NEWSLETTER

EARLY SPRING 2020

Welcome

A New Year, and indeed a new decade has begun and, however you envisage the future, I and the team at Chapters Financial wish you health and happiness for your plans. I was keen to send you a copy of our latest Newsletter promptly in 2020 as we start to approach the end of the tax year 2019/2020. With the General Election now behind us, and of course the festive celebrations, January is often a great time to focus on what can be achieved for your investment, pension and financial planning. In this instance, both for the year ahead, but also the decade ahead, as you will see in the next pages. Where do you want to be financially in December 2029?

The lead up to the 2019 General Election was unusual, with its messages mixed into Christmas salutations only last experienced in 1923, however with the results now counted and complete, I am sure we all hope that some positive progress can be made by our legislators, however this manifests itself.

You may be aware that we update our website regularly, and many clients found the recent update of our Investment House View helpful for their investment planning. More can be found on our website, noting that our view remains unchanged looking forward in the shorter term. Some detail of this is noted as follows:

'We are not seeing a significant shift away from UK equity investment and I think that to do so may be an overreaction. Investors in FTSE100 companies may benefit from falls in GBP Sterling, as a significant proportion of profits for FTSE100 companies are made in other currencies. In addition, as an example, investors more generally may also benefit from the end of the trade wars/tariffs between the US and China. There are no guarantees that this will happen, but (as we have noted in previous articles on our webpage) with a US election in November 2020, pressure may be on to make this occur sooner rather than later. We believe that most markets have factored in some form of Brexit effect and some might fairly note that UK equity values may have an under-valuation and offer a buying opportunity.

But what of other indices, such as the FTSE250? The FTSE250 has greater UK focus than the FTSE100 and by its nature features smaller companies. We believe that these have greater exposure to Sterling variations and, of course, the UK economy and its Brexit headwinds. In principle, it is likely to be the FTSE250 which may see the greatest volatility over Brexit, dependent on the way GBP Sterling reacts. The next period of time is an unknown for us all and we do expect volatility, which may be more pronounced in the FTSE250 market.'

We have recommended and continue to recommend a regular review to our clients and with this new decade upon us, 2020 may well be the year to focus on what you want to achieve. Perhaps this year is more pertinent as we begin the decade to look back over the last 10 years and also to reflect on what you might have had planned, but somehow life got in the way and the plan somehow didn't happen.

One of the most significant changes in retail financial services over the decade has been the positive use of technology to help gather, store and communicate information for advice and on the way funds are held and allocated. More on this can be found at our 'and finally' page at the end of this newsletter.

Thank you for your support and engagement with me and the team at Chapters Financial over the 'teenies' and we look forward to the next decade of the twenties. Perhaps they will be roaring again!

Keith Churchouse

New Decade's Resolutions 2020

The end of December and the start of January is often a time for people to reflect on the past year and the year ahead. With a new decade ahead of us, perhaps this year has extra significance as some will look further ahead to the next 10 years.

How was 2019 for you? Difficult for many, fretful for some and concerning for all around the UK. Hopefully 2020 will bring some resolution to the political and economic uncertainty...or maybe not. Whilst we may not be able to directly influence the bigger picture, we can take the opportunity to consider the things that we want to achieve personally and draw up an appropriate action plan.

From a financial perspective, the following points are a good place to start to make you sure you are in good shape for 'the twenties':

- When did you last check the State Pension you may be entitled to is up to date? The State Pension had some significant changes made to it in 2016 and you might want to check again and top up if available/ prudent.
- When was your Will last reviewed and do the people that featured in it when it was drawn still reflect your wishes? Do you still want the executors to be the same? Has the arrival of grandchildren, or the loss of a loved one changed the plan you want to follow?
- If you are retired and using the more flexible income drawdown facility, will the capital you have last as long as you do? Actuarially speaking, the average life expectancy is 87 for a man and age 90 for a woman but what if you're not average and live to 100? Will you have enough to survive and live comfortably?
- Is establishing a Power of Attorney arrangement now relevant because of your age, circumstances or wealth?
- Some people reach 'life junctions' such as retirement or receipt of an inheritance that may mean that they can make gifts to younger generations to help their lives going forward. Is now the time to look at this opportunity again?
- Has your wealth and/or debt grown to a level that any life protection you established in the past is no longer reflective of your current financial position in protecting the family, or from the effects of inheritance tax?
- As younger family members develop, is it time for them to engage fully in their own financial planning?

However you plan your next decade, make the time count, both for you and the family.

Cash is king, right?

"Cash is king" is not an unusual term for some. It may refer as an example to the importance of cash flow and this can be the same for individuals as well as businesses. It's a bit like a car with no fuel; it goes nowhere if it runs out, and the same analogy could be applied to cash.

Through our financial advice planning process, we are advocates of maintaining an emergency deposit fund; an amount of money that an individual can access quickly if the car breaks down, the roof leaks, or they just want to go on holiday. This possible list is endless, and we believe that a fund of at least three to six months' income is normally worth considering as a suitable accessible fund amount.

Where to hold your cash funds? We're well aware that interest rates are not exciting at the moment; however, there are some secure options which should protect the value of your capital, even if the returns aren't earth-shattering. You also need to take into account the effects of inflation on any return that you receive from your savings because this will have an effect on the real return that you achieve over the year.

One key point to consider when comparing savings accounts is the interest rate offered, although in our opinion the best comparator is the Annual Earnings Rate, sometimes referred to as the AER.

Some examples of the ways in which you may want to shelter your cash are as follows.

Deposit Protection Limit

The deposit protection limit under the Financial Services Compensation Scheme (FSCS) was in the news some years ago, when it went back up to £85,000 to take account of the drop in the value of the pound following the Brexit vote. It's not something that's necessarily regularly advertised, but it's an important point to consider if you're holding cash on deposit. The deposit protection limit applies to the total eligible deposits for each person per authorised firm. So, for joint accounts, this means that each account holder is protected up to the deposit protection limit, i.e. two times £85,000.

Savers who have large sums in their bank account as a result of significant transactions (such as a house sale) may be protected under the FSCS up to a level of £1M for up to six months. Conditions apply and only certain temporary high balances qualify.

National Savings & Investments (NS&I)

NS&I is one of the largest savings organisations in the UK. It's backed by the government and offers 100% security on all deposits, so savings with NS&I aren't restricted by the deposit protection limit. In fact, for some NS&I products, such as Income Bonds, it is possible to invest up to £1M per person, all of which is protected.

More information on NS&I products, investment limits and current returns can be found at www.nsandi.com/our-products

ISA allowance

It's normally sensible to use the annual ISA allowance where you can (if not already used), which is currently up to £20,000 in a tax year per individual, and this can include the cash ISA option. The value of cash ISAs counts towards any deposit amount with a provider for the deposit protection limit. However, any interest / returns within the arrangement are free of tax, which help to protect the capital value against the effects of inflation over the longer term, or indeed provide some tax-free income if needed.

If you would like to consider your cash position and the options available, then please contact the Chapters Financial team who will be happy to explore this further.

Beyond the mortgage – lifestyle protection

Most people with a mortgage or large loan will have taken out some form of life cover when the original loan was established. It's probably one of the most common reasons for putting protection in place and often, that's as far as it goes. However, if things go wrong, it's not only the mortgage or loan that would be at risk. A more holistic approach to protection can offer the opportunity to protect not only an individual's home, but also their lifestyle.

'Default' cover

As suggested, if you've got a mortgage or debt, it's quite likely that you have also set up a life cover policy to protect your loved ones in the event of your death. This might be for a level amount of cover until the end of the mortgage term (e.g. £400,000 till your age of 65 as an example), or the sum assured might decrease over time as the mortgage is paid down. There might be some critical illness and/or total permanent disability cover included in the policy as well, depending on what was selected at the outset.

If you haven't looked at your policy for a while, it's worth having a review of what's covered, or potentially more importantly, what's not. Your circumstances may have changed quite significantly since the start of the plan and you may find that what was adequate all those years ago doesn't quite add up to what you might need now. Make sure you don't cancel any policies without having them reviewed by a qualified adviser, but do get them reviewed.

For information, Chapters Financial does not offer mortgage advice.

'Lifestyle' protection

Protecting any debt/loan repayment is sensible and usually not that expensive, although this will depend on your personal circumstances. Protecting your lifestyle, on the other hand, can be overlooked or dismissed as unnecessary and costly.

To reference this further and as examples, AIG Life brought together some interesting statistics in a recent presentation, which might provide some pause for thought for your overall financial planning:

- The average weekly household spend rose to £554.20 in the financial year ending 2017
- One in five people who are off work due to incapacity will be unable to work for three months or more
- A quarter of people say they would face 'financial ruin' if out of work for only four weeks
- An estimated 137.3 million working days were lost due to sickness or injury in the UK in 2016
- Only one in 10 people in the UK have some form of income protection in place
- In a number of regions in the UK, over 50% of adults have less than £100 in savings

What should you consider?

As a first point, if you are employed, check whether your employer offers any form of income protection cover, or how long they would pay you for if you became too ill to work. Some companies are more generous than others, and it's worth bearing in mind that Statutory Sick Pay (SSP), the minimum level of support you'd get, is currently £94.25 per week for up to 28 weeks. Given the average household spend noted above, it is clear that if SSP is the only benefit to which you would be entitled in the event of illness, it's not going to go very far.

Building a holistic protection plan

With the above points in mind, it is clear that thinking 'beyond the mortgage' is prudent and these days it is possible to build a protection plan tailored to each individual's circumstances and made up of a range of different types of cover, a bit like picking dishes from a menu. Examples include term assurance, critical illness, total permanent disability, income protection and family income benefit, to name a few.

The level of cover can be selected to suit an individual's needs and budget and can provide a cost-effective way of protecting more than just the family home.

Summary

Our experience shows that each protection enquiry is different and specific to a client's needs. If you would like advice on the ways in which you can protect your family in the event of death or ill health then please contact the team at Chapters Financial, who will be able to help you further.

What is ESG in the pensions & investment world?

You may not have heard of ESG before, but it is increasingly important in the processes that people may apply to the way they invest.

ESG stands for Environmental, Social and Governance and these are the central factors of measurement for the sustainability and ethical impact and behaviour of a business/company. You will probably be aware that the financial services industry is not averse to an acronym or two, indeed we tend to have far too many, but this one, ESG, may offer a real difference. ESG measurements are designed to help better determine the future financial performance of companies. You could argue that this is just good corporate social responsibility, but it is also the need to think long-term.

I think it is also important not to mix ESG with ethical investing. Both add additional parameters to investing to ensure that money invested meets an agreed standard or target, but the two focus on different factors. A good article on ESG investing can be found at Aviva's website (not an endorsement) at:

www.avivainvestors.com/en-gb/about/responsible-investment/our-approach/esg-alternative-assets

Having hosted a Chartered Institute for Securities and Investment (CISI) event last year in Reigate, I was impressed with Aviva's approach to this growing topic and their enthusiasm for its importance. If you are interested in ESG investing, then you may be pleased to know that there are now metrics that have been introduced to help focus on this opportunity. More can be found here: www.msci.com/eg-ratings

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This is an important investment topic and one which will become ever more prevalent in the future. However you plan to invest, make sure that you take into account important factors that you want to achieve.

As non-dependent as they are ever going to get!

Understanding a client and their needs is always vital to ensure that any financial planning advice provided meets their agreed objectives. When family and dependants are considered, it is often noted by clients that the children who are now young adults still seem to be dependent, and even after university this continues. But the squeeze on the middle generations can come from more than one direction.

Younger Generations

This is not uncommon, and the financial needs of our younger folk, borne by older generations, is in part referenced in the Legal & General annual survey called 'The Bank of Mum and Dad'.

It makes interesting reading and highlights how reliant family members often are on each other. The Legal & General survey notes that the average contribution of family and friends towards a loved one's house purchase in the UK is £24,100. The average is much higher in London, as an example, at £31,000. Legal & General comments that even though transactions are lower than last year, the value of lending from the Bank of Mum and Dad (BoMaD) will add up to £6.3bn in 2019 – 10% higher than 2018 – and making BoMaD the 11th largest mortgage lender in the UK.

Its also interesting to note the gifting from other generations, such as grandparents and other family members and friends, which are not insignificant in the overall picture.

Older Generations

And it's not just young adults relying on a helping hand from their parents; the parents themselves could find that they are giving with both hands, as they support their children onto the property ladder whilst at the same time helping their own parents with care costs, or providing care themselves. Very much the 'squeezed middle'. A recent article on the BBC news website cited research by Sheffield and Birmingham Universities suggesting that two-thirds of UK adults can expect to become an unpaid carer during their lifetimes.

Protection

The research also suggests that women can expect to take on caring responsibilities for a relative more than a decade earlier than men. Wherever the care burden falls though, it will put pressure on family finances, and it is likely that the individual providing the care will be financially reliant, at least in part, on a partner or other family member. But what if the main earner can't earn for a period of time, becomes critically ill or dies? Income protection, critical illness cover and life cover can all provide some protection in these types of situation and it's worth exploring the opportunities available to suit the family's needs and circumstances.

Our interview processes often reveal opportunities during our discussions as to how older generations can help younger generations forward financially, and there are often a few solutions and allowances that can be utilised to meet the family's objectives.

In the Spotlight

Joanne Tester
Chief Executive Guildford Action

GUILDFORD ACTION
Enhancing Lives

Guildford is a town I am proud to call my own. Having grown up here and with family still in the borough, I take great pride in much of its greatness and history. However, there is a hidden issue of poverty and isolation that doesn't always fit with the public perception.

We are seeing people sleeping in doorways in our High Street which was something that didn't happen five years ago. There have always been homeless people, but with welfare reform and the fact that mental health and social care services are not as responsive as they once were, we are seeing an increase in our most vulnerable becoming homeless. Most of the individuals we support have experienced trauma at some point and this can manifest in mental health challenges, dependency on substances and that ongoing need to escape a harsh reality.

Our Family Support Service is also seeing children who are growing up marginalised and disadvantaged and without access to some of the necessary things to enhance their lives such as the internet, groups and clubs.

At Guildford Action we take people as they are. We meet basic needs through access to food, showers and healthcare, alongside running groups and activities which aim to build self-esteem and decrease isolation. Our model is based around providing safety, control and nurture and we know that when people have these things they are more likely to move forward in a positive way.

Thank you to Chapters Financial who have sponsored our annual Sleep Out for the second year as without this support the event would not be possible. The Sleep Out took place at the Guildford Spectrum at the end of November and raised vital funds for Guildford Action whilst shining a spotlight on the challenges facing the homeless and vulnerable in Guildford.

If you would like to find out more about our work and be involved, you can do so by becoming a volunteer, holding an event or making a donation. All information can be found at www.guildfordaction.org.uk

Tel: 01483 560003
Email: info@guildfordaction.org.uk
www.guildfordaction.org.uk

If you would like to be in our spotlight in our next edition please let us know by emailing Suzanne@chaptersfinancial.com

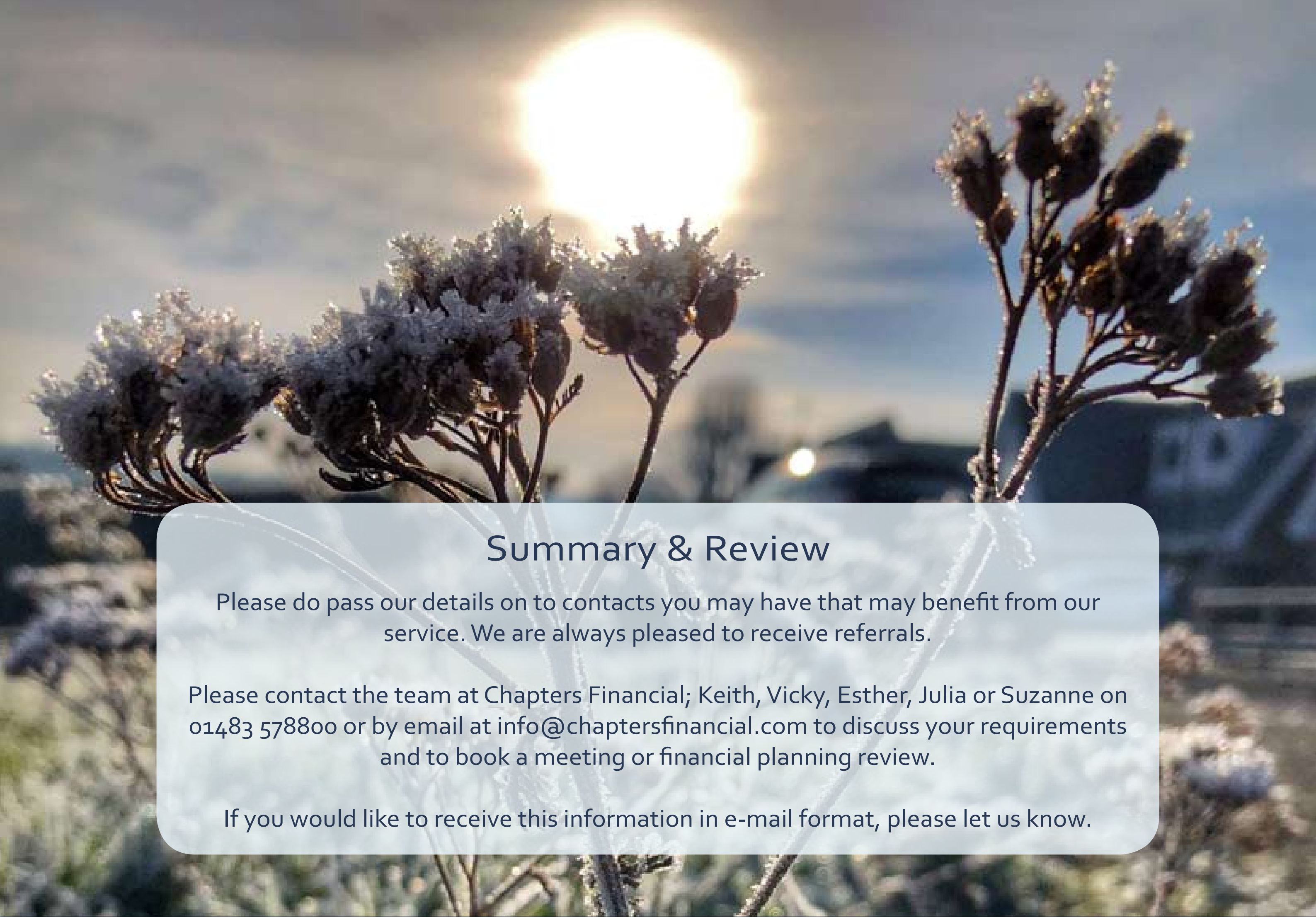
And Finally ....Our changing world – technology and finance

As we start a new decade, here's a look at some of the changes in technology and finance that have happened over the last 10 years.

2010 was very different to the way 2020 looks, with some changes for the better and some for the worse. Technology has made a huge difference to the way that we look at our world, and the way we use it. Here are some of the milestones from the past decade:

- It might be hard to believe, but the original iPad was released in April 2010, with the iPhone 4 following shortly after in June 2010.
- In October 2010, Sony retired the cassette Walkman, which was first sold in 1979.
- Half of all debit card payments are now contactless: this method of payment has become so popular amongst UK consumers that it accounted for half of all debit card transactions in July.
- In 2018, credit card spending outstripped cash spending for the first time. Credit cards were used to pay for £82bn worth of goods in 2018, as cash sales fell below £80bn (source: British Retail Consortium).
- But – the Bank of England notes that there are over £70bn worth of notes in circulation today – roughly twice as much as a decade ago.
- Polymer notes came into existence over the last decade, with the new £20 note following in 2020.
- Online shopping has increased dramatically over the past 10 years. In 2010 internet sales accounted for about 6-7% of total retail sales whereas by the end of October 2019 this had risen to 19%. (source ons.gov.uk)
- Mobile banking with specialist mobile apps has been a major change in the past decade and The Growth of Digital Banking 2019 report by data expert CACI found that the proportion of customers using mobile banking apps will be higher than the amount using branches and desktop by 2021.

As we look forward to the next decade, technology will I am sure continue to grow at a tremendous pace – think artificial intelligence, 5G (Guildford has a significant development hub for 5G), drone technology and cloud computing as a very few examples. On the flip side, hacking and identity theft continues to increase, as technology spreads into every area of our lives, and individuals need to change with the times and ensure they protect themselves where possible.



Summary & Review

Please do pass our details on to contacts you may have that may benefit from our service. We are always pleased to receive referrals.

Please contact the team at Chapters Financial; Keith, Vicky, Esther, Julia or Suzanne on 01483 578800 or by email at info@chaptersfinancial.com to discuss your requirements and to book a meeting or financial planning review.

If you would like to receive this information in e-mail format, please let us know.

CHAPTERS FINANCIAL®

www.chaptersfinancial.com

Hadleigh House, 232 High Street, Guildford, GU1 3JF.

Tel: 01483 578800

Fax: 01483 578864

email: info@chaptersfinancial.com

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