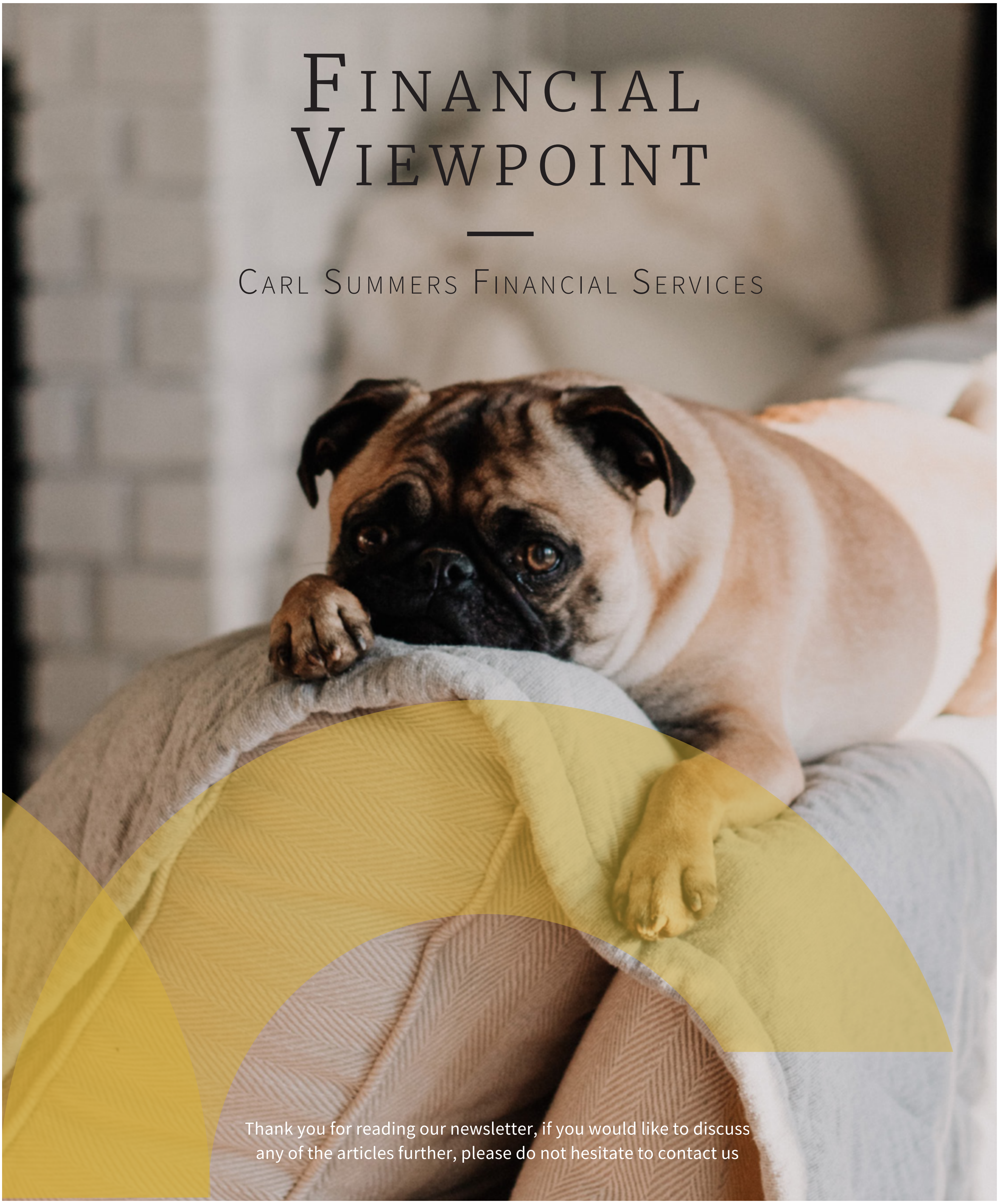
Financial Viewpoint

Carl Summers Financial Services



Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

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What are millennials investing in?

It's seems like every day you see another article in a newspaper about millennials 'killing industries'. In recent times young people were said to have caused the demise of doorbells, napkins and even breakfast cereal.

These tales of millennials bringing an end to industries often go viral on social media and bring some interesting responses. When The Economist asked, "Why aren't millennials buying diamonds?" it got some interesting replies including "Because you can't live in a diamond or eat a diamond"

So, we know what industries are being "killed" by the younger generation, but what industries are they supporting and investing in? Data from The Share Centre shows millennials-investors aged 18 to 36, and baby boomers-investors aged 60 plus, are taking distinct approaches to investments.

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.

Millennials

— Are more willing to use tracker funds
— Put a bigger emphasis on investing in technology
— Are more adventurous in their fund selections

Baby Boomers

— Focus more on capital preservation
— Take more of a cautious approach to fund selections

While there are differences in both groups there are some similarities. With a new era of innovation and treatment pharmaceuticals & biotechnology companies appeal to both age groups as well as traditional sectors such as oil and gas producers.

The Bank of... Granny and Grandad?

For many younger people struggling to get a foot on the property ladder, the Bank of Mum and Dad is the only option. With rent taking a huge chunk out of their income and the requirement for increasingly onerous deposits, two in five renters do not believe they will ever be in a position to buy a property, despite a desire to own a place of their own. That's where Bank of Mum and Dad come in, as well as ever more frequently, the Bank of Granny and Grandad.

Among the UK's largest lenders

If the Bank of Mum and Dad was a high street lender, it would have been the UK's 10th largest in 2019. Collectively, parents paid out £6.3bn to give their children the final push towards homeownership. What's more, the average amount lent per transaction shot up by £6,000 to hit a generous £24,1002.

Knock-on effect on retirement prospects

The Bank of Mum and Dad phenomenon is not without its consequences however. With prospective retirees facing spiralling living costs and potential care fees, their generosity is directly impacting their future. According to a report from Legal & General, 15% of over-55s are accepting a lower standard of living after funding their child's property purchase. While many are hitting their pensions savings to scrape the cash together.

Granny and Grandad lend a hand

In 2019, nearly a third of 18 to 34-year-olds received financial help from their grandparents to get a foot on the ladder. Coming as they do from a generation where homeownership was much easier to achieve and pensions easier to save for, they are more likely to have spare money available than their own children, who are already feeling the strain of saving enough to fund their later life. On average, grandparents lend £7,400 to their grandchildren (roughly a third of the average 10% deposit). And 23% of lucky homeowners on the receiving end of this assistance don't ever expect to repay it!

Don't compromise your future

We all want the best for our children, but there are ways of helping them out that don't involve putting your financial security at risk. While the Bank of Granny and Grandad is certainly alleviating the pressure on parents, it's not wise to rely solely on their support. There are a range of government schemes available to prospective homebuyers which can help them buy a property without a significant cash boost from family members. The Help to Buy: Equity Loan, the Help to Buy: Shared Ownership scheme and the Lifetime ISA (LISA) can all help boost your child's ability to buy their first home.

Other investment options

There are more ways to assist your children financially than just helping them buy a property – especially if you get started early. There are a wide variety of savings and investment options that allow you to start providing for your child's future at an early age, putting them in a better financial situation in adulthood.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Protect yourself and your family in 2020

While most of us don't go through life expecting something bad to happen, the truth is that we never know what's around the corner. Why not make 2020 the year you put plans in place to safeguard yourself, your family and your home, so that you know you're protected against life's unexpected events?

When to take out protection cover

Most people look into buying a Life Insurance, Critical Illness or Income Protection policy following a significant life event: buying a home, getting married or having children.

Before taking out a policy, however, be sure to check if any protection cover is included in your workplace benefits, as your employer may already be providing cover.

Review your policies regularly

If you don't review and update your policies on a regular basis, you could find yourself underinsured. If you upsize and your mortgage increases, for example, your current policy might not pay out enough to cover your new monthly repayment. In fact, a huge 73% of people aren't sure they have the right level of protection cover. By ensuring you regularly review your cover, you can make sure you're not in this situation.

Reduce stress, both now and in the future

Do you worry about your income and how you and your family would cope if anything happened to you? Are you ever concerned that you might struggle to keep a roof over your head? One way to rid yourself of these niggling worries is to take out protection cover. With only 44% of 18 to 35-year-olds saying they could cope for more than three months on their savings if they lost their income due to illness or injury, it's more essential than ever to plan for these eventualities.

It's not just about life insurance

Protection cover isn't just there to pay out to your family when you die. You can also take out serious or critical illness cover, as well as policies that pay out if you get injured or made redundant. With rent or a mortgage, household bills and other expenses, imagine how much stress could be alleviated if you have a steady income from an insurance policy while you're unable to work.

It won't happen to me...

This is an assumption many of us are guilty of making; however, latest government figures for 2018 show that one in twenty-five employed people had a spell of long-term sickness absence. It might not happen to you – but if it does, having cover could make the world of difference.

Pension planning for the self-employed

There are 4.8 million self-employed people in the UK and only a third have any kind of pension arrangement. A shocking statistic when you consider that State support is shrinking and we're all living longer. Saving for a pension when you're self-employed is not as straightforward as it is for an employed person, who might automatically benefit from a workplace scheme and employer contributions. We've outlined some key points for you to consider.

Don't rely on the State Pension

Whether you're employed or self-employed you're entitled to the full basic State Pension (currently £168.60 a week) if you've paid in 30 years of National Insurance Contributions. If you're self-employed you can only claim the additional State Pension if you've had periods of employment. On its own State support is unlikely to enable you to continue your current standard of living into retirement. That's why it's imperative for the self-employed to find other ways to provide the additional income needed in retirement.

Start saving early

It's stating the obvious, but the sooner you start saving into a pension the bigger your potential retirement fund. You'll also have more time to benefit from the tax relief that's available.

To highlight the importance of saving early, a 25-year-old male looking to retire at 68 would need to contribute £236.25 per month in order to achieve a retirement income of £17,500 a year. If the same man had waited until he was 45 before he started saving, he would need to contribute £495.83 to achieve the same level of income, an additional £259.58 per month.

Minimise the amount of tax you pay

One of the main benefits of paying into a pension is the tax relief the savings attract. For example, if you're a basic rate taxpayer and pay £80 into your pension you effectively end up with £100 to invest. The maximum amount you can save each year that attracts tax relief (otherwise known as the annual allowance) is £40,000. Importantly, if your income is low and you're not able to save the full £40,000 in one tax year, you can carry forward any unused allowance, and use it towards contributions in the next tax year.

Please note:

- You must have been a member of a registered pension scheme during the years you want to carry forward
- Your tax relief is limited by your annual earnings in the year you want to carry forward
- You can only carry forward unused allowance from the three previous tax years

What type of pension is right?

The self-employed can choose from a range of different pension products, including stakeholder pensions, personal pensions and Self Invested Personal Pensions (SIPPs). Each has its advantages and disadvantages – we can advise on which is best 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.

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.

OW2489 Exp. 03/04/20

Don't underestimate the value of financial advice

Throughout our lives, it is highly likely we will need to take financial decisions that can have a major impact on our wealth, such as taking out the right pension plan, or investing wisely for the future. Over the years, research has produced some interesting findings that highlight the benefit of advice when taking major financial decisions. Those who take advice are likely to accumulate more financial and pension wealth, supported by increased saving and investing in equity assets, while those in retirement are likely to benefit from more income.

Advice is key to achieving your financial resolutions

A new study has found the likelihood of success in this area is heavily linked to receiving professional advice and the establishment of clear financial objectives. The research provides a measure of the value attributed to advice when it comes to helping investors achieve their goals.

The research, based on data relating to more than 100,000 advised investors, found that 8 out of 10 people with a defined retirement goal, had at least an 80% greater probability of achieving their financial objectives.

Create a financial plan to secure your financial wellbeing

The study clearly demonstrates how taking expert advice and constructing a tailored plan can significantly boost an investor's financial wellbeing. Not a surprise, as the benefits associated with financial planning are renowned and abundant.

The value of financial advice comes in different guises and can include better return on investment, peace of mind, accomplishing goals and understanding opportunities. This combines to create future security, ultimately making sure you have enough money.

Discussing your financial objectives with us enables you to consider exactly what you want to achieve and establish clear goals that are both realistic and achievable. Regular financial reviews provide opportunities to monitor progress and adapt plans where necessary. Good financial planning can mean investments are tax-efficient by minimising both current and future tax liabilities.

It's good to talk, we can help

This study once again reiterates the significant value that can be gained from seeking professional financial advice.

We can help manage the inherent volatility of markets, so your savings have the best chance of growing for the future – without giving you sleepless nights in the process and help make sure you aren't taking too much, or too little, risk with your money.

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.

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

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Using a Whole of Life policy to leave a financial legacy

We all know the UK population is ageing. In fact, the Office for National Statistics (ONS) projects more than **24% of people living in the UK will be aged 65 or older by 2042**, a projection that has increased from 18% in 2016. ONS statistics also show the proportion of the population aged 85 years and over is **projected to almost double over the next 25 years**.

Planning for the unknown

Planning for your finances in later life isn't straightforward, as you never know what's going to happen in the future. Is it a good idea to plan for long-term care costs if you don't know whether you will ever need to pay for care?

It is always best to prepare for the unexpected, for example, avoiding the need to draw on savings and investments in later life to meet care costs, which in turn raises another worry that there is less money to leave as a legacy.

Whole of Life

One solution is to take out a Whole of Life policy. This does exactly what it says, by providing life cover that lasts a lifetime, unlike term assurance which only pays out if you die during a set period of time. Premiums are normally paid each month (some companies offer single premium plans) and in return you have life cover for a set amount (sum assured). Some policies also allow you to stop paying premiums at a certain age, whilst cover remains in place, which can be useful for later life planning as you know the maximum time you will be paying premiums for.

Protecting your legacy

Because you know the whole of life policy will only pay out on death, you can direct the policy proceeds to the people you want to benefit, by putting the policy in a suitable trust. This also has the advantage of taking the policy proceeds outside your estate for Inheritance Tax purposes, so you leave more of your estate to the people who mean the most.

What will it cost?

Your monthly premiums will depend on factors inlduing; your age, health, the amount of life cover required and who provides the life cover. Some companies offer non-medical life insurance which can be attractive if you are over 50, but the pay-out will normally be reduced to a refund of premiums, rather than the full sum assured, if you were to die during the first couple of years.

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

Are you at the end of your deal?

When your current mortgage deal comes to an end you might be tempted to do nothing and simply move on to your lender's Standard Variable Rate (SVR). However, by doing so you could risk your mortgage rate more than doubling.

According to Moneyfacts, fixed mortgage deals taken out two years ago attracted an average rate of 2.31 per cent, thanks to increased competition between lenders. Two years on and with average SVRs sitting at or around 4 per cent, the jump in mortgage payments at the end of your deal could mean your repayments increase by **£279.34** a month, or **£3,352.08** a year on average. That's a payment shock you'll want to avoid.

Remortgaging to a better deal
Finding a new mortgage deal is a lot easier than getting your first mortgage. You don't have the stress of finding a home, working with estate agents, negotiating contracts or worrying about onward chains.

When it comes to remortgaging you could choose to stay with your current lender, and they might offer you something tempting to stay with them, but you don't have to. Switching to a new lender may seem like hassle you don't need, but it's worth the effort as it could mean you get a better rate.

Whether you're staying with your current lender or moving to a new one, just as with your initial deal it can pay to get advice to help find the most suitable mortgage for your needs. That's where we come in.

The value of our advice
We'll look at your current deal and work out if there are any exit fees or early repayment charges. We'll discuss your needs and future plans; whether you want to pay off your mortgage early or you're looking for lower monthly repayments.

We'll check any changes in circumstances and how they impact your financial plans; have you started a new job or reduced your hours to care for a new baby?

What's more, We'll complete your mortgage application and take care of the legwork for you. As part of Openwork Ltd, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders.

You may be able to save money if you switch to a new deal. Don't leave it too late and end up paying more than you have to. Contact us today to discuss your remortgage.

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

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