

# Financial Viewpoint



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## Is now the right time to fix?

If you're considering changing your mortgage, a fixed-term deal might be right up your street.

## Spring Statement

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

## It happened to him

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

## Don't fall for a pension scam

Pension fraud is becoming increasingly sophisticated, but there are ways to spot the warning signs.

## The importance of diversification

Who should you listen to when it comes to choosing how you invest?

## Securing your company's future

What would happen to your business if you lost a key member of staff?

## The path ahead for the global economy

We look at the political and economic events that could impact your investments.

# Is now the right time to fix?

November 2017 saw the Bank of England raise interest rates for the first time in a decade, from 0.25 per cent to 0.5 per cent, causing a number of lenders to increase their mortgage rates.

The Bank of England has indicated there could be further rate rises, so if you're on a Standard Variable Rate (SVR) or Tracker mortgage you might start to question whether now is the right time to fix your mortgage rate.

## When will interest rates go up?

With the UK experiencing high inflation but weak economic growth, opinions are split on how the Bank of England will react, making it very difficult to predict when interest rates might rise.

## Should I consider moving to a fixed rate mortgage?

The attraction with a fixed rate mortgage is the certainty it gives to your monthly mortgage repayments over a set period. This is useful if you're on a budget because it gives you peace of mind that if the interest rate goes up, your repayments will stay the same for the period of the fixed rate.

Whatever type of deal you're on, it's a good idea to take any increase in the base rate as an opportunity to review your current mortgage, particularly as lenders will be launching deals to entice new, and retain existing, customers. As the base rate and mortgage rate are often closely linked, many experts believe now is an ideal time to get a new deal, especially if you're currently on a high SVR.

If you are considering changing your mortgage deal, make sure you're clear on any fees and charges that may be due when remortgaging, as these can reduce any potential savings made. Some lenders have exit fees and early repayment charges as high as 5 per cent, so if you're coming to the end of your term, check that you're not switching out during the penalty period.

When looking for a new mortgage deal, it's sensible to start reviewing your options between three and six months before your mortgage deal is due to end.



*If you're not sure whether moving to a fixed rate is right for you, please get in touch.*

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



# 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



# 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.*



# Securing your company's future

Business Protection is a crucial element in a company's financial future, but how many have cover in place?



*If your business would be financially impacted by an unexpected event, or you'd like to review your current level of business protection, please get in touch.*

According to a study from Legal & General, 53% of the UK's small businesses think they would cease trading in less than a year, should a key employee die or be diagnosed with critical illness and unable to work.

These figures ought to concern most business owners – especially given that the Federation for Small Businesses also reported around 50,000 SMEs go under each year because of late loan repayments – and it's a trend that could continue given the uncertain economic climate. Worryingly, approximately 60% had dipped into their personal savings to fund their business.

## Protecting the most important assets

You may have covered the tangible assets of your business, but have you protected your most important assets: the people who directly contribute to your profits?

If the answer's no, ask yourself:

- how would your business cope if a key employee suddenly died?
- would the business have to find the money to pay back any loans?
- what if you became critically ill?
- can the business afford to fund a suitable replacement until you're fit to return?

If the unexpected happened, it could pose a serious risk to your business.

Taking out Business Protection can help to cushion the financial impact of these unplanned events, including:

- repaying, or part repaying, an outstanding business debt
- funding the recruitment of specialist staff
- purchasing the shares from a deceased business partner or director's estate

Every business will have different protection needs depending on their size and nature, so it's important to get advice on the cover available and how it might suit your circumstances.

## Smaller business; greater risk?

The loss of a key employee is likely to have a much greater impact on the running of a small business compared to a larger organisation, because there will be less resource to pick up the pieces and keep everything running smoothly. But despite the risk, smaller companies are least likely to have business protection in place, yet these are the very businesses who may need this protection the most.



# 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.*

## 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 brought forward from **2022 to 2021**.



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



# 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.

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.



*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.*

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

### FCA ScamSmart

[www.fca.org.uk/scamsmart](http://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/>



# The path ahead for the global economy

Much has happened to keep us busy in 2018 so far, but there's plenty to come in the second half of the year in terms of the political and economic events that could shape the future direction of markets, and your investments.



## UK

The second-half of 2018 in the UK should be all about Brexit in the run up to our scheduled departure from the EU on 29 March 2019. Having reached an agreement on the so-called 'divorce bill' at the end of last year, the next stage of negotiations is about the UK's relationship with our European neighbours going forward. With so much still in the air – including future trade and rules around EU citizens living in the UK – decisions made could have an impact on investment markets, especially trading in the pound.



## US

The big event at the end of the 2017 was the passing of Donald Trump's tax reforms, including big tax cuts for companies and a drop in income tax which will benefit many American families. However, most won't feel the affect until they file their taxes in April 2019.

A measure of Trump's popularity will be the US midterm elections in November, which historically haven't always gone well for the incumbent president's party. The whole House of Representatives, a third of the Senate, and most governorships will be at stake, along with hundreds of state legislative seats and local offices around the country.



## Latin America

Donald Trump has upset many Mexicans with his plans for a wall separating the country from the US. Relations between the two neighbours are likely to figure prominently in the Mexican presidential election on 1 July. The favourite to win is the former mayor of Mexico City, Andres Manuel Lopez Obrador, who is leader of the left-wing National Regeneration Movement (MORENA). He has been very vocal about Trump's policy toward Mexico.

Brazil has had a tough few years. President Dilma Rousseff was impeached in 2016 after allegations of manipulating the government's budget, while former president Luiz Inacio Lula da Silva was convicted of money laundering last year. However, Lula, as he is more commonly known, is among those fighting for re-election in this October's vote.



## Europe

After a tough ride for Angela Merkel in the German election, and the fallout from Catalonia's bid for independence from Spain, 2018 appears to be a more serene year for politics within the eurozone. However, with such cultural and economic diversity within the bloc, its future sustainability must not be taken for granted. On the economic front, the eurozone as a whole continues to impress in terms of growth, though the European Central Bank (ECB) remains behind the curve in terms of monetary policy – namely it has kept interest rates at 0% while other major economies are beginning to 'hike', or raise, theirs.

With the eurozone economic crisis of a few years back still fresh in our memories, an important milestone could be the results of stress tests of Greece's four largest banks, due to be published by the ECB in May. This will hopefully allow time for any shortfall to be filled before Greece is due to leave its bailout programme in August.



## Asia

After China's grand leadership reshuffle late last year, other South East Asian countries are set for a political refresh in 2018. National elections are due in Malaysia, Thailand and Cambodia in the second half of this year, while Indonesia's politicians are already on the campaign trail for elections there in 2019. The US withdrawal from the Trans-Pacific Partnership – a trade agreement between 12 countries, representing some 40% of the world economy – was a big headline last year. However, while it means less reliance on the US, it could ultimately lead to even greater influence from China, now challenging to become the world's largest economy.

*Past performance is not a guide to future performance. 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.*



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

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