Financial Viewpoint

Advice you can trust...

A year of political change
We look back at the events that impacted global markets in 2017.

Interest Rate Rise
We assess the impact on borrowers and savers.

Critical Illness cover can make a difference
How to avoid the financial impact of serious illness.

Taking a global view
Why diversification makes for real food for thought.

The value of protection
Why protection insurance is a must if you have a mortgage.

Let Property Campaign
Have you declared your rental income?

Could your status update affect your claim?
Why insurance providers are increasingly looking at social media.

A year of political change

2017 was the year of the campaign trail, with several key elections held in countries with great influence on global economics and stock markets. Here, we recap on the political posturing that defined 2017, and what it meant of the global stock markets.

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

On 20 January, Donald Trump was inaugurated as the 45th President of the United States. Global stock markets had rallied since the election result on 8 November, with many in corporate America hoping to benefit from promised tax reforms. Not everyone was happy. The day after Trump's inauguration, approximately half a million people protested in the Women's March in Washington DC, making it one of the largest one-day protests in American history.

In Europe, the Dutch were hailed as having "defeated populism" in the 15 March election by denying the Geert Wilders-led Party of Freedom's bid for power.

On 7 May Emmanuel Macron of En Marche! was declared President of France having won the second-round vote against the Marine Le Pen-led National Front by a decisive margin. Again, the election is billed as a win against populism and Europe's far-right. World stock markets are at their highest point for the year so far.

Across the Channel, the UK general election on 8 June restored Theresa May as Prime Minister, but only after the Democratic Unionist Party of Northern Ireland agrees to support a Conservative minority government. As the results came in, the prospect of a hung parliament led to an immediate fall in the value of the pound. May's intention was to seek an overall majority, paving the way for easier Brexit negotiations.

After a relatively quiet end to the summer, aside from ongoing Brexit discussions, the Eurozone's biggest player Germany held its federal election on 24 September. The result saw the Christian Democratic Union win only 33% of the vote – its lowest share of the vote since 1949 – but enough to see Angela Merkel remain as Chancellor. Markets then rallied for the last week of September and continued to climb in October.

Into autumn and it was the turn of the Japanese to go to the polls on 22 October. Given the dramatic fall in popularity that many world leaders had found themselves in over the year, it was a relief for Prime Minister Shinzo Abe to secure a big election win. The father of 'Abenomics' and the 'three arrows' policy of monetary easing, fiscal stimulus and structural reform, Abe's victory was welcomed by a rise in markets.

Elsewhere in Asia, perhaps the most significant global change was happening in China where the hugely powerful Communist party held its five-yearly congress. President Xi Jinping cemented his legacy with his own political philosophy being written into the country's constitution.

Emerging markets will dominate the electoral calendar in 2018, with votes due in the likes of Russia, Mexico, Brazil and Pakistan.

OW1162 Exp. 20/12/18

Interest Rate Rise

In 2007 Bulgaria and Romania joined the European Union, Lewis Hamilton got his first drive in Formula 1 partnering with Fernando Alonso at McLaren, the final book in the Harry Potter series was published and England played their first match at the new Wembley Stadium.

Whether you're a saver or a borrower, we'd love to help you make more of your money. Get in touch to find out how.

It was also the year in which the Bank of England last raised interest rates, when they went up by 0.25%.

That all changed on 2 November 2017 when The Bank of England voted to raise UK interest rates for the first time in over a decade, to 0.5%.

So how could an interest rate rise of 0.25% affect you?

In the short term, both borrowers and savers could see a modest effect on finances. Savers are likely to be pleased with the welcome boost even if the increase is small. Borrowers however will be less pleased as they could see their mortgage repayments rise.

Impact on borrowers

Higher interest will mean that those on Standard Variable Rates (SVR) or Trackers Rates will see their mortgage repayments rise. On a mortgage of £125,000 an increase of 0.25% would result in payments increasing by £15 a month (£185 a year).

Those with larger mortgages will in turn see a larger payment increase. Those with a mortgage balance of £250,000 will see their monthly payments increased by £31 (£369 a year). However, the 57% of borrowers on a fixed rate deal will be unaffected during their fixed term.

These figures might not seem much in isolation, but borrowers should also be aware that higher interest rates could impact other borrowing, like credit cards, car credit or unsecured loans.

There's also the prospect that rates could continue to rise over the long-term. If we hit 1%, the monthly repayments on a £125,000 mortgage would go up by £78.48, and £161.69 if the rate doubled to 2%.

If you’re concerned about the impact of higher interest rates on your mortgage repayments you may want to consider a fixed-rate deal, especially if you’re currently on SVR. Remember, if you're already on a fixed-rate deal you may face higher repayments when the term ends. Make sure you diarise when that's due to happen and get in touch so that we can discuss whether the best option is to remortgage.

Impact on savers

According to research there’s no standard savings account on the market that can outpace inflation, in fact the average easy-access savings account is currently paying 0.35% interest.

If the Bank of England increases the base rate savers may be able to find better returns to keep up with rising inflation. However, as with mortgages, those already on a fixed rate will not see higher rates until the term ends.

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

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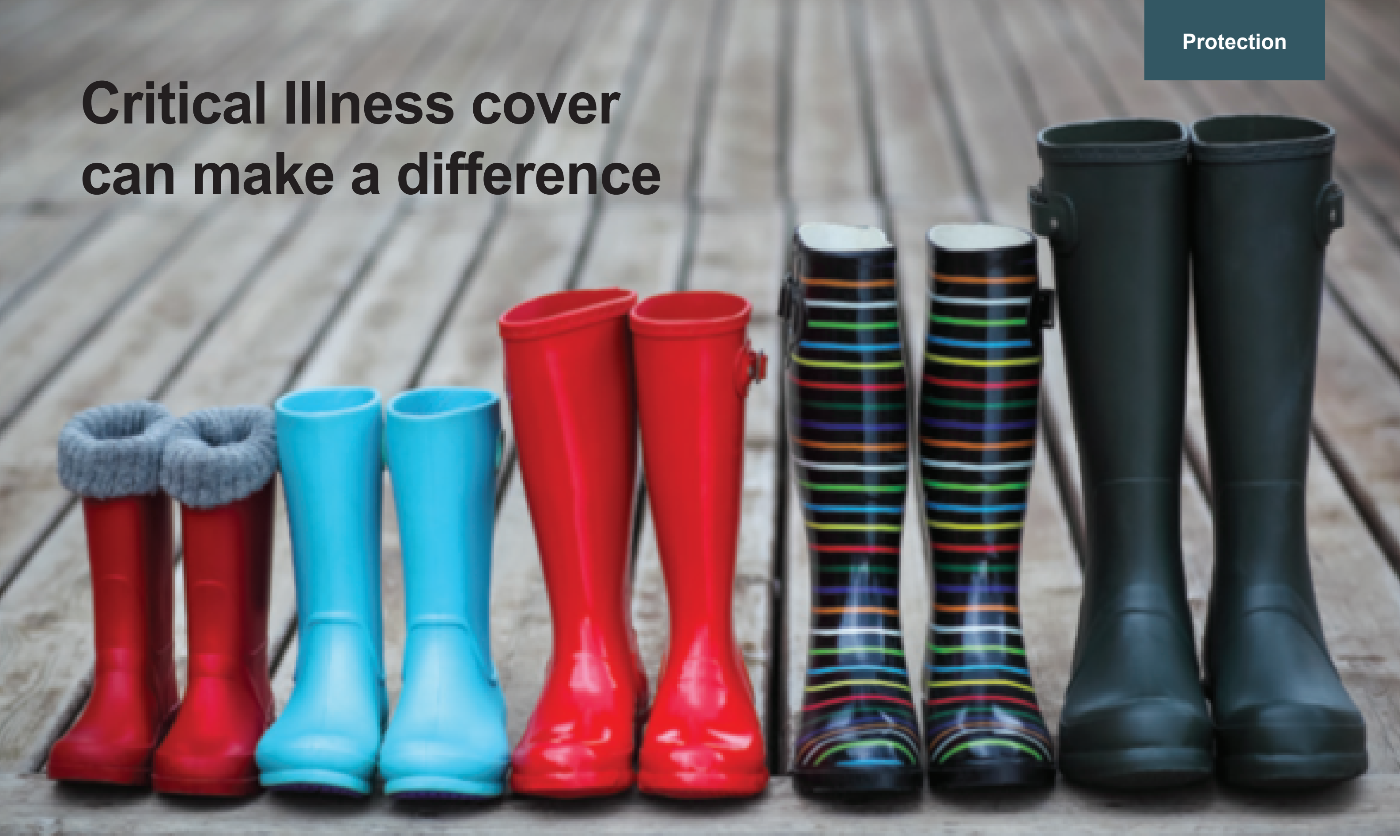
Critical Illness cover can make a difference



If you've ever turned down a recommendation of critical illness because you can't see the value of it, this real-life case study might make you think again.

Please talk to us if you think you need cover, or you need to update your existing provision.

Peter Simpson is a successful commercial manager for a Berkshire-based firm. He's married with three children aged 13, 11 and 9 and has a £297,000 mortgage. His wife gave up work to bring up the kids, making Peter the main breadwinner.

When he was 24, buying his first house, Peter had arranged to see an Openwork adviser who helped him sort out a mortgage and critical illness cover. Over the years, Peter's circumstances changed; he got married, started a family and moved up the housing ladder. During that time he has stayed close to his adviser and updated his cover in line with his changing circumstances.

The value of critical illness cover

Peter has always been able to see the value of critical illness cover, particularly because his father had sadly died of cancer. Aside from covering his mortgage, Peter also wanted to make sure his wife and children would be OK financially if anything happened to him.

In December 2016, totally out of the blue, Peter had a stroke. He had stopped at a friend's house on the way to work when he suddenly and unexpectedly experienced a terrible buzzing sensation at the back of his head. He lost the feeling in his right-hand side and his speech became slurred. Spotting something was obviously very wrong, his friend got him into the house and immediately called an ambulance. Within 45 minutes Peter was being treated in hospital with his wife by his side.

When he was back home recuperating, Peter started the claims process, which turned out to be extremely straightforward. After a few phone calls and emails Peter received confirmation that his policies would pay out in full and he could expect £380,000 in his bank account.

Avoiding the financial impact of serious illness

Thanks to careful financial planning and an appreciation of the difference a critical illness plan can have on the financial impact of a serious illness,

Peter and his family now have the freedom to make choices. They have been able to make two platform investments, one that would act as a pension for Peter's wife, and the other to enable Peter, a higher-rate tax payer, to maximise his personal allowance every tax year. They have also reduced their mortgage and swapped it from interest only to repayment.

This case study highlights the importance of protection especially if you have a loan or you're the main breadwinner.

OW1165 Exp. 20/12/18

Taking a global view

Keeping your investments close to home may have its advantages, but only by looking globally can you be sure you're making the most of diversification.

If you'd like to review your investment portfolio to make sure it's properly diversified and in line with your attitude to risk, please get in touch.

Imagine mealtimes without choice; your culinary options limited only to British food. No stir-fries, no fajitas, no sushi – no burgers even, and fewer curries (our British national dish the tikka masala excluded, of course).

From a similar perspective, those limiting their investments to just the UK – whether that be in stocks, bonds or property – may be missing out on some much-needed spice and flavours that could be achieved from overseas markets.

That's not to say UK investments are completely insular, after all, up to three-quarters of earnings from FTSE 100 companies are estimated to be earned in international markets. However, any bad news from the UK economy could similarly affect companies listed in this most-famous of indexes.

Why is diversification important?

Professional investors have long supported the virtues of diversification, that is spreading investments across a wide variety of markets, countries and asset types. Take, for example, Omnis Investment's range of portfolio funds that individually put money to work across the US, Europe, Asia and in so-called emerging markets such as China, Russia and Brazil.

Each of these markets will have a different risk profile, sometimes moving in different directions as the global economy ebbs and flows on political shifts and other news events.

Seeking the best opportunities

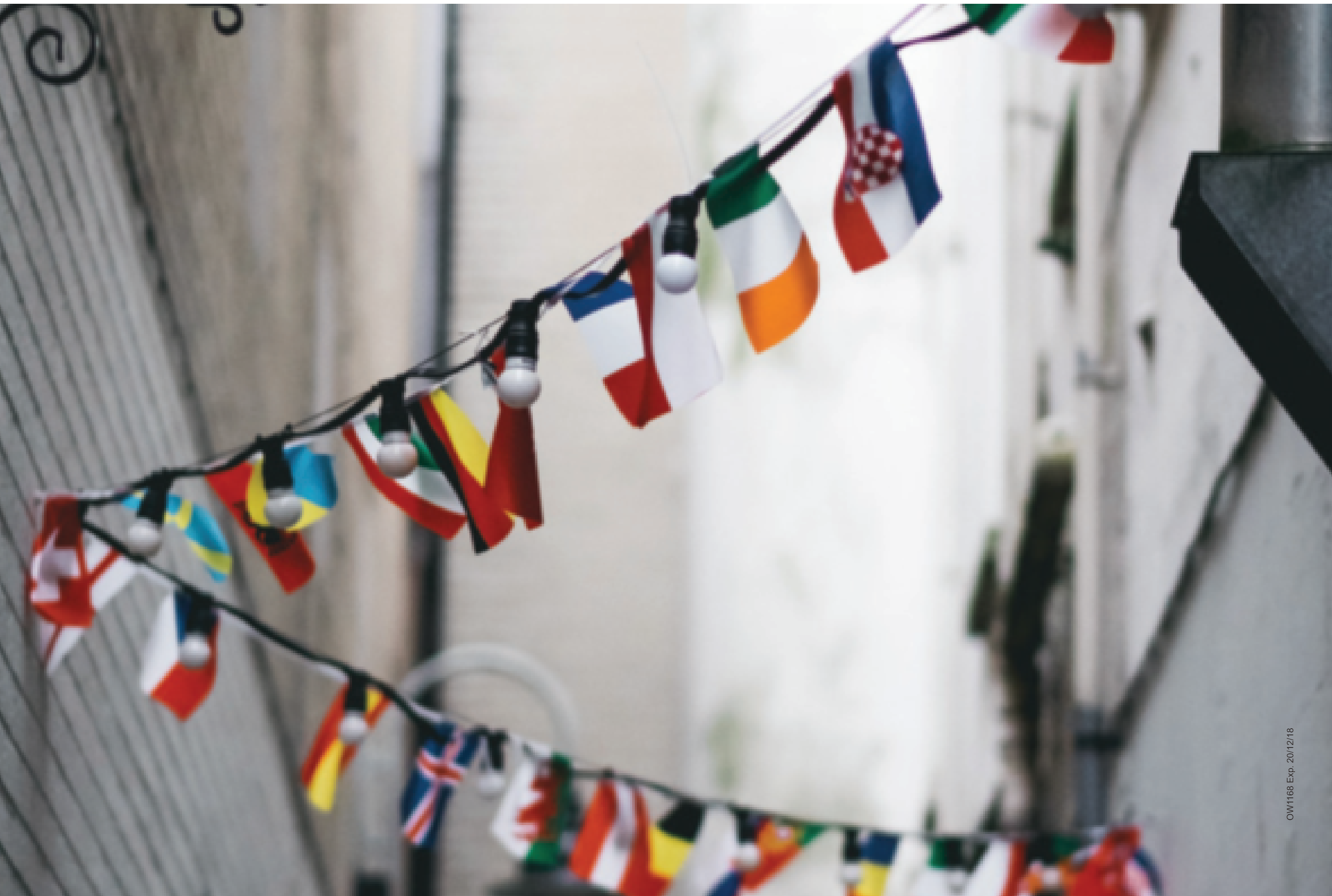
An extra safeguard comes in the form of the Omnis Managed Portfolio Service (OMPS), run by a team which spreads the risks by investing (and selling) each of these funds according to when they think they offer the best opportunities for investors.

Economic growth has been picking up in several regions and this coincides with attractive valuations in export-led markets like Europe, so the team have been able to add extra exposure to this positive outlook and earn extra returns for clients.

Meanwhile, looking further afield to Asian and emerging markets has yielded even better returns, though with potentially bigger risks attached to these territories, the team is wary of investing here for more cautious investors.

UK stocks and bonds will always have a big part of play in UK investors' portfolios, not least because of the potential impact of fluctuations in overseas currencies. However, time and time again investors have been proven right to mix their assets.

The complex nature of investing means professionals will always have a lot on their plates but, as a takeaway, diversification makes for real food for thought.



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The value of protection

Buying a new home is possibly one of life's biggest and most exciting events. It's also a major financial commitment – one that could be with you for 25 years or more.

Making sure you have the right protection in place is important. We can review your circumstances and the cover options available to you.

Your ability to maintain your mortgage payments relies on a constant income, so how would you continue to make your mortgage repayments if your income was reduced – or stopped? Here we look at two similar scenarios with very different outcomes.

David

David arranged a new mortgage with his financial adviser. They discussed protection insurance and David agreed to take out cover so that he could maintain the mortgage repayments if he had to stop work because of serious illness. As a father of two, David also wanted cover so that he could help maintain his family's lifestyle. The mortgage went through and the protection insurance was put in place.

Feeling unwell just a few weeks later, David went to his GP for a check-up. After numerous tests he received the shocking diagnosis of thyroid cancer. David stopped work and started treatment. His adviser supported him through the claims process and the insurer paid the claim promptly and in full. Rather than having to worry about his financial situation, David was free to cope with a tough treatment regime and concentrate on getting better.

Thanks to his protection insurance, David maintained his mortgage payments and monthly bills. He even treated his family to a holiday as part of his recuperation. David made a full recovery, returned to work and life continued as normal.

Jane

Jane arranged a new mortgage with her financial adviser. She was advised to take out protection insurance that would cover the mortgage payments and help maintain her family's lifestyle in the event she had to stop work due to serious illness. After thinking about the cost of the cover and the likelihood of having to claim, Jane declined.

Feeling overly tired a short while after the mortgage was put in place, Jane went to see her GP. After numerous tests she received the shocking diagnosis of thyroid cancer.

Jane had to stop work and apply for Statutory Sick Pay at the same time as coping with a tough treatment regime and looking after her kids. She started to struggle to cover her outgoings and had to use all her savings.

Unfortunately, Jane was forced to sell her house and move into a smaller property, turning her and her kids' lives upside down. Even though she wasn't quite ready to, Jane had to return to work.

The importance of protection

You might be like Jane and think that it won't happen to you, but one in two people born after 1960 in the UK will be diagnosed with some form of cancer during their lifetime and four in five people with cancer are affected financially. And if you think that protection policies don't pay out, they do. In 2016 15,464 critical illness claims were made and 92.2% paid out an average £68,000.

There are a range of products available that can provide a lump sum or a regular income on death or diagnosis of a specified critical illness and they could cost less than you think.

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Let Property Campaign

If you let out a residential property but haven't declared the rental income, you might be interested in a new campaign from HM Revenue & Customs (HMRC).

If you'd like financial advice on your property portfolio, please get in touch.

HMRC estimates landlords fail to pay £550m every year and their 'Let Property Campaign' aims to reclaim the lost income tax on undisclosed rental income.

The campaign targets residential landlords and alerts those who owe tax to get up to date with their tax affairs. It provides an opportunity for those individuals who have let out a property and have not disclosed income to bring their tax affairs up to date and get the best possible terms on the tax they may owe.

It's aimed at those who have let a property either in the UK or abroad and includes individuals who are:

- renting out a single property
- renting out multiple properties
- a specialist landlord eg. student or workforce rentals
- renting out a room in their main home for more than the Rent a Room Scheme threshold (£7,500 per year)
- living abroad and renting out a property in the UK
- living in the UK and renting a property abroad
- renting out a holiday home even if they also use it

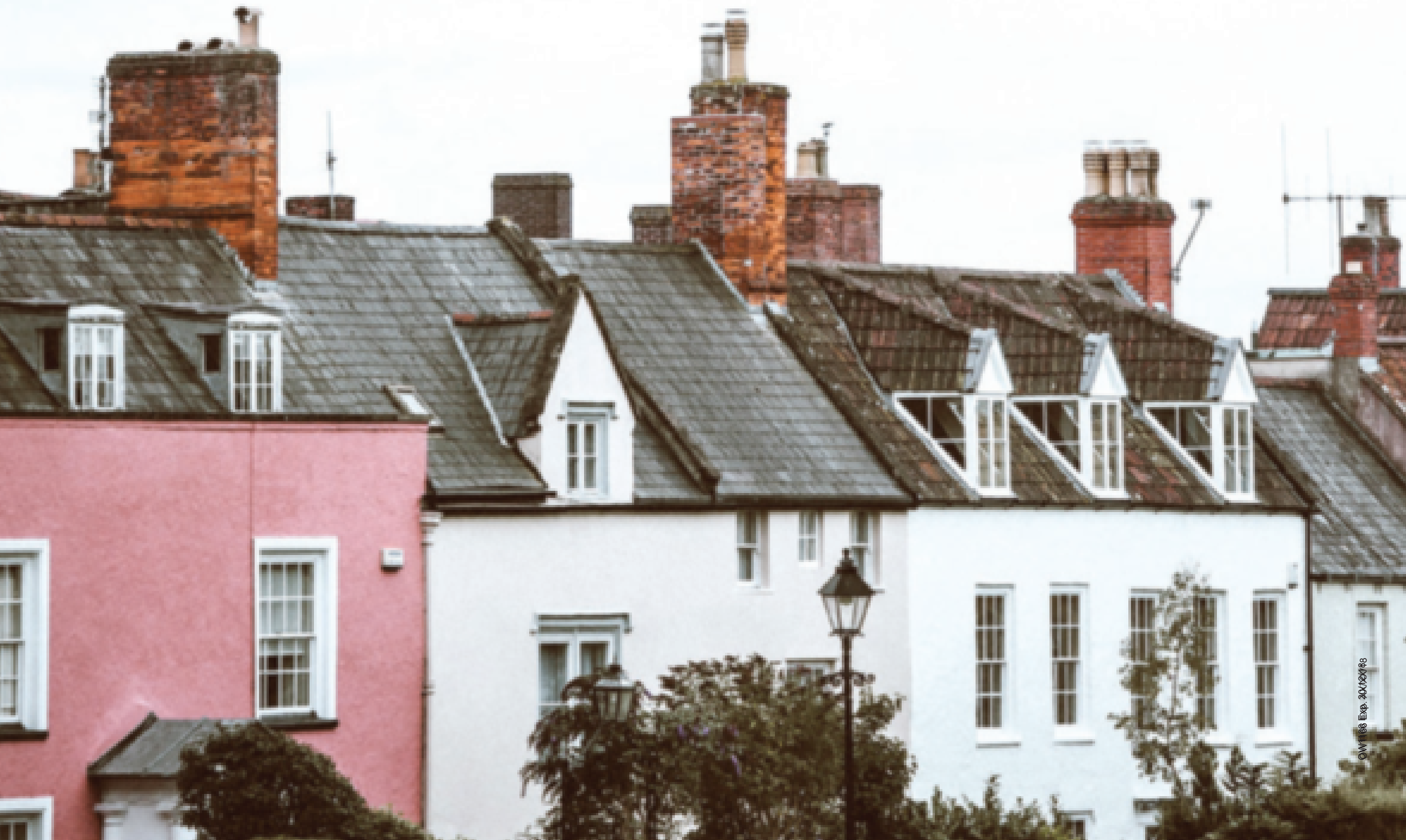
Landlords who report previously undisclosed taxes on rental income to HMRC under the Let Property Campaign will be given 90 days to calculate and pay what they owe and get the best possible terms.

The campaign doesn't apply to a company or a trust renting out a property or those who are renting out commercial property.

For further information, or to find out if this campaign applies to you, please contact a tax specialist or visit the dedicated site https://letproperty.campaign.gov.uk/

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

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



Could your status update affect your claim?

Given the nature of social media and the millions of us who use it every day, you probably weren't alone in posting pictures, videos and status updates showing off your recent Christmas presents and festive celebrations.

If you're concerned you may not have the right type of cover, or you think you might be underinsured, please talk to us.

But did you stop to think that posting information like this on Instagram, Facebook, Twitter or Snapchat could be advertising your property, your whereabouts and your latest expensive Christmas gadget to criminals, and potentially void your home insurance?

Counting the cost of burglary

There were 650,000 domestic burglaries in the 12 months to March 2017, costing, on average, £2,267 in stolen valuables and £566 worth of damage.

Figures also show that the number of claims relating to domestic burglary increases by a whopping 36% from November to March. This could be down to the longer nights providing more opportunities for criminal activity, and the likelihood of burglars finding expensive purchases and presents following the Christmas period.

Take a break from social media

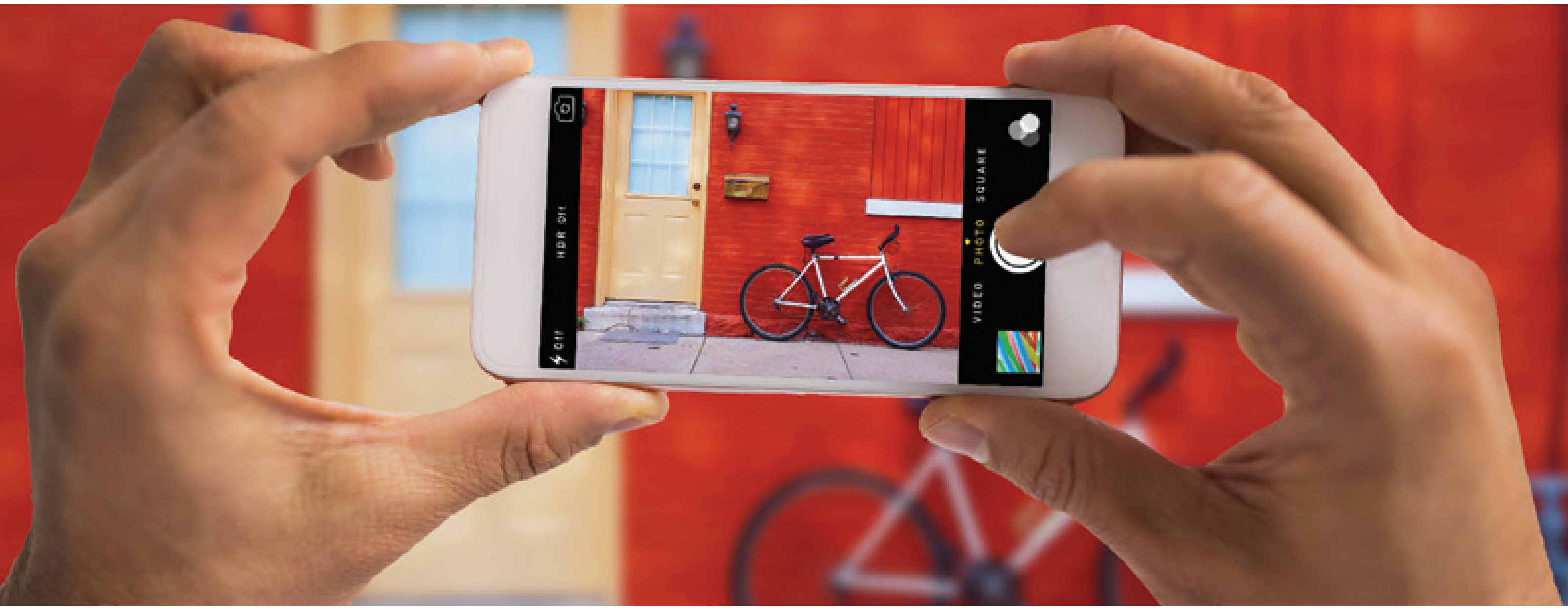
If you suffer a break-in shortly after publishing your latest holiday snaps on social media, it could lead to your home insurance provider deciding you are partly at fault for advertising an empty property and this could affect your claim.

Are you vulnerable?

When assessing an application for home insurance, insurers are reportedly considering asking homeowners if they use social media, as the risk of over-sharing becomes more and more common. If you use social media and think it could affect your home insurance, consider taking the following steps to reduce your risk:

1. Turn off location-based services on the social media accounts you use
2. Never share your home address on social media
3. Make your posts private so that only your friends and connections can see them

It also makes sense to review your home insurance cover, especially after Christmas or birthdays when you may have bought or received expensive items.



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