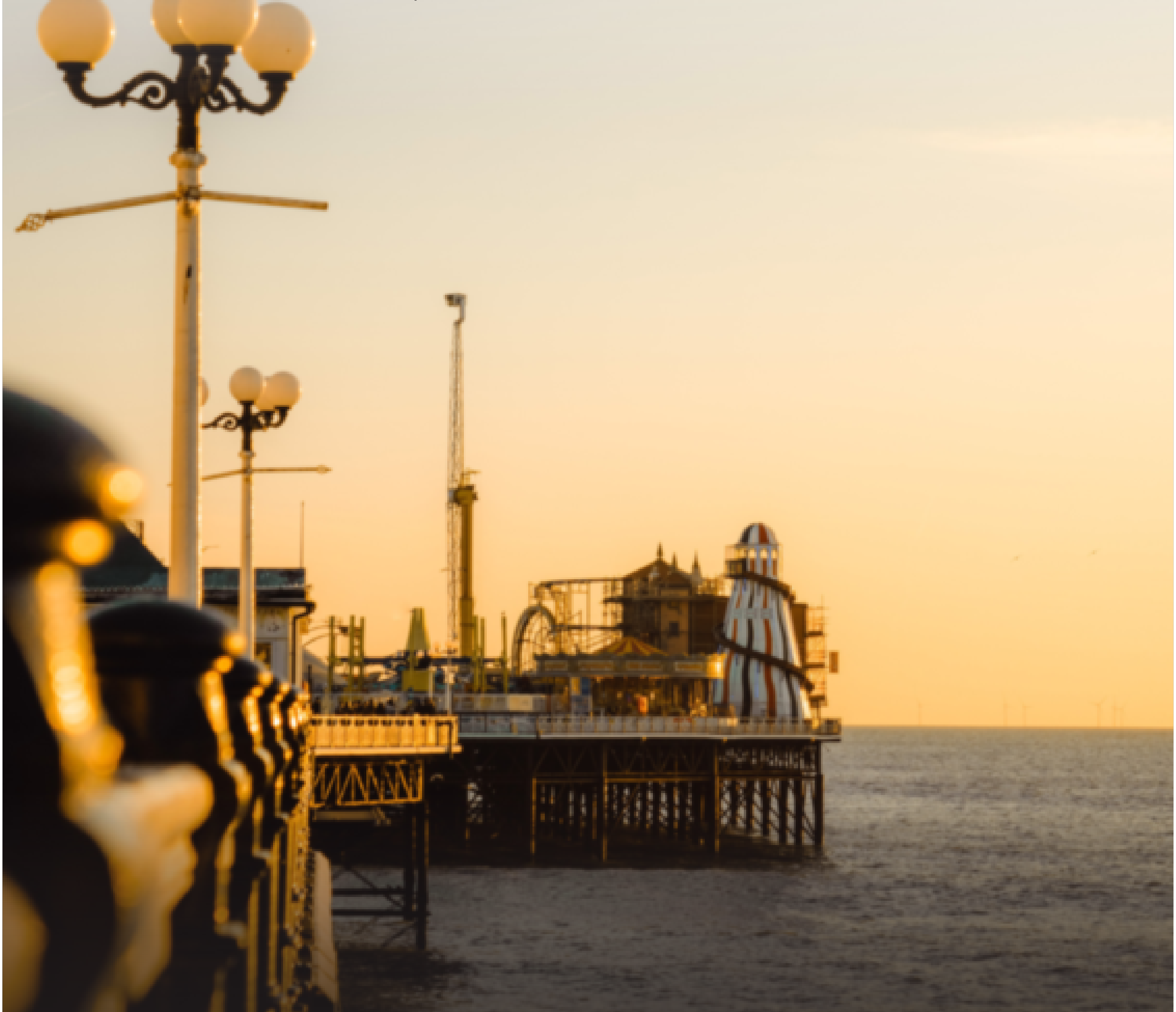
Nigel Grice
& Associates

VIEWPOINT

NIGEL GRICE & ASSOCIATES

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.



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Investment Update

Markets reflect uncertainty over Delta variant

The pandemic continued to unsettle global financial markets during August.

August turned into a month of highs and lows for markets, especially in Europe. There was positive news that the euro area's economy grew by 2% in the second quarter, which was then countered by a heavy fall in share prices, with the FTSE 100 in London, Frankfurt's Dax and the Europe Stoxx 600 all dropping more than 2%. Causes for concern in Europe centred on fears of a new wave of Covid-19 as well as a reduction in economic stimulus measures.

US Federal Reserve signals slowdown

In the US, markets were struck in August with fears of a slower economic rebound from the pandemic, after the Federal Reserve (Fed) signalled that discussions had started on when to start tapering its fiscal stimulus programme. As a result, there were heavy falls in stocks and commodities, with investors unsure about monetary policy and the slowdown in growth globally, all of which dampened sentiment.

At the annual Jackson Hole symposium, Fed Chairman Jay Powell did point to the strength of economic rebound in the US so far; underlining the Fed's belief that a gradual withdrawal of stimulus will not adversely affect the US economy.

America's own economic rebound slowed to its lowest level in eight months in August. However, the US job market showed strength, with over 900,000 new jobs added in July, along with the unemployment rate dropping to 5.4%.

Growth for the UK economy

The Office for National Statistics reported that the UK economy grew by 4.8% in the second quarter, following the easing of lockdown restrictions. Along with increases in retail trade, food services and hotel accommodation, there was an increase in construction and production output during the period, too.

Emerging markets experience mixed fortunes

The Chinese government clamped down on its tech sector in August, announcing its plan to ban unfair competition among internet companies. Although surveys have suggested that Asia's economic recovery is slowing, South Korea's economy in 2021's second quarter was larger than at the same time in 2020. However, China has suffered from renewed travel restrictions and natural disasters including severe flooding – which affected rates of output, retail sales and investment, slowing its economic recovery.

After a successful summer Olympics amid the pandemic, there was further cause for celebration in Japan – its economy grew in the second quarter, beating forecasts and boosted by consumer spending and investment. However, the country's recovery is behind other large economies, which is largely due to the slow vaccination rate slowing a full reopening.

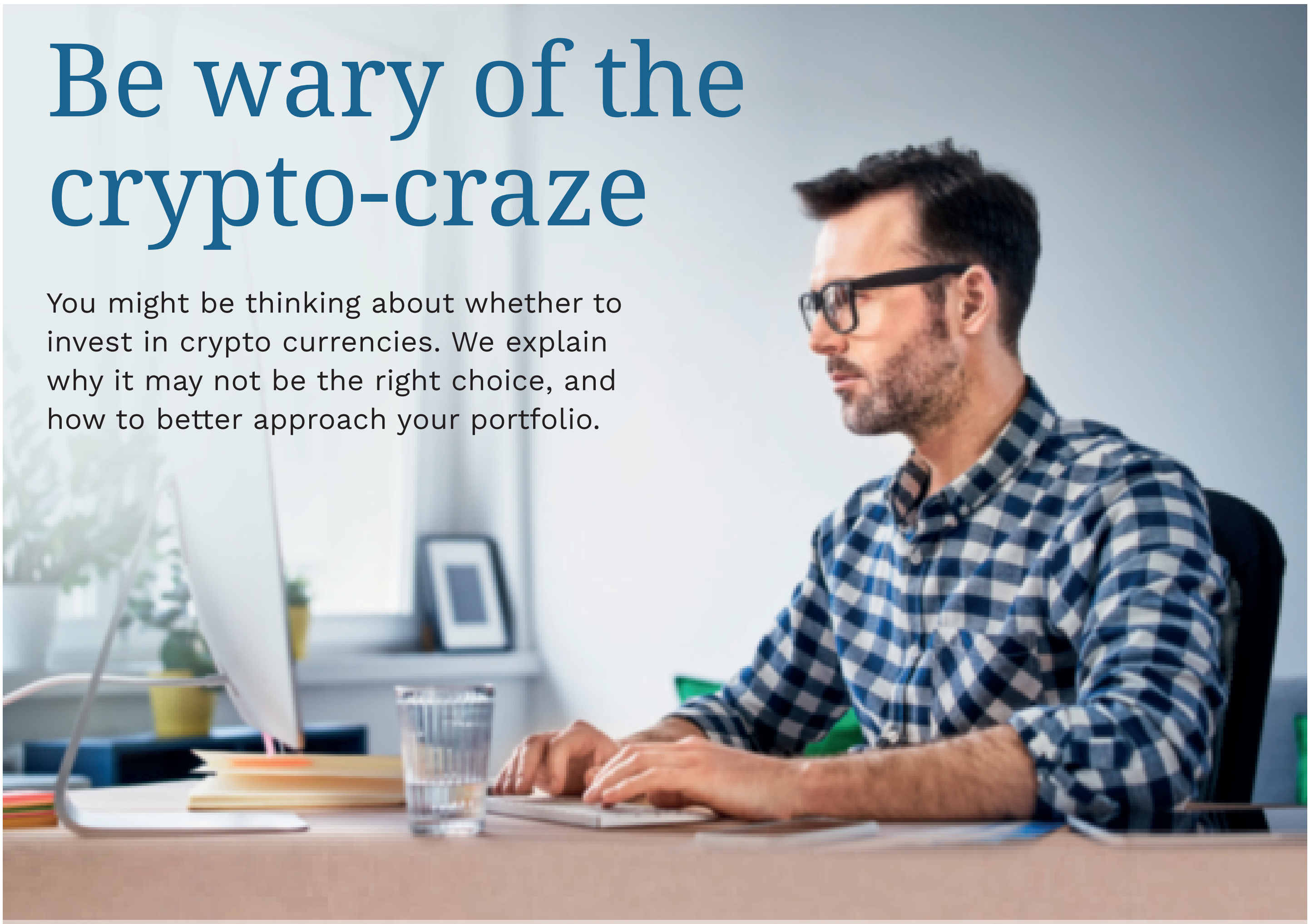
Big profits for big oil

The high price of oil in the last quarter boosted energy company profits during the period, even allowing for the ongoing shift into greener energy sources. ExxonMobil, for example, registered a net profit of $4.7 billion in the second quarter, following a loss during every quarter of 2020.

Elsewhere, the auto giant Toyota announced it will cut production by 40% in September due to the shortage of semiconductors around the globe. Most of these chips are made in Asia, but the Delta variant has affected production.

Be wary of the crypto-craze

You might be thinking about whether to invest in crypto currencies. We explain why it may not be the right choice, and how to better approach your portfolio.



This year has been eventful for bitcoin, with the cryptocurrency reaching a record high and then almost halving in value all in the space of six weeks. The walk-back in May from Tesla's Elon Musk in his support of bitcoin underlined concerns around the idea of cryptocurrencies as a stable investment. Musk – previously an outspoken supporter – announced his company would not be accepting bitcoin as payment for its vehicles. What followed was a series of plunges in its value – not helped by the additional news of Chinese regulators signalling a crackdown on the use of digital currencies.

Bitcoin in brief

Bitcoin is a type of digital, decentralised currency, allowing the transfer of goods and services without the need for a trusted third party. The network is based on people around the world called 'miners' using computers to solve complex mathematical problems in order to verify a transaction and add it to the 'blockchain' – a massive and transparent ledger of each and every bitcoin transaction maintained by the miners. The first to verify is rewarded with bitcoin. There is a finite amount of bitcoin that can be produced and, as more are created, the mathematical computations required to create more become increasingly difficult.

Cryptocurrencies can be volatile

Bitcoin's high volatility (risk) makes it a poor substitute for money in a broad sense. The unsteady air around cryptocurrencies in May showed the speculative nature of this asset class. Bitcoin and cryptocurrencies in general have more in common with commodities and currencies – they are much harder to value than cashflow-producing equities and bonds.

Reasons to be crypto cautious

- Cryptocurrencies are a volatile choice and susceptible to stock market bubbles, which can affect investments negatively during a downturn.
- They're not a tangible form of investment, and are not regulated, which can be a red flag when it comes to your investments.
- Volatility means investors are likely to act on doubts and sell if they fear a fall in return.

Where to invest?

A sensible approach is to invest in high-quality companies that are well-established businesses. These are usually businesses with strong management teams, serviceable levels of debt and predictable cash flows. To avoid being hit by market volatility make sure your portfolio is invested in a wide range of assets, and less vulnerable to market shocks.

Staying invested when there is a downturn can help you get through any turbulent times and put you in a good position to benefit from any ensuing recovery.

Our financial advisers can help advise you on your investment choices.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Get the best out of your BTL mortgage

Many fixed mortgage deals will be approaching the end of their term this October, so it's a good idea to review your buy-to-let mortgage.

With interest rates still at low levels and demand for rental properties increasing around the country, investing in a buy-to-let (BTL) is a popular choice for many.

Buy to let basics

A BTL mortgage is a specific type of product for those who want to buy a property with the intention of renting it. Because of this, there are different terms and rules around a BTL mortgage (compared to a regular mortgage for a property the buyer intends to live in.)

- With a BTL mortgage, the anticipated rental income is taken into account when the lender calculates how much you can borrow.
- A BTL mortgage could suit investors with enough equity to put down a deposit of at least 20% of the value of the property (but some lenders could require up to 40%.)
- Your credit record is closely scrutinised with a BTL mortgage, as with a regular mortgage application.

  Interest rates for BTL mortgages are usually higher than a regular mortgage.

Things to remember

If you have a BTL mortgage already and its fixed interest rate term is coming to an end, you may be thinking about switching products or providers to gain a better deal. Here are some other things to look out for:

- Examine all of your options into the type of product to suit your investment going forward. A financial adviser is best placed to help you with this.
- Don't forget to research any fees and charges around changing your product too, as these could be higher than you expect.
- When changing products, you may be asked about your property's rental income history in order to assure any new lenders that you are able to keep up with mortgage payments.
- Show that you have sufficient savings to cover any gaps in rental periods when your property could be unoccupied.
- For your own peace of mind, having a cushion of savings available to cover any essential repairs is important.

If you are looking to remortgage your BTL property or are thinking about transferring your mortgage to a different provider, our advisers can help you find a product that best suits you.

Some buy to let mortgages are/is not regulated by the Financial Conduct Authority.

YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE

OW3540 Exp. 25/08/22

Borrowing options in your later years

Retirement is an exciting time; the start of a new chapter in life. Whilst we will have worked, saved and prepared for this moment for a long time, many of us will find we don’t quite have enough money to fund all the things we planned to do.

Luckily, there are an increasing number of options for borrowing in your later years, enabling people to stay in their homes for longer and help fund their retirement lifestyle.

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

Mortgage

One option is a traditional residential ‘capital and repayment’ or ‘interest-only’ mortgage. Many lenders have increased their upper age cap limits in recent years, enabling mortgages to now be applied for by people up to 80 years old and allowing mortgage terms that end when a customer is up to 85 years old.

You’ll have a better chance of being accepted for these mortgages if you have a good credit history. Your income will need to be high enough to easily cover the mortgage payments, so lenders will be looking for proof of pension income. This is easier to do once you are retired.However, if you are yet to retire, your pension provider can give confirmation of your expected retirement date, current pension pot and expected retirement income. The mortgage provider will also be interested in other income you may have, such as from shares and property investments.

Equity Release

Another option is equity release. With an Equity Release Mortgage, you borrow an amount against a part-share of your home, either as a one-off lump sum or a monthly income.

You still own your home, and the payment can be used for a variety of purposes. These are, most commonly, to pay off an outstanding mortgage, pay for a major purchase or unexpected cost, or simply to help fund your retirement.

Lifetime Mortgage

A Lifetime Mortgage differs to a traditional Residential Mortgage as payments do not need to be made throughout the term of the mortgage. Instead, the total amount borrowed plus the interest is repaid when the house is sold, which is usually after the borrowers have moved into a care home or passed away.

Both Equity Release and Lifetime Mortgages will impact elements such as how much inheritance you have available to pass on, eligibility for state benefits and your tax position.

Each of these borrowing options suits different circumstances so you must carefully consider which would be best for you in your later years.

You will need to take legal advice before releasing equity from your home as Lifetime Mortgages and Home Reversion plans are not right for everyone. This is a referral service.

OW2273 Exp. 14/09/2021

Home insurance add-ons explained

The cover provided by a home insurance policy can vary depending on the insurer. You can usually 'add-on' extra cover for an additional cost. These optional extras allow you to tailor your policy to your own individual circumstances, so you only pay for the cover you need.

Personal possessions used away from home

Many people mistakenly assume home insurance will cover their belongings both in and outside the home. You will usually need to add personal possessions cover (sometimes known as an all-risks extension) to your policy to ensure portable items, such as mobile phones, musical instruments and laptops, are protected away from the home. Items may also be covered when abroad with this add on – usually for up to 60 days a year.

Accidental damage

Accidental damage provides cover for accidents around the home. Adding this cover to your contents insurance will protect you for life's little mishaps like spilling red wine on your cream carpet, or a toddler wreaking havoc with a paintbrush.

If you add accidental damage cover to buildings insurance, you will be covered for accidents such as drilling through a water pipe or cracking a bathroom washbasin. Note that general wear and tear isn't usually included.

Legal expenses

Another optional extra for the majority of home insurance policies is legal expenses cover. This pays for the cost of legal proceedings should you need to go to court if a claim is disputed by any of the parties involved.

Home emergency cover

This add-on will pay for emergency callouts and repairs if, for example, your boiler breaks down or a pipe bursts. Cover can vary between insurers, so you should check carefully, but it will often cover boilers and central heating, drains, plumbing, electrical faults, replacement locks and pest infestations. The amount you can claim for boiler repairs may be lower than with standalone boiler cover.

What to consider

Before adding any of these extras to your policy, check the small print carefully to see whether you're happy with any exclusions or cover limits. In some cases, you may prefer to buy a standalone policy that offers more comprehensive cover.

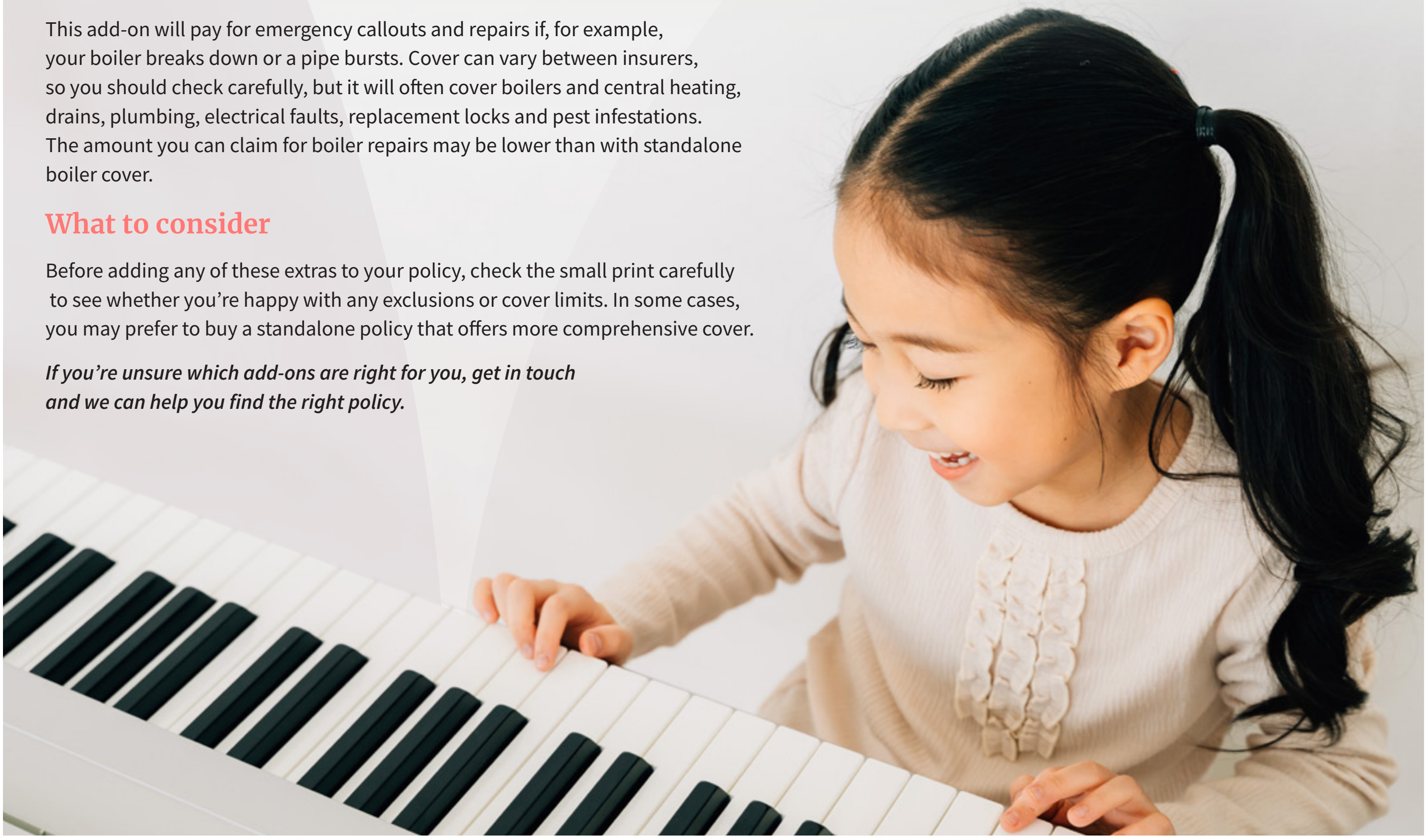
If you're unsure which add-ons are right for you, get in touch and we can help you find the right policy.

High-value items

Not all standard contents policies will automatically cover high-value items and there may be restrictions on the amount of cover provided.

Musical instruments, jewellery or other possessions worth more than a specified cover limit may need to be listed separately on the policy.

For expensive gadgets such as high-end laptops and tablets, you may need to buy separate gadget insurance.



OW2935 Exp. 16/09/2021

How to make the most of your lockdown savings

The pandemic has reportedly created 6 million accidental savers, but what's the best way to use this extra cash?

The effect of the lockdown on millions of bank accounts has been to boost savings for people whose incomes have remained the same but whose spending has dropped.

With the prospect of life returning to a new normal, it's a chance to think about how to make the most of these savings and build on them too.

Where were savings made?

Working from home meant the cost of commuting was put on hold. Holidays were not booked, and the closure of restaurants, bars and entertainment venues cut spending in those areas, resulting in slightly healthier current accounts.

All this, the Bank of England estimates, resulted in over £125 billion saved in 2020. Its survey does note that only a fraction of this is likely to be spent by households, suggesting a cautious approach.

This is understandable given the drop in income for furloughed employees, the loss of income for the unemployed and an unstable job market.

How to invest your lockdown savings

Leaving your savings in a high-street bank account won't build much interest. But there are options out there for those who want better returns on what they've saved:

- Invest in a stocks and shares ISA – not only will any dividends paid to you be tax-free, but any gains will also be exempt from capital gains tax.
- Contribute to your private pension – this comes with the benefit of tax relief status on your contribution if you're a taxpayer.

Other ways to make the most of your savings

Aside from investing, there are some useful ways to use any extra money saved during lockdown:

- Pay down debt – if you have lingering debts, whether they're credit cards or student loans, consider using your extra cash to help eliminate them for good.
- Mortgage overpayments – you could make regular overpayments on your mortgage, reducing its overall term length and the amount you owe on the loan. Check with your mortgage company about their terms and conditions relating to overpayments.
- Build an emergency fund – this fund should contain enough to cover the essentials for a month (like bills, food and your rent or mortgage payments) if anything were to happen affecting your income. Consider opening a separate bank account — easily accessible to you — to store your fund.

A great place to start with all of these options is to create a budget that tracks your income every month compared to your spending, allowing you to work out how much you can put aside.

Our trusted financial advisers are here to help you find the best ways to invest your money to make the most of your savings — whatever your situation.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

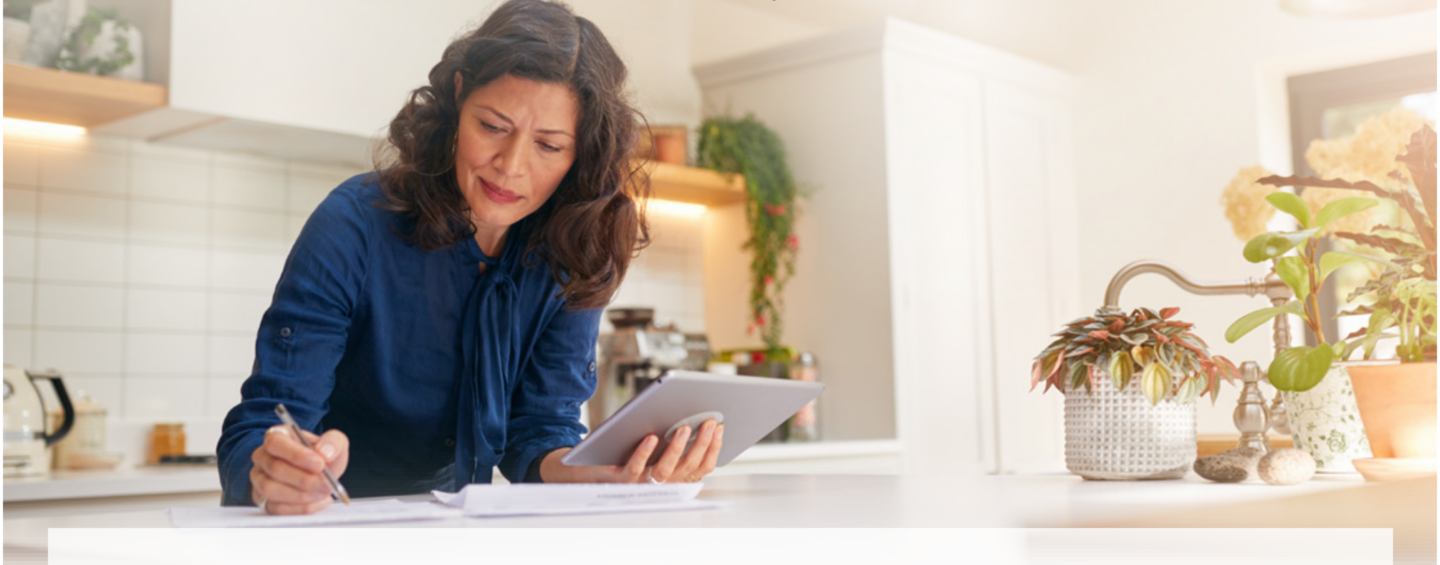
HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Time to consolidate your pensions?

Employer pensions can accumulate as we change jobs, and it's easy to lose track of how much each one contains. We explore what you need to know if you're thinking about consolidating your pensions.

When you leave a job, it's easy to forget about the workplace pension you might have had there. With the average person having several jobs during their lives, along with the 2012 introduction of auto-enrolment for employer-based pensions, it's not surprising that many of us have more than one pension to our name.

Whatever the situation with your workplace pensions, the first thing to do if you're thinking about consolidation is to speak to a financial adviser. We can help you figure out the best solution for your individual needs.



Tracking down your old pensions

All pension providers are obliged to send members of their schemes annual statements to keep them updated on how much their pension contains.

The Association of British Insurers (ABI) estimates 1.6 million pension pots worth billions of pounds are forgotten about due to people just moving home. So it's vital to write to your old pension providers to let them know if your address changes.

The government is in the process of launching a dashboard where all pension providers will be able to input member details, giving customers the ability to see their pensions in one place. But the process will take some years for all providers to supply their data.

Consolidating your pensions

As to whether you should consolidate your pensions into one pot, the first step should be to check the small print. If you have an older pension (around 20 years or older), you could lose some of its benefits if you transfer and be left with steep exit fees taken out of your pension amount.

Unlike older pension schemes, the newer 'defined contribution' pensions are more common and less likely to be affected by exit penalties if you want to transfer them into one place. The funds are invested, which makes consolidation an attractive option.

It's worth noting that if you're still paying into a defined contribution scheme and want to withdraw from it, the amount you can pay in and claim tax relief on could reduce.

On average, management fees for workplace pensions are around 1%. Newer pensions could benefit from tax benefits that older ones don't come with, so it's always worth checking each policy individually and get some advice from a financial adviser.

Leaving older pensions where they are

Along with exit fees and tax privileges, pre-2006 pensions (that were not affected by tax changes established in 2006) could have benefits like guaranteed annuity rates (promising a guaranteed income after retirement), which could be lost if transferred to another pension pot.

Final salary scheme pensions are probably best where they are, too, due to the nature of their payouts when you retire (based on what you earn at retirement.)

Some people opt to create a self-invested personal pension (SIPP), which lets them choose where their pension money is invested. This is beneficial to those who want to put their money into sustainable funds and make ethical investment choices.