Viewpoint

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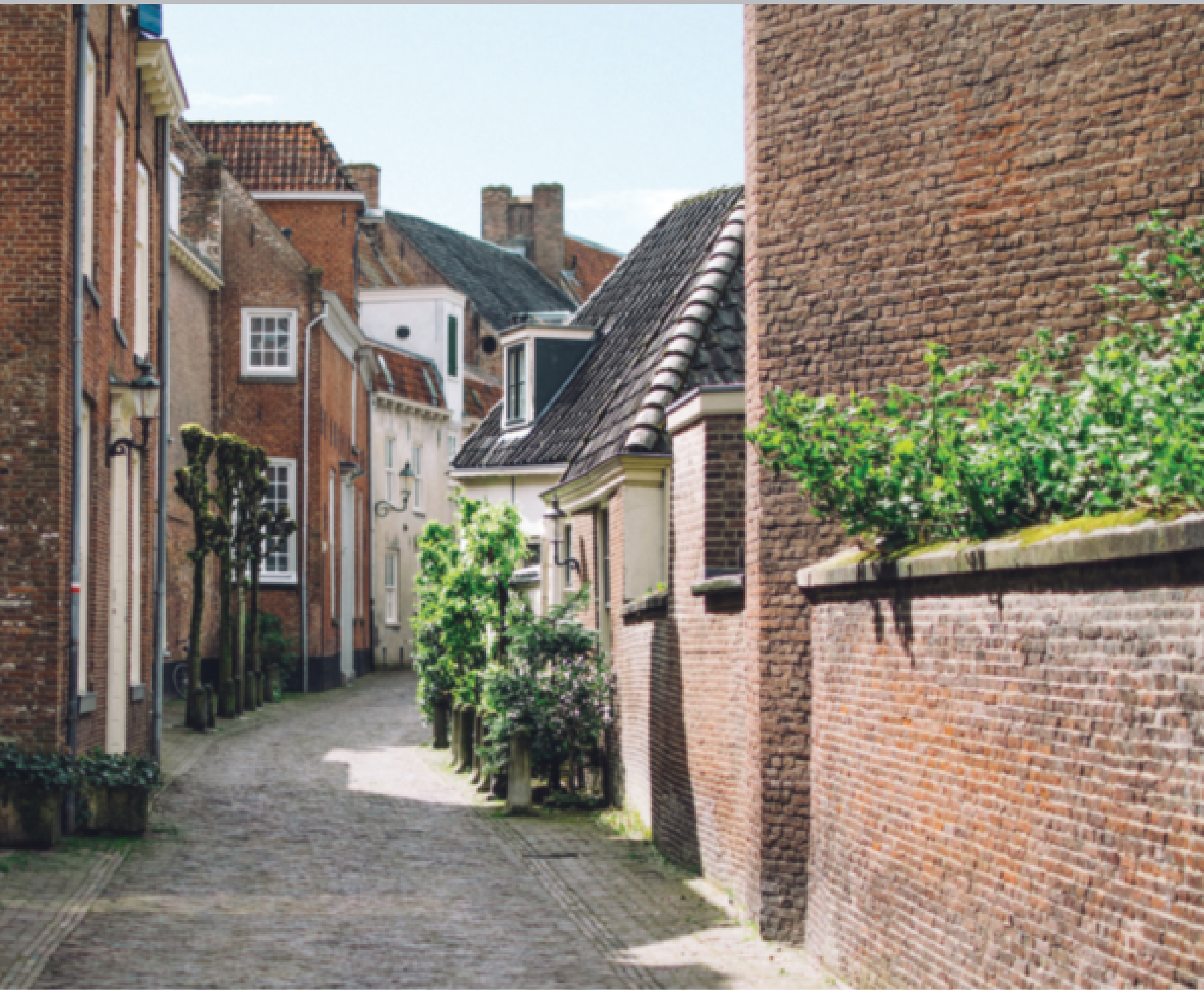


Your latest Newsletter from Homeworks Financial Solutions Ltd in 2018

Spring Statement
A look at some of the headlines behind the Chancellor's statement.

Financial wellbeing in retirement
Certainty of income, access to capital and wealth preservation are important considerations in retirement.

The importance of diversification
Who should you listen to when it comes to choosing how you invest?

Don't fall for a pension scam
Pension fraud is becoming increasingly sophisticated, but there are ways to spot the warning signs.

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

It happened to him
A real-life case study shows just how critical illness cover can make a difference.

With protection comes choice
The pay out from an insurance policy can do more than just cover your basic outgoings.

Spring Statement

March has traditionally been the month for Budgets, but no longer. In Autumn 2016 the then new Chancellor, Philip Hammond made clear he thought the propensity of previous Chancellors to turn their Autumn Statements into second Budgets was not a good idea and that he wanted to make only one set of tax announcements each year and so announced he would be moving to Autumn Budgets and Spring Statements.

The economic background has changed only marginally since last November's Budget, helping the Chancellor to keep his speech short:

The Office for Budget Responsibility (OBR) was projecting that government borrowing would be £49.9bn in 2017/18, it is now forecasting £45.2bn. The drop is hardly surprising: ten months into the fiscal year the government had borrowed just £37.7bn, helped by the second highest ever recorded surplus of £10bn in January.

The OBR's November Budget estimate for economic growth of 1.4% for the current year has now been increased by 0.1% to 1.5%, but for the next two years the OBR has left its growth projections unchanged at 1.3%.

The 2018 projection for annual inflation on the Consumer Prices Index was left unchanged at 2.4% with a fall to 1.8% expected in 2019.

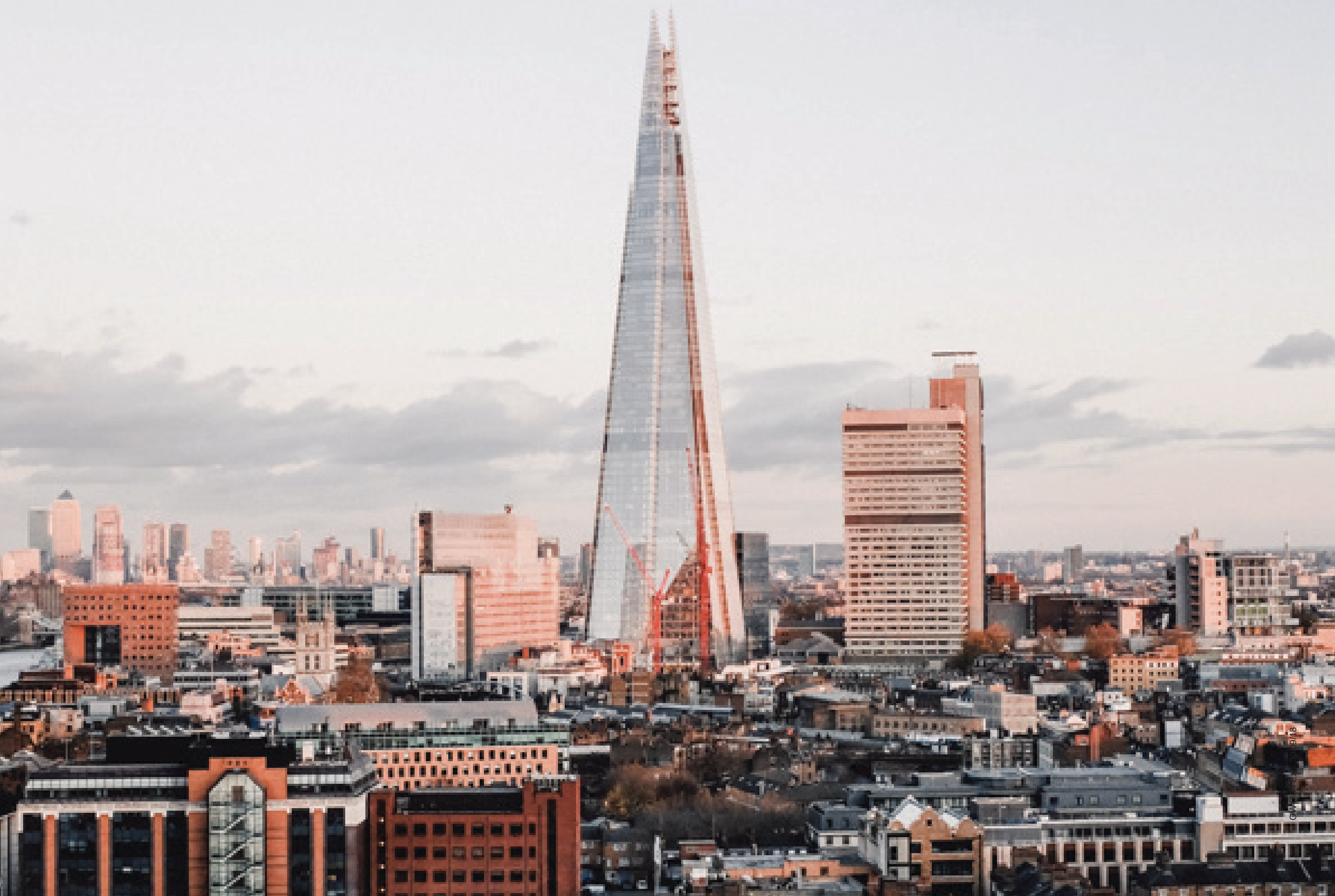
The Chancellor may have revealed nothing on the tax and spending front, but there was no such reticence when it came to consultations. In all the Treasury website listed 13 consultations, although in practice the number included some responses to earlier consultations and several calls for evidence. The topics ranged from single use plastic to the bringing forward of English business property rate revaluation by one year to 2021.

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

If you'd like to find out how the Spring Budget affects you, please get in touch.

So what did emerge from this final Spring Budget?

- Forecast of **1.5%** growth for 2018, revised up from 1.4%.
- Forecast for borrowing of **£45.2bn** in 2017-18, revised down from £49.9bn.
- Debt is forecast to fall as a share of GDP in 2019-20 to **85.1%**.
- Business rates revaluation bought forward from **2022 to 2021**.



Financial wellbeing in retirement

Financial wellbeing is an important factor when it comes to being able to enjoy life. While we're earning, it's possible to secure the living standards we want for ourselves and our families, but it's also important to put some of that income aside to build up your pension fund.

If you'd like expert advice on your retirement choices, please get in touch.

Generally speaking, and subject to investment performance and charges, the more you save and the earlier you start saving, the better shape your financial assets are likely to be in when you need to draw on them.

When work reduces, or ends, your pension fund will be an important (but not necessarily your only) financial asset. You could have money on deposit and investments in some, or all, of the following:

- ISAs
- collective investments
- stocks and shares
- insurance-based products
- Buy to Let property

… to name a few!

The decision on where to draw funds from when you achieve retirement will be an important and potentially complex decision and there are many factors that can influence it:

- whether, and if so, how and when to access pension savings held either in a personal or workplace pension
- how to make your pension last through retirement (given most of us are living longer)
- how to protect your retirement income against the effects of inflation

The State Pension

For many the income the State provides will form a key part of their retirement income. The amount of State Pension you're entitled to usually depends on the National Insurance (NI) contributions you've paid.

If you reach your State Pension age after 6 April 2016, you may be entitled to the new state pension, the full amount of which is £164.35 a week (2018/19). The full state pension is payable with 35 years NI contributions or credits.

State Pension Age for women is gradually increasing and will reach 65 by November 2018. State Pension Age for both men and women will then increase to 66 by October 2020 and then to 67 and eventually 68 by 2046.

Ensuring good decision-making

Clearly, the greater the value of your investments, the greater chances you'll have of a financially-rewarding retirement. But the more investments you have, the more important it will be to think very carefully about where you take money from when the time comes to take it.

The various investments mentioned above will have different tax rules applying to them so having a good understanding of these rules, or seeking advice from a tax specialist, will be helpful to good decision making. You'll also need to think about the relative importance of certainty of income, access to capital and preservation of capital for your family, as well as the degree of risk you're prepared to take to achieve your required level of return on the investments that remain in your pension fund.

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.

OW1251 Exp. 03/04/19

The importance of diversification

With ISA season comes the usual fanfare in the money pages about which investments will deliver the best returns – peppered with the usual important caveats about investment performance and the potential for loss of course.

If you'd like advice on your investment planning, please get in touch.

Every commentator will have a different idea about which areas and which funds are the best bet; and these varying opinions can cause confusion for anyone relying on their expertise.

It's also important to note that none of these talking heads will be privy to your specific financial circumstances and goals – no matter how impressive their CVs. That's why it is so important to seek advice from professionals – like us – who will take the time to find out more about you, what makes you tick and what you'd like to do with your money. This ensures a robust process which results in an appropriate plan and appropriate investments that match your specific risk profile and financial goals.

Diversification matters

Any investment professional worth their salt will tell you about the importance of diversification across your investments, particularly if you plan to save money in your ISA over the longer term (ie. more than five years).

If you invest in individual funds, and we can recommend funds from some of the leading fund managers, the trick is to blend exposure to different asset classes. These asset classes include equities, often referred to as 'stocks' or 'shares', which represent a stake in the ownership of a company.

There are also bonds – sometimes referred to as 'fixed income' securities – which could be described in similar terms as a loan to a company or government which pays interest. Compared to equities, bonds can be less risky should you require a more stable investment environment.

Other, so-called 'alternative' investments could include property, or commodities like gold, natural gases or agriculture, which are all accessed via specialist funds.

Active, daily management

We can recommend a spread of funds through a range of risk-rated portfolios. These are the auto-rebalancing **Openwork Graphene Model portfolios** and the actively managed **Omnis Managed Portfolio Service**.

The latter is managed on a daily basis by experts whose aim is to deliver consistent returns while managing risk through investing in a wide variety of Omnis funds.

Whichever way you invest, it's important that you take up your maximum ISA allowance if you can afford to. This is £20,000 for the 2017/18 tax year.

The tax efficiency of ISAs is based on current rules. The current tax situation may not be maintained. The benefit of the tax treatment depends on the individual circumstances.

The value of your stocks and shares ISA and any income from it may fall as well as rise. You may not get back the amount you originally invested.

OW1284 Exp. 10/04/19

Don't fall for a pension scam

Frank Field, Labour MP and chair of an influential parliamentary committee, has called for legislative action to help keep pension savings safe.

As your trusted Financial Adviser you should always talk to us before taking any critical financial decisions, especially when it comes to something as important as your pension.

This comes after Police data shows that more than £43m of people's retirement savings have been lost to fraud since the pension freedom reforms were announced. Figures from The Pensions Regulator estimate that around £500 million is stolen from our pensions every year.

There are different types of scam, but they often begin by someone contacting you unexpectedly by phone, email or letter. They may invite you to learn more about:

- an investment or other business opportunity that you've not previously spoken to them about
- taking your pension money before you're 55
- ways that you can invest your pension fund

Protect yourself from fraud

Fraudsters and their scams are becoming increasingly sophisticated. They can be financially articulate and very convincing; with websites and marketing material that make them look legitimate. So how would you know if you're about to be the next victim?

Spot the warning signs - If you're contacted out of the blue, if the investment risks are downplayed, or they are using pressurised selling tactics which offer a bonus or discount, it should set off alarm bells. And if the offer is 'one time only' or you're asked not to share the details of the 'opportunity', you should be suspicious.

Check the Financial Services Register – https://register.fca.org.uk or call 0800 111 6768. If an individual or company is not on the register it's probably a scam.

A good rule of thumb with all scams if it's too good to be true, it probably is.

If you think you are being targeted by a scam hang up the call, delete the email, rip up the letter. If you think you have been the victim of a scam already contact Action Fraud, the UK's national fraud and cybercrime reporting centre, immediately on 03001232040.

To find out more about how to protect yourself from financial scams visit

FCA ScamSmart
www.fca.org.uk/scamsmart

Take Five
https://takefive-stopfraud.org.uk/

Pension Wise
https://www.pensionwise.gov.uk/en

The Pension Advisory Service
https://www.pensionsadvisoryservice.org.uk/

OW1285 Exp. 30/09/18

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.

OW1170 Exp. 20/12/18

It happened to him

Don’t let the ‘it won’t happen to me’ approach affect your decision on whether or not to take out critical illness cover.

David thought he was a fit, healthy, middle-aged man, with a good exercise regime and diet. He was a keen runner, and had even completed the New York marathon. It was only when he experienced angina-like symptoms that he went to his GP.

He was diagnosed with hereditary coronary heart disease.

David was shocked at this diagnosis – and even more so when his surgeon informed him he had already had a heart attack. The surgeon suggested that David’s seemingly normal response to running had disguised the symptoms of angina.

Luckily, David had critical illness insurance cover in place and after receiving the diagnosis, David got in touch with his policy provider who provided useful information and guidance on how to make a claim. The process was straightforward and the provider kept in touch with David right up until the cheque was banked.

David is self-employed and chose to stop work while he received treatment for his heart condition. Having the financial payout from his policy meant that he could concentrate on recovery and make sure his family didn’t have the additional burden of paying the bills while he wasn’t working. He now works part time and enjoys more time at home with his family.

David has always been a firm believer in having cover in place for the unexpected, and in his case it has been worth every penny.

Based on a real-life case study. The names have been changed to protect the privacy of individuals.

Don’t leave it to chance, get in touch with us today and we can review protection arrangements for you and your family.

Critical illness cover is often underestimated when it comes to taking out protection insurance as many people think it’s an expensive monthly outgoing when the chances are “it’s not going to happen to me”. But with statistics like this, it’s a mindset more of us should think about changing:

15,464

Critical Illness claims were made in 2016

1 in 17 **1 in 13**

More than a fifth of all cancer deaths are from lung cancer, and it’s estimated 1 in 13 men and 1 in 17 women will be diagnosed with this in their lifetime

100,000

Around 100,000 people in the UK have Multiple Sclerosis, with most people diagnosed between ages 20 and late 60s

OW1291 Exp. 31/12/18

With protection comes choice

How many times have you heard the phrase “It won’t happen to me” when it comes to the chances of suffering a serious illness? Unfortunately, given that 1 in 2 people born after 1960 in the UK will be diagnosed with some form of cancer during their lifetime we should perhaps adopt the lottery approach and assume “it could be you”.

If you’d like to talk to us about critical illness cover and income protection as part of a protection portfolio, please get in touch.

Did you know?

The **average age** of a critical illness policy claimant is **47**, and **54** for a terminal illness claimant. - *Legal & General Claims Department 2017, based on critical illness and terminal illness claims paid in 2016*

If you have a mortgage, or people who rely on your income, you should have some sort of protection cover in place in the event that you have to stop work. We can advise you on a range of policies designed to either pay out a lump sum, or provide a temporary regular income.

Critical Illness cover

Following a successful claim, receiving a lump sum on diagnosis of a specified critical illness can give you precious breathing space; space that allows you and your family to overcome the initial shock and begin a potentially gruelling treatment regimen without the added strain of mounting debt.

But it’s not just your finances that a critical illness pay out could help with. What if you wanted to pay for treatment that’s not available on the NHS, or you needed to make structural changes to your home as a result of your illness? And after the treatment, wouldn’t it be lovely to take the family away so that you could all relax and spend some quality time together?

Income protection

According to research from Macmillan Cancer Support, four out of five cancer patients face a monthly expense of £570 a month as a result of their illness, due to the impact of reduced earnings and additional expense including hospital visits and higher utility bills. When you consider that the average weekly household spend in the UK in 2017 was £554.20, it’s clear that even a relatively short time off work could have an immediate impact.

Income Protection can replace part of your income if you’re unable to work for a long time due to illness or disability. This can help you keep up your regular outgoings such as rent or mortgage payments and the usual household bills and expenses. Some plans have the facility to add unemployment cover and some offer additional benefits like counselling services which can ease the burden during a potentially difficult and stressful time.

Will your policy 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 **£4.7bn** was paid out on protection claims in 2016, the equivalent of **97%** of all protection claims received during the year.

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