

# To The Point



Homeworks Financial Solutions Limited

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**Homeworks aiming to provide first class, friendly and professional service to all our clients.**

#### Become a superhero

We can grant you the power to do something amazing to help those you love.

#### Deadline to breadline

How long would your savings last if your income suddenly dried up?

#### How to prepare financially for long-term illness

It's not just the NHS that foots the bill when it comes to treating ill health.

#### First-time buyers: Boost your mortgage chances

How to make it easier to secure your first mortgage.

#### Confused about pension planning?

37% of people contributing to their workplace pension don't even realise it.

#### Making the most of your pension savings

Are you sure you're saving enough for a comfortable retirement?

#### The difference between value and growth investing

Why it's important to invest in funds offering a blend of styles.

# 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 struck 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 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.*



# Deadline to Breadline

For its latest 'Deadline to Breadline' report, Legal and General surveyed 2,000 full and part-time workers to assess how long they could survive on savings if their income stopped due to serious, or long-term illness, or death. The rather worrying answer was 32 days.

*The research also revealed that just over a quarter wouldn't have enough savings to last them a week and 30% of UK workers have no financial back-up plans whatsoever - despite the average household debt standing at around £4,600. This lack of preparedness would result in potentially serious financial exposure if things went awry.*



## UK Protection gap

L&G's research is important because it highlights just how many people could be gambling with their homes and their family's wellbeing, by not having a back-up plan. And when you consider that the average UK gross annual salary is £28,677, the support you could expect from the State is not sufficient to provide a reasonable safety net, especially if you are the sole breadwinner.



*Statutory Sick Pay can be paid for up to 28 weeks @ £92.05 a week*



*Employment and Support Allowance @ up to £73.10 a week for the first 13 weeks then up to £110.75 after that (for a single person)*

For less than the cost of a daily cup of takeaway coffee you can help protect yourself and your family and be in a better position to deal with the consequences that could occur from illness, accident, unemployment or death. That's why, when we talk to clients about protection, we talk about value, rather than cost.

## How can you protect yourself?

If you have a mortgage or people who rely on your income it's important to take steps now to understand what would happen if your income suddenly stopped. If you have any existing insurance policies, check the details to make sure they reflect your current circumstances and would still meet your needs if you needed to make a claim.

If you don't have cover in place we can talk to you about a range of different types of protection insurance that would help to pay the mortgage and provide a financial lifeline for your family if you were temporarily, or permanently, unable to provide for them. This includes cover for serious and critical illness and income protection, which pays out a regular tax-free income if you're unable to work. We can also advise on a range of life insurance plans, including:

**Term insurance** - normally taken out to cover mortgage payments, these plans are the simplest form of life insurance and can be tailored to suit your budget.

**Family income benefit** - pays out a regular income as an ongoing lifeline for dependants.

**Whole of life insurance** - lasts as long as you do (or until you stop paying the premiums) and provides a lump sum on death.

With some types of life cover it's also important to consider writing the plan in trust. This is a legal document that allows you to determine what happens to the money after your death and can ringfence the pay out from inheritance tax.

**Whatever your situation, advice is important to make sure you get the most value from your protection insurance. Please get in touch to find out more.**

# How to prepare financially for long-term illness

While British life expectancy continues to rise, the same might not be said for the quality of health we could expect to enjoy as we get older, according to a stark warning from The British Heart Foundation. Their analysis suggests the number of people suffering heart attacks and stroke because of a rise in diabetes diagnoses could rise by 29% over the next two decades.

While this could be blamed on worsening lifestyles and a growing obesity problem, demographic changes such as an ageing population mean the number of people with chronic or long-term conditions is also likely to increase. This puts extra strain on the NHS as it tries to keep pace with society while managing the cost pressures this inevitably puts on our health and care system.

And it's not just the NHS that has to foot the bill when it comes to treating ill health. Ask yourself, how would your family cope if they couldn't rely on your income for a long period of time? Could they sustain their hard-earned lifestyle if you were to die suddenly?

## All the same, it won't happen to me...

Unfortunately, the reality of suffering a serious illness or dying suddenly suggests otherwise:

**1 in 2 people in the UK will be diagnosed with cancer in their lifetime**



**Around 42,000 people under the age of 75 in the UK die from cardiovascular disease every year**



**Every five minutes someone suffers a stroke in the UK**



*Critical illness cover or life insurance may not sound like priorities for you, but the financial buffer they can provide at such a difficult time could be invaluable.*

Appropriate protection, such as life or critical illness cover (written in trust) can help you, your business partners or your loved ones avoid financial difficulty at an already traumatic time.

There are three main types of cover that can be invaluable in this situation:

### Income protection

or permanent health insurance, will give you a small salary if you cannot work, which will last until you return to work, retire, die or the policy ends.

### Critical illness insurance

will pay you a tax-free lump sum on the diagnosis of a range of serious (but not fatal) conditions including heart attack or stroke.

### Health insurance

also called private medical insurance, will pay out for the cost of medical treatment required for an illness or injury.

### But insurers never pay out?

If you're put off buying protection because you don't think it will pay out when you need it, think again. According to the Association of British Insurers £5bn was paid out on protection claims in 2017, the equivalent of 98% of all protection claims received during the year.

**For more information on how an insurance policy could help you and your family if you were hit with a long-term illness, please get in touch.**

# 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 frugality 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](http://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.

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

# 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.

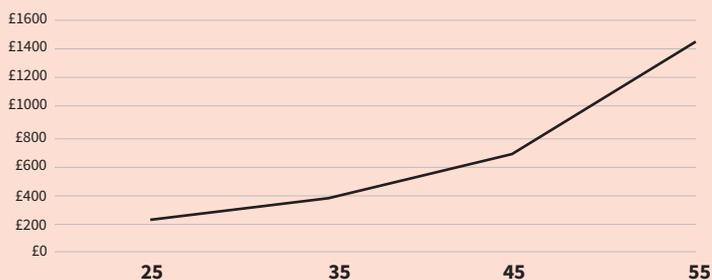
This is clearly a positive outcome of auto enrolment, but the ONS research has raised concerns that the 37% of those surveyed who didn't realise they were contributing to their workplace pension scheme could opt out - a risk which might be greater when the minimum contribution level for employees increases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

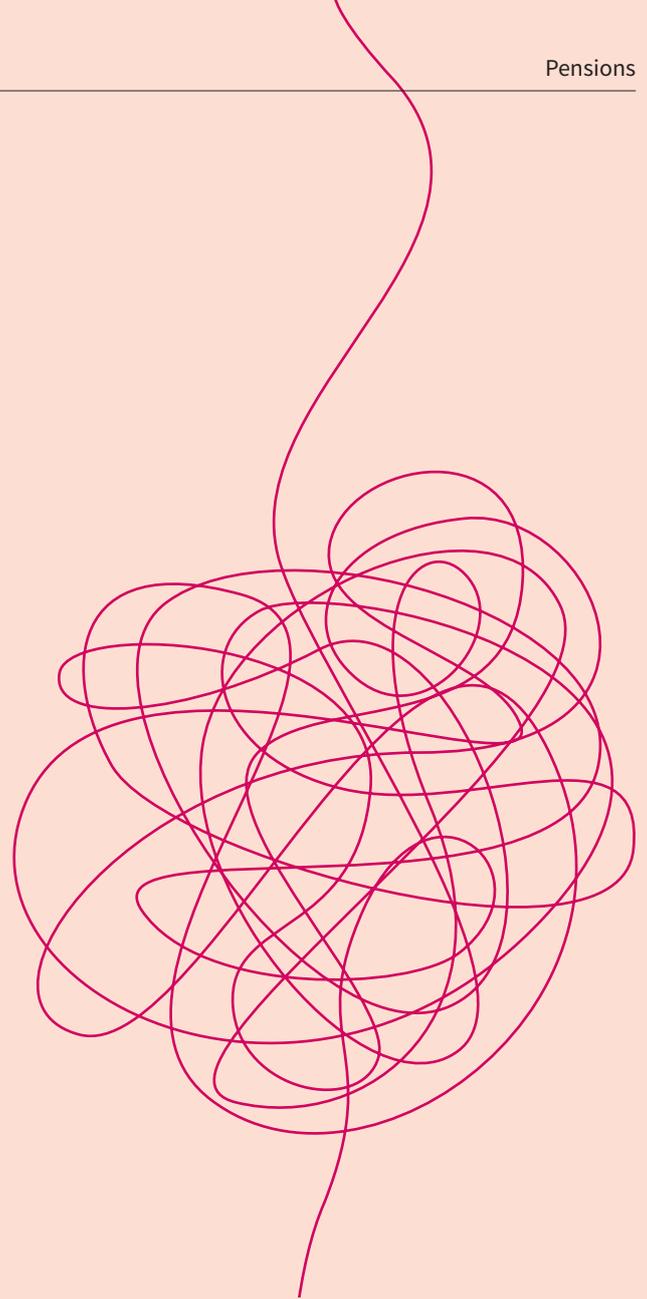
The simple fact is that the more you save and the earlier you start saving the better position you are likely to be in, subject to investment performance of course. The first thing to do if you're concerned about your pension planning is get advice.

**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**



Age at which you start saving into a pension



## 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.

# Making the most of your pension savings

Thanks to there being no major changes announced to pensions in the October 2018 Budget you can continue to pay into your pension over the next 12 months without any surprises to knock you off track.

This does, however, present a great time for you to review your pension savings. Are you confident you're saving enough to support the lifestyle you want in retirement? Put simply, a pension is a long-term savings plan which grows over time and provides you with an income to see you through your retirement. There are many benefits to paying into a pension plan:

## Tax Relief

Did you know that if you're saving towards a pension between the ages of 18 and 75, you can receive significant contributions from the government on top of the amount you save?

This is because you receive tax relief on the contributions you are paying in: 20% for basic-rate taxpayers, 40% for higher-rate taxpayers and 45% for additional-rate taxpayers.

As an example, for a basic-rate taxpayer, for every £100 you pay into your pension, the government will top it up by £25 giving you a total contribution of £125. You can get even more if you're a higher-rate or additional-rate taxpayer.

## A top up on your salary

If your employer has a pension plan set up as an employee benefit, they will also pay contributions to your pension plan (up to a certain level). Think of it as a top-up on your salary.

## Compound interest

When you save money into your pension you'll hopefully make a return on the investment, subject to performance of course. The following year you'll hopefully get a return, not only on your initial investment but also on the return from the previous year, and so on. You're effectively earning money on previous gains which are all added into your pension pot.

**If you want to discuss your pension planning in more detail then speak to us and we'll make a recommendation based on your individual circumstances.**

*There are rules regarding how much you can contribute to a pension and how much the government will add to your contributions through tax relief. 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.*

*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 difference between value and growth investing

Warren Buffett, sometimes known as the sage of Omaha, once claimed he preferred to “to buy a wonderful company at a fair price”. What he meant by this is when it comes to picking investments, he looks for quality businesses that, for some reason or another, are undervalued by the rest of the market.

Buffett learnt his trade as a student and later an employee of Benjamin Graham, widely considered the godfather of this style of ‘value investing’ and author of one of the most authoritative books on security analysis.

Value investors take a bottom-up approach to evaluating an investment opportunity. They look at a company’s fundamentals, such as its revenue streams or balance sheet, and use metrics like the price-earnings (PE) ratio or price-to-book (PB) ratio to figure out if its shares are available at a discount. Once value investors identify a company that appears undervalued, they buy and hold, hoping the rest of the market will take notice and the share price will rise.

Buffett has successfully applied this approach throughout his 60-year career and the share price of Berkshire Hathaway, the publicly-listed vehicle through which he invests, has grown steadily but surely since he took control in 1965.

## Going for growth

Some investors prefer to target companies that are growing fast and therefore offer the prospect of considerable returns. These types of companies tend to have developed new and innovative products and services which catch the imagination of consumers.

The tech sector has traditionally provided these ‘growth investors’ with a steady stream of opportunities. Jeff Bezos only launched Amazon in 1994, but its valuation surpassed one trillion dollars at the start of September 2018. Apple was the first company to reach a trillion-dollar valuation earlier in 2018, although it was founded 18 years before Amazon. More recently, the share prices of Facebook, Alphabet (parent of Google) and Netflix have raced ahead since listing on the stock exchange.

Of course, not all growth shares shoot the lights out. Just ask investors in social media platforms Twitter and Snapchat.

## A blend of styles

Some fund managers identify as either value or growth investors. Within the Omnis range of funds, Cédric de Fonclare of Jupiter Asset Management, who runs the Omnis European Equity Fund, leans slightly in favour of growth. Similarly, Andrew Rose and Masaki Taketsume of Schroders, co-managers of our recently launched Omnis Japanese Equity Fund, have a minor bias towards value.

**Each of the Omnis fund managers has developed their own approach to researching investment opportunities and building portfolios based on years of experience.**

**By offering a range of funds with a blend of styles, we believe that we can provide you with great potential for returns across all market conditions. Please get in touch to find out more.**

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