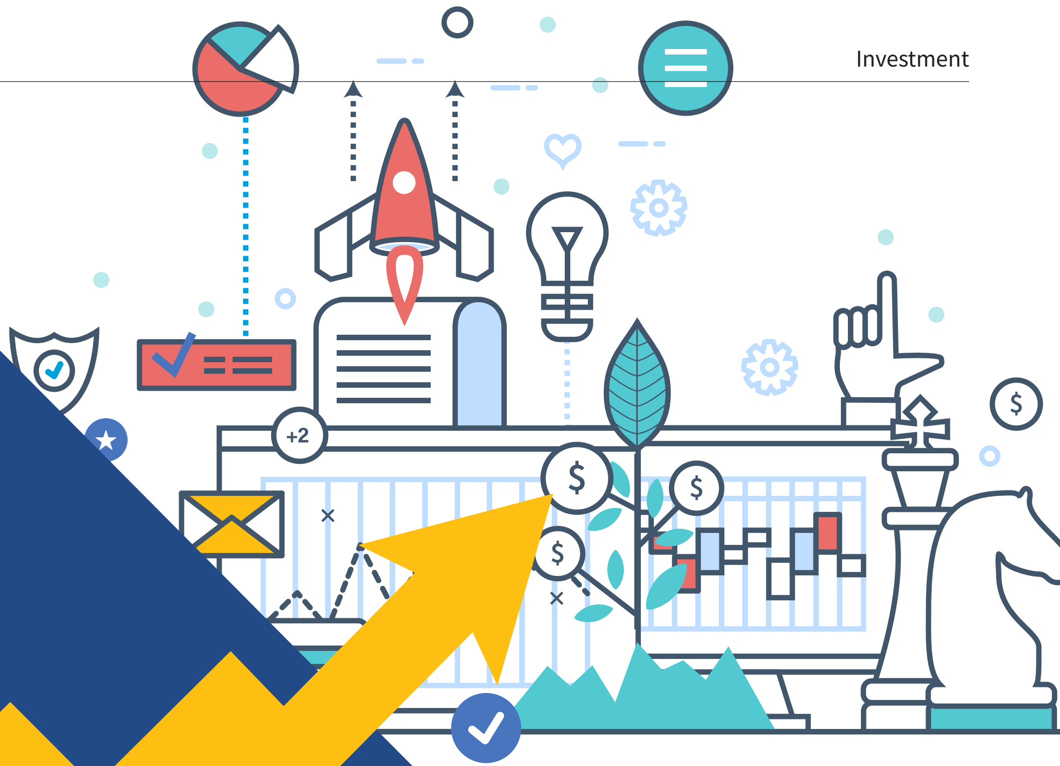
Financial Viewpoint



If you'd like more details about the Omnis funds and fund managers, or for wealth management advice, please speak to us.

Why active investing is more effective in volatile markets

A glance at the performance of the major stock indices in 2018 shows that volatility was a common theme. US equities followed an upward - although somewhat choppy - trajectory from early March, but they had a turbulent start to the year. Meanwhile, UK, European and Japanese equity markets experienced fluctuations of various magnitudes as they drifted sideways or downwards over the same timeframe.

Geopolitical events drove most of this volatility. On a global scale, trade tensions rattled the markets. US President Donald Trump made some progress with his immediate neighbours but reaching an agreement with China proved more challenging. Closer to home, the protracted and confrontational nature of Brexit negotiations led to a high degree of economic uncertainty. Later in the year, the Italian coalition government's plans to increase fiscal spending in its first budget raised concerns that it would breach EU rules.

Navigating volatile markets is difficult, but it is under these conditions that active fund managers can add the greatest value. As the name suggests, they buy and sell investments in an effort to outperform a benchmark such as the FTSE 100 or S&P 500. This flexibility allows active managers to respond to what is happening in the markets, so they buy a share when they identify an opportunity, and sell one if they spot a threat.

Active vs passive

Compared to actively-managed funds, passive investments, such as exchange traded funds (ETFs) or index trackers, tend to underperform in volatile markets. They attempt to mirror the performance of a benchmark by buying and holding similar assets, and they only sell when a company drops off the index. As their asset allocation is static, passive investments cannot react to changing economic conditions, making them less effective in fluctuating markets.

The Omnis range consists of actively managed funds because the investment team believes they can identify fund managers who add enough value in both smooth and volatile markets to outperform in the long run.

Regardless of whether you invest in active or passive investments, the value of your investments and any income from them can fall as well as rise. You may get back less than you invest. This update reflects Omnis' view at the time of writing and is subject to change.

Home improvement

Whether you're renovating your home because it's too expensive to move, or you've only just bought the place and you're keen to make your mark, it's important to stick to jobs that will add value rather than risk reducing its future sale price.

Before you embark on improving your home, follow our tips to help make sure you focus on jobs that will add value if and when you come to sell:

Check your deeds
There may be restrictions on what you can do and you may need planning permission - especially if the changes affect a boundary or your property's external appearance.

Avoid removing bedrooms
You may want to knock down a wall and convert that box bedroom into a large ensuite, but a three-bedroom semi-detached is naturally going to sell for more than a two-bed.

Be commercially-minded
Consider the neighbourhood you live in and the types of buyers likely to want to live there. Spending money re-landscaping your garden and laying turf and borders may not appeal to a younger professional couple who just want low-maintenance outside space for entertaining.

Avoid personalisation
Unless you are prepared to redecorate when you come to sell, try and use neutral colours on walls and doors. You can always introduce bold, bright or dark colours in soft furnishings and ornaments to achieve the effect you want.

Check the paperwork
If you're looking at a bigger undertaking such as converting your loft into a bedroom, make sure you have the correct paperwork and certification, otherwise the money you spend may not be realised in the sale price.

Hire a professional
Avoid a DIY disaster by only taking on projects you are confident you can complete.

Check your policy
If you're going to make any major changes to your home you should contact your buildings and contents insurance provider first to avoid unintentionally invalidating your policy. And make sure your policy covers you for accidental damage caused during your DIY efforts.

Top 10 DIY nightmares:
1. Woodchip wallpaper
2. Mirrored ceilings
3. Carpeted bathrooms
4. Ugly blinds
5. Fake beams
6. Outside toilet
7. Artex ceilings
8. Internal stone cladding
9. Beaded curtains in doorways
10. External stone cladding

Top 10 DIY dreams:
1. Interior redecoration
2. Flooring replaced
3. New bathroom
4. Garden makeover
5. New kitchen
6. New boiler/ central heating system
7. Double glazing / new windows
8. New shed or garden building
9. Exterior redecoration
10. Better insulation

If you're looking to fund your home renovations please speak to us for advice.

How a trust can help your financial planning

Writing a policy in Trust could be perceived as something that only the wealthy require, but the reality is Trusts can play an important part in financial planning for people from all walks of life.

When it comes to planning your family's financial future it makes sense to take all steps possible to help protect their current, and future, standard of living. As part of this, it's important to make sure any policies you have in place will pay out to those they are intended to benefit, and this could mean writing the policy in trust.

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

Put simply, a trust is a legal arrangement that assets such as cash, investments and property can be transferred into, and a trustee or trustees appointed to look after on the policyholder's behalf. Trusts are usually straightforward to set up but it's important to select the right type of Trust and complete the documentation carefully.

The three most common types of Trust are:

Bare Trusts

Typically set up to pass assets to young people. When the beneficiary turns 18 (16 in Scotland), they can use the capital and income held in the trust in any way they choose. Bare Trusts are treated as Potentially Exempt Transfers (PETs) which means inheritance tax would be payable if the trust settler dies within seven years of setting up the trust.

Discretionary Trust

Here, trustees can make certain decisions about how the beneficiary uses the assets held in the trust. For instance, what gets paid out and to whom and how often payments are made. They can also impose certain conditions if, perhaps, they deem the beneficiary is not responsible or capable of dealing with the money themselves.

Interest in possession (IIP) Trust

Under this type of trust, a beneficiary is entitled to the income generated by the trust as it arises, which will be subject to income tax. They are unlikely to have any rights to the capital, which will pass to another beneficiary in the future. A common use of an IIP trust is for it to form part of the will of someone who remarries after divorce and wants their children from their first marriage to continue to receive financial support.

Despite the positive impact setting up a policy in trust can have on your financial planning, only 6% of life insurance policies in the UK are set up in trust, according to insurer Aegon.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen. The Financial Conduct Authority does not regulate Trust Advice.

Confused about pension planning?

With more UK employees saving for their retirement than ever you could argue that Automatic Enrolment has been a success since its launch six years ago. However, research from the Office for National Statistics (ONS) has revealed that many people contributing to their workplace scheme don't even realise they're saving for retirement.

Auto enrolment emerged from the Pensions Commission back in 2005. It took effect in 2012, when it was made compulsory for employers to enrol their staff into a workplace pension scheme, and rolled out in phases. Figures suggest that just over nine million individuals are now newly saving or saving more for their retirement.

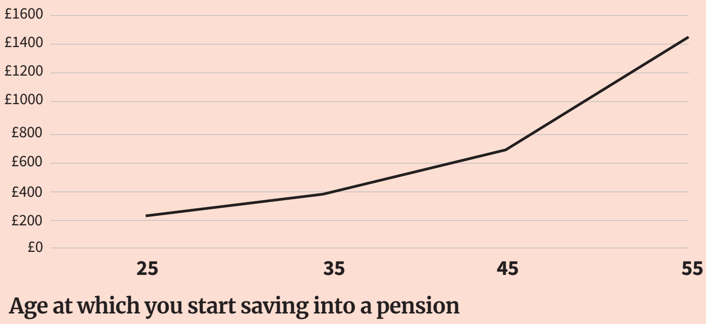
This is clearly a positive outcome of auto enrolment, but the ONS research has raised concerns that the 37% of those surveyed who didn't realise they were contributing to their workplace pension scheme could opt out - a risk which might be greater when the minimum contribution level for employees increases from 3% to 5% in April 2019.

So, do you know if you are saving in to a workplace pension? Even if you are, are you saving enough? Industry estimates for a comfortable retirement tend to range between £23,000 and £27,000 a year. A 25 year old employee earning £30,000 a year would need to save just under £300 a month to achieve the lower figure and you can see what effect age has on the amount you need to save in the graph below.

The simple fact is that the more you save and the earlier you start saving the better position you are likely to be in, subject to investment performance of course. The first thing to do if you're concerned about your pension planning is get advice.

Please give us a call and we'll help you get a clear picture and straightforward plan to put you on track.

What an individual would need to contribute each month to achieve an annual retirement income of £23,000



According to the ONS

27% don't think they can afford to save for retirement

13% are put off because they think they don't know enough about pensions

7% think it's too early to start saving for retirement and 3% think it's too late

Those aged between 16 and 24 feel the least equipped when it comes to making decisions about their pension.

How risk influences asset allocation

To strike the right balance between risk and reward in your investment portfolio, it's important to carefully consider how you divide your capital among the various asset classes. In the investment industry, this process is known as asset allocation.

Some assets carry greater risk than others, so well-defined goals are crucial. Say you're saving for retirement and you plan to stop working over the next few years. That means you will need to start drawing an income from your investments within a relatively short timeframe. In this scenario, you would typically start rebalancing your portfolio into less volatile assets like bonds. Bonds - especially those issued by governments of developed countries like the UK and US - are considered among the least risky investments because the danger of a government defaulting on its debt is low.

If you are younger and retirement is twenty or thirty years in the future, you could afford to take greater risk with your capital. Your portfolio could be overweight in equities, which are more volatile than bonds but also potentially generate superior gains. As your investment horizon is longer, your portfolio has more time to recover from short-term market fluctuations. It's also worth bearing in mind that some equities are more volatile than others, for instance, emerging markets may offer better growth prospects due to demographic trends, but their economies tend to be less stable than developed countries.

Of course, cash is the safest asset class. It also generates the lowest returns, and your spending power falls if inflation exceeds the rate of interest your money is earning. Nevertheless, most investment portfolios hold a certain amount of cash.

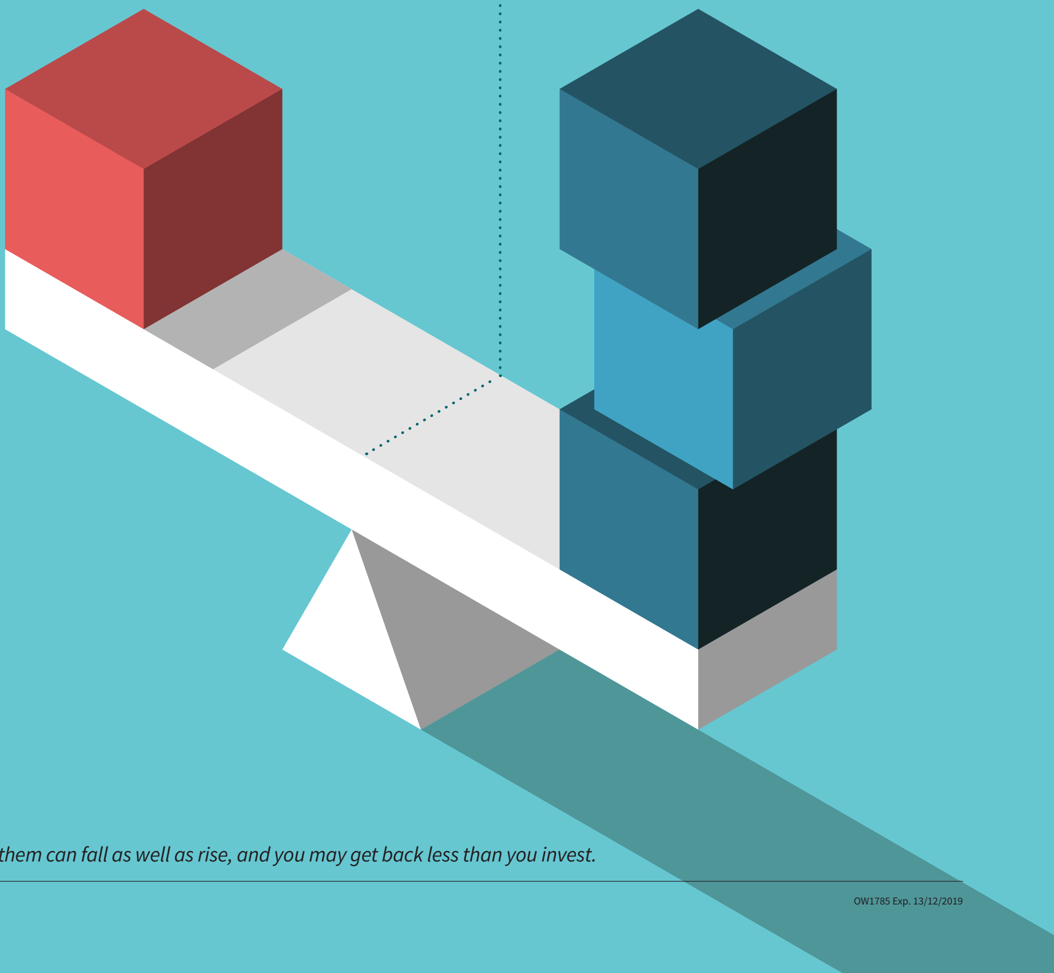
While this list is not exhaustive, it should help you understand the risk profile for each of the main asset classes. Working out the optimal mix of assets is difficult and time-consuming though. Fortunately, because we are part of Openwork, the Omnis investment team can take care of these decisions, and the ongoing oversight of your portfolio, on your behalf.

Asset allocation within the Omnis range

Through Omnis, you can either invest in the Graphene model portfolios or the Omnis Managed Portfolio Service (OMPS). Graphene portfolios automatically rebalance back to their original asset allocation every six months. OMPS, on the other hand, are actively managed by the investment team, and they adjust the allocation within a clearly-defined range in response to opportunities or risks they identify in the markets.

Both sets of portfolios offer a choice of risk profiles: Adventurous, Balanced and Cautious, the main difference being the asset allocation. The Adventurous portfolios invest mostly in the Omnis range of equity funds, while the Cautious portfolios hold a higher proportion of Omnis bond funds. The Balanced portfolios fall roughly in the middle.

If you have any questions about which portfolio your money is invested in, or you'd like to know more about the Omnis funds and range of model portfolios, please get in touch.



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First-time buyers: Boost your mortgage chances

Applying for a mortgage and the admin that comes with it may seem like a stressful process but these few tips can help make the process easier.

To discuss your mortgage needs, please get in touch.

You’ve decided to take the plunge and get onto the property ladder, having swapped fun and frivolity for fastidious frugalness to save the deposit. But what can you do to boost your chances of getting your first mortgage?

Check and correct

The three main credit reference agencies, Equifax, Experian and Callcredit, will all use data to score you differently. Lenders will use one or more of these agencies to decide whether to offer you credit.

The general rule is, the higher your credit score the better, so if after checking you feel your score is low you can do things to improve it. For instance, if there are errors on your file you can write to the credit reference agency and ask them to add a notice of correction to your file. You should also check you're not linked financially to anyone, eg. an ex-partner or old flatmate. Their credit history could affect yours so make sure you've organised a 'disassociation' with the credit agency.

Address your address

Make sure all your bank accounts, any credit cards and loans are registered against your correct current address. Contact any financial institutions that hold incorrect information to update the details and take the opportunity to ask them to close any old and unused accounts.

You should also check you're on the electoral roll as lenders will use this as part of their identity checks on you. You can register for free at www.gov.uk/register-to-vote

Manage your money

As the proverb goes “look after the pennies and the pounds will look after themselves” and this is particularly true when thinking about applying for a mortgage. Lenders will look at your credit record and spending habits, so in the months leading up to your application make sure you pay all bills on time - set up a direct debit if this makes it easier to manage. Cut back on spending from any current accounts and on any credit cards. Try and stay out of your overdraft and don’t apply for any new credit in the run up to your mortgage application.

Have your paperwork ready

Your lender will ask for a range of documents, including three months' bank statements and payslips, ID documents, proof of address, proof of bonuses etc. Get these up together in advance to avoid unnecessary delays in the application process.

Arrange an Agreement in Principle (AIP)

AIPs are offered by many lenders as a conditional offer of acceptance. If you have this in place in advance of your purchase it will give confidence to the seller and their estate agent that the sale will complete.

BECOME A SUPERHERO

IN THE EYES OF YOUR FAMILY

When he was younger one of my son's favourite questions was; *"if you could have any super power, what would it be?"* He loved the idea of being a Superhero.

I think, deep down, we all like the idea of being a Superhero. Being able to do things others can't; amazing things to help those around you.

Now I can't grant you any super powers (sorry) but I can help you do something amazing to help those you love. Best of all there's no need to be bitten by a radioactive spider, hit by a strange space mist, or hail from a different planet.

And there's no need to be a heroic billionaire looking to save the city with an arsenal of high-tech gadgets. No, your new super powers are just going to need a little money.

How do these powers sound to you?

- If you die unexpectedly for any reason your family has the mortgage paid off, or there's a lump sum available to help them out
- If you are stuck down with a serious illness and need to take time off work, someone else pays the bills - and maybe they clear the mortgage too
- If you have an accident and break a bone (maybe whilst fighting crime?) someone pays money into your bank account to help ease the financial pain a little

Now, I know it's not like you can stop a bullet, or run faster than the speed of sound, but they're still pretty useful powers for your family.

Best of all, there's no need to pay for them in one go. You can rent your super powers for just a little each month. In fact, you might be surprised how little it could cost to become a superhero.

To find out more about how our range of personal and family protection insurance, please get in touch.

Please note - we can't guarantee any form of comic book franchise off the back of your new powers, nor can we promise your new powers will make you "cool" with your kids. We'd also not recommend actually trying to fight crime.

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