Viewpoint

homeworks FINANCIAL SOLUTIONS LTD

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

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

Pension death benefits
Who gets your pension savings if you die?

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

The value of mortgage advice
Why it pays to use a qualified mortgage adviser.

Do you know your credit rating?
A low credit score could impact your chances of a mortgage.

The value of our advice
How we help people to set and realise their financial goals.

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

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.

OW1168 Exp. 20/12/18

Pension death benefits

There's a range of options when it comes to deciding how to fund retirement, but few of us stop to think about what might happen to pension savings in the event of death.

Please contact me if you'd like to discuss the rules and explore whether and how you and your loved ones could benefit from them.

Alongside the more familiar changes to retirement choices that happened back in 2015, 'Pension Freedoms' heralded significant changes in how pension death benefits are taxed; bringing with them new inheritance-planning opportunities.

Passing on wealth

Since April 2015 it has been possible for the plan holder to pass their pension on to any nominee(s) through something called Nominee Flexi-Access Drawdown. Further, when the nominee dies, a successor - or successors - can also inherit a drawdown pension through a Successor Flexi-Access Drawdown.

In turn, each nominee or successor can pass the assets on to other nominees or successors, retaining the tax efficiency of the plan through multiple generations.

The key benefit lies in retaining the assets within a pension wrapper: in this way they fall outside of the plan holder's estate for Inheritance Tax (IHT) purposes. As long as they remain within the wrapper they stay tax efficient in most cases until they're needed by the nominee or successor.

If the plan holder - or a nominee or a successor - dies before the age of 75, not only are the assets passed on free of IHT, but the drawdowns are paid out free of income tax. If they die after the age of 75, the assets are still excluded from the estate for IHT purposes, but any lump sums or income drawdowns are treated as income and are subject to the beneficiaries' own marginal rate of tax (ie. taking into account other sources of income).

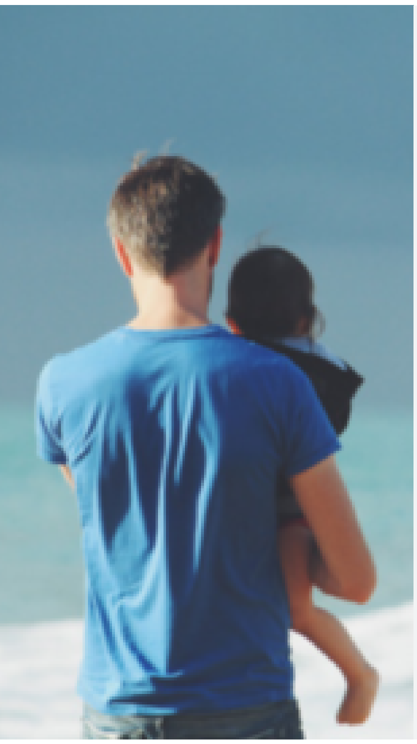
How might your dependents benefit?

The example given below is a simplified illustration and only a guide to what might be achieved with careful financial planning.

However, it's important to note that most of the existing pension plans were set up before the new regulations came into force and may not have the flexibility to establish Nominee or Successor Flexi-Access Drawdown accounts.

Instead, the pension provider will pay out the full value of the fund in cash on the death of the plan holder. In that situation, the assets count towards the total estate for IHT purposes.

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 pension family tree

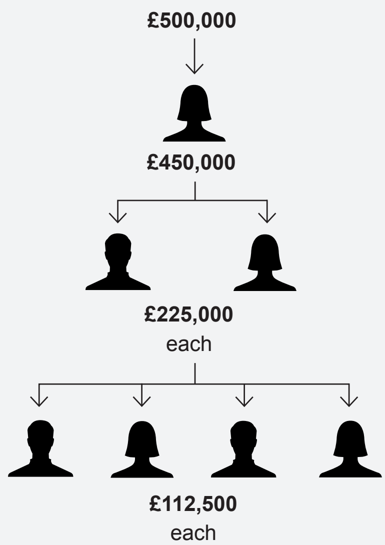
A family comprises a husband and wife, their two children who in turn have two children each (four grandchildren in total).

The husband dies aged 76 with £500,000 remaining in his pension fund.

The wife inherits a Nominee Flexi-Access Drawdown plan. As her husband died after reaching the age of 75, any withdrawals are taxable as income. The wife dies aged 74 and with £450,000 remaining in the plan.

The two children each inherit half of this (£225,000) through Successor Flexi-Access Drawdown. Withdrawals are tax free as the mother died before age 75. However, both children die in their 60s without accessing their plans. As they also died before reaching 75, each residual pension fund passes tax free to the grandchildren.

Each grandchild inherits a Successor Flexi-Access Drawdown pot of £112,500 and enjoys tax-free withdrawals.



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.

The value of mortgage advice

With so many mortgage lenders offering their products on the high street and online, it can be tempting to cut out the middleman and 'go direct'.

If you're looking for a new mortgage, we'd love to help.

But when you're making such an important financial commitment, the guidance you can get from a qualified mortgage adviser can be invaluable. Here are five ways we can make a difference to your mortgage search:

1. We know what a good deal looks like

We have access to a wide range of well-known lenders and thousands of mortgage deals, so we can find a rate that suits you. But we also look beyond the rate. Lender administration and booking fees, length and type of loan, valuation costs and repayment methods can all affect the total amount you pay. By considering all these elements, we can recommend a solution tailored to your individual circumstances.

2. We know the market

If your needs or circumstances are 'out of the ordinary', it may be much harder for you to find a mortgage now than it was a few years ago. This is particularly true if you're self-employed or a small deposit, or are borrowing into retirement. We can save you the time and hassle of trawling the market, and help you find a lender willing to provide your loan.

3. We'll do the hard work for you

Selecting the most appropriate mortgage is just the start. We'll work with you to complete all the necessary application forms, liaise on your behalf with solicitors, valuers and surveyors, and help to make the process as smooth as possible.

4. We're professionally qualified

Unlike many branch and telephone-based mortgage sellers in banks and building societies, we're qualified to advise you on a broad range of lenders and products. This means you benefit from genuine choice coupled with quality advice.

5. We go beyond the mortgage

We can help you safeguard your investment in your home by advising on a range of products that can financially protect your home, and your family, should the worst happen.

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

Do you know your credit rating?

If you're looking to take your first steps onto the housing ladder you may have sacrificed your takeaways and holidays to save the deposit and scoured hundreds of houses online. But have your checked your credit history?

Even if you're remortgaging or moving up the housing ladder your credit history will be important.

If you're a first time buyer looking for a mortgage or a homeover looking to remortgage, please get in touch to see how we can help find the right mortgage for your circumstances.

What is a credit score?

A credit report includes details of your credit history including any credit you've applied for (like loans, credit cards, and overdrafts), credit you've been given and how you've managed the repayments. Also included are your address details (current and previous), public records such as county court judgments and financial associates (someone who is financially linked to you eg. a joint mortgage or bank account).

All the details in your credit report are analysed to calculate your credit score. This score is used by lenders as an indication of how you'll manage and repay the money you borrow.

Scores on the doors

The general rule is the higher the score the better, and the more likely you'll be accepted for a mortgage or other credit.

If you're looking to take out a mortgage or remortgage, check your credit score regularly. You can usually get a simple overview for free and it pays to check with several different sources. Noddle, Equifax, ClearScore and Experian all offer a service to help you understand your rating.

According to research from Experian, when the home buyers who were surveyed checked their credit 18% found their score was lower than expected. The good news is that there are ways to improve a low score:

- Pay more than your minimum payments on credit cards
- Bring your overdraft down
- Close unused credit accounts
- Register for the electoral roll

Happily, 54% of those surveyed found their score was higher than expected and 25% were surprised by their score. Given that 43% of people haven't checked their credit score it may be that many are unaware of the impact it may have until they come to apply for a mortgage.

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

OW1005 Exp. 31/03/18

General

The value of our advice

Good financial advice and planning helps people to protect and build their assets, make the most of their investments and help to achieve the goals and lifestyle they desire.

For more information about any of our services, please get in touch.

Establishing priorities

Every client we meet has a unique and varied range of financial planning needs, so it's important to establish priorities right from the start if we are to create a meaningful and relevant plan.

As time passes, your financial plan will need to evolve, and regulatory changes can impact the effectiveness of any structures already in place. That's why we recommend a regular review to ensure that your plans remain on track and relevant.

The importance of ongoing advice and service

If you choose to receive ongoing advice and service from us, we'll invite you to regular meetings where we will monitor the progress of your plans and discuss any adjustments required in the light of changing circumstances.

We believe that ongoing service can help you continue to make well-informed choices and give you the best chance of achieving your goals through key life stages.

Five promises we make to our clients

1. We will help you arrange your finances so that they work as effectively as possible towards funding your life goals.
2. We will help you take steps to ensure your income, assets and family are protected from the impact of long-term illness, disablement or death.
3. We will advise you on how your investments can benefit from relevant tax reliefs and allowances. We will also advise you on the most effective way of withdrawing income or capital from your arrangements when the need arises, or how best to pass wealth to your intended beneficiaries.
4. We will help you keep your plans in focus by regularly meeting with you to review and refresh arrangements. This might be a result of changing personal circumstances, legislation, new opportunities and any other factors relevant to your situation.
5. We will be accessible and responsive whenever you wish to contact us with queries or requests.

Homeworks Financial Solutions Limited
2 The Point
Bradmarsh Business Park
Rotherham
South Yorkshire
S60 1BP

01709 821967
info@homeworks.uk.com
www.homeworksfinancialservices.com

OW1018 Exp. 28/09/18