



Looking after
your interests...

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YOUR WINDOW ON
FINANCIAL MATTERS

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TEACHING YOUR KIDS ABOUT MONEY

Financial habits are formed by the age of seven, according to research by Cambridge University¹ for the Money Advice Service. By this age, the report says, most children in the UK are capable of complex functions such as planning ahead, delaying a decision until later, and understanding that some choices are irreversible.

Although learning about money is now part of the national curriculum for secondary schools in England, it isn't specifically included in junior school lessons. However, there are many ways of gently introducing younger children to the world of finance.

LEARNING TO SAVE

Junior Individual Savings Accounts (JISAs) are a good way for children to learn about the value of saving money for the future.

The advantage of a JISA is that they are tax free, and once the account has been opened by the parent or guardian, anyone can make contributions, including grandparents, friends and family. The savings limit for the current tax year is £4,080. Children gain control of their JISA at age 16, but the money cannot be withdrawn until the child is 18.

At that point, the account is automatically rolled over into an adult ISA, a valuable facility for those who want to continue saving or investing tax-efficiently.

KNOWING HOW CREDIT CARDS AND LOANS WORK

It can be an important life lesson for older children to learn how credit cards work, and how interest and charges are calculated, and how they can mount up if the balance isn't cleared each month.

When it comes to borrowing money, they need to know that there are many different types of loan available and that it's important to understand how to compare charges and interest rates.

It's also worth explaining to teenagers the value of having a good credit score and how this can improve their financial chances when the time comes to enter into big financial transactions like taking out their first mortgage.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

¹ Cambridge University research for Money Advice Service, Habit formation and learning in young children, 2013

SIMPLY PUT

Bulls and Bears

No one is quite sure where the often-used stock market terms, bulls and bears, came from. Some say that it has to do with each animal's basic characteristics. It may be because bulls use their horns to pitch their opponents up into the sky, while bears swipe down with their claws. Or it could be that bulls tend to charge ahead, while bears hibernate and prepare for a long winter.

A bull market

A bull market usually occurs when the economy is performing well, there are plenty of jobs around, businesses are prospering and the future outlook is bright. Selecting stocks in a bull market is relatively easy as stocks and shares prices are generally on the rise. So, if a person is optimistic about investments they are said to be 'bullish'. However, bull markets eventually run out of steam.

A bear market

When the economy slows, business confidence ebbs and company profits dwindle, stock market prices tend to fall. This is termed a bear market, and someone who believes shares are going to fall is said to be 'bearish'. Like bull markets, bear markets don't last forever.

COULD YOU TAKE A SABBATICAL?

For most of us, our summer holidays are just too short. So it's hardly surprising that more and more employees are thinking about taking an extended break to travel the world, fulfil a lifetime ambition, recharge their batteries or become a volunteer, for example.

A sabbatical is a period of time away from work, granted by your employer. In some companies it's referred to as 'a career break' or even 'an adult gap year'. They are usually unpaid.

A recent survey¹ shows that almost a third of UK professionals anticipate taking a sabbatical of at least six months from work before they retire. Travel often features in what people plan to do during their extended break (51%), followed by spending more time with their family (30%) and studying or learning a new skill (18%).

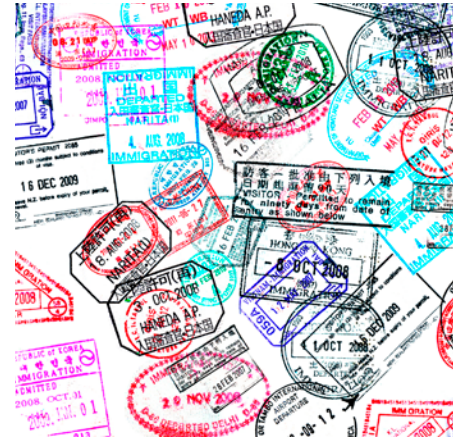
MAKING THE BREAK

Some employers regard sabbaticals as an important part of an employee's career as they offer a chance to study, research, travel, or do voluntary work. Employers who grant them usually attach various conditions, both in respect of eligibility for a period of extended leave, and what happens during and at the end of the sabbatical. Before taking advantage of the extra time away from their job, employees should ensure they understand what the terms on offer mean for their salary, benefits and pension entitlement.

FINANCIAL PLANNING

Enjoying an extended break requires forethought and financial planning. Paying for travel as well as the ongoing bills such as the mortgage and other household expenses can add up to a considerable sum, and could quickly eat into savings.

The majority of those surveyed (55%) had already started to make financial provision and a further 29% intended to



do so. 60% of those surveyed intended to continue to pay into their pension and long-term savings plans.

If you need help ensuring that you have enough saved to take a major break from work, then talk to us about the range of savings and investment options available to help you make your dream a reality.

¹ Investec Wealth & Investment, Professionals target pre-retirement sabbaticals, May 2016

HAVE YOU HIT YOUR PEAK?

If you're approaching your 40th birthday, you may be approaching your earnings peak. Figures from the Office for National Statistics¹ show that workers can expect to reach their peak between ages 40 and 49.

Turning 40 is a major milestone. By this age, many people find that their main concerns lie with the day-to-day needs

of bringing up and providing for their family. Few people of this age have taken all the steps they should to ensure that their finances are adequately prepared for the future.

A PLAN FOR LIFE

If your partner, children or other relatives depend on your income to cover the cost of paying the mortgage and other living expenses, then it makes good financial sense to think about the protection and peace of mind that life insurance can provide in the event of your death.

Research² shows that couples with mortgages who are bringing up families very often don't have any protection policies in place. Amongst 35 to 44 year olds; just 43% of them have any life cover.

There's a variety of plans available on the market which can be tailored to your needs, and you can add on additional cover for critical illness and income protection too.

It's really important to think about how you want your wealth to be passed on in the event of your death and to make your Will. Not having one could create a lot of heartache for your family.

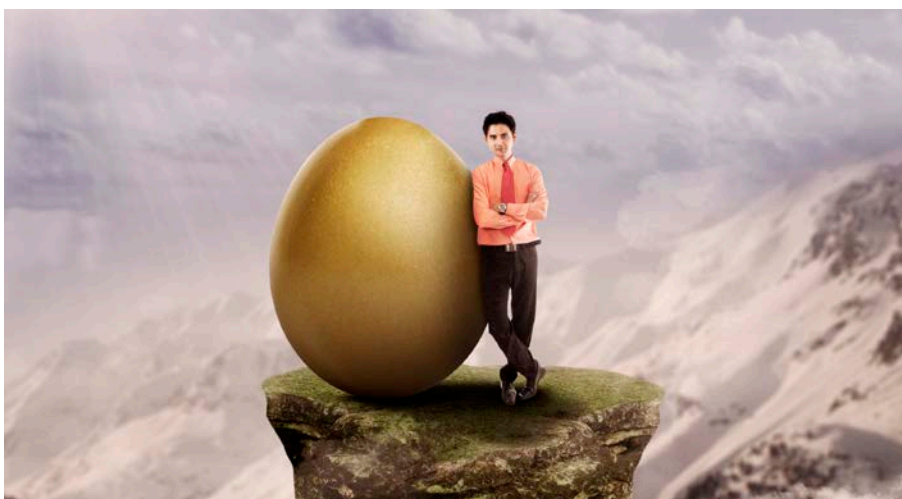
PENSIONS MATTER

Putting as much as you can comfortably afford into your pension now means you'll get the benefit of tax relief and give your money time to grow. Within annual and lifetime allowances, the tax man also applies valuable tax relief on contributions.

The longer you leave before contributing to your pension, the more you'll need to save in order to help you have a reasonable fund at retirement.

¹ Office for National Statistics, Public and private sector earnings, 2014

² AA Life Insurance, AA/Populus study, May 2014



WHERE NOW FOR INVESTORS?

The announcement of the result of the UK's EU Referendum on Friday 24 June came as a shock to many people at home and abroad. Within hours David Cameron had announced his resignation. The pound fell to its lowest level against the dollar for over 30 years. Stock markets around the world lost ground on the news. The UK was stripped of its triple A credit rating.

By 16 July the new Prime Minister, Theresa May, made it clear that "Brexit means Brexit and we will make a success of it."

ADVICE TO INVESTORS

From a consumer perspective there is some good news around. Incomes are rising and employment is at an all-time high. House prices have yet to fall far from their pre-referendum levels.



While stocks and shares initially fell sharply on the news, both the FTSE 100 and FTSE 250 have recovered ground. The fall in the value of the pound is good news for exporters as their products become cheaper for foreign buyers; the devaluation acting as an enticing discount.

The Bank of England's Monetary Policy Committee has introduced a rate cut to 0.25% and has indicated that further stimulus measures could continue to be applied if necessary to steady the economy. The new Chancellor, Philip Hammond, has made it clear that many austerity measures will be relaxed to stimulate the economy. All eyes will be on the Autumn Statement.

So, all in all, many commentators conclude that the impact so far has been rather less pronounced than some had predicted.

There will no doubt continue to be good and bad economic news in the coming months as events unfold. In the short term, it's widely accepted that there will be shocks in currency, shares and property markets ahead. But for now, there is no reason to panic, and every reason to adopt a 'wait and see' stance.

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WEALTH MANAGERS RAISING THEIR GAME TO ATTRACT MILLENNIALS

There's growing evidence that when it comes to savings and investments, Millennials have a completely different perspective from their parents and grandparents. Those born in the early 1980s through to the turn of the century, the Millennials as they have come to be known, followed on from Generation X, who in turn succeeded the Baby Boomers.

Some of the biggest influences on this group have come from the widespread introduction of technology and the rise of social media. In an increasingly connected world, where global news and events are instantly flashed around the internet, Millennials are constantly attuned to the many challenges facing the world. Their outlook on life has been shaped

by experiencing world events such as turmoil in financial markets, environmental disasters and increasing evidence of climate change.

A MORE CONSIDERED APPROACH

Millennials also expect to see a stronger set of social values reflected in the financial products and services they buy. They are likely to spend considerable time online researching alternatives and consulting multiple sources before making major investment decisions.

When it comes to saving and investing, as well as considering likely returns, younger investors are keen to find out more about the companies they are thinking of investing in. They will want to know what their attitude is to issues such as corporate social responsibility, climate change, responsible sourcing of raw materials and wage rates paid to overseas workers.



Forward-thinking fund managers are increasingly developing values-based investment products and services that take account of these increasingly discerning financial consumers.

INVESTMENT JARGON – BUSTED

Every walk of life has its own particular terminology and expressions that can seem baffling to the outsider. The world of investment is no exception; if you put your money into stocks and shares, you are likely to be confronted with a whole range of concepts, words and phrases that you may not have come across before. Here we look at some of the common jargon in use and explain what it means for you.

VOLATILITY

You will probably have heard this term quite a lot recently. Volatility refers to the rate at which the price of a stock or share moves up and down. If the price moves up and down rapidly over a short period of time, it is described as having high volatility. If the price remains relatively stable, it is said to be a low volatility stock. Needless to say, investors generally prefer lower volatility.

RISK PROFILE

This refers to the amount of investment risk you are prepared to take with your money. Your adviser will run through a set of questions with you to assess your profile so that they can recommend the right investments for your portfolio. Risk is closely related to reward, with riskier investment offering a greater chance of reward, but also the risk of greater losses if the stock or share performs badly. Your attitude to risk will probably change over the years.

ASSET ALLOCATION

The process of deciding what proportion of your investment portfolio should be invested in different types of investment is referred to as asset allocation.

There are four main categories of assets – cash, equities, bonds and property. The process of determining which mix of assets you should hold in your portfolio is a very personal one, and will depend largely on your time horizon and your attitude to risk. Asset allocation helps to spread risk through diversification, which put simply, means not putting all your eggs in one basket.

COLLECTIVE INVESTMENTS

Collective investments – also called pooled investment funds – are a way of putting sums of money contributed by many people into one large fund spread across a wide range of investments. The resulting fund is managed by a professional management team. This type of investment represents a good way of diversifying your investment, and represents less of a risk than buying individual shares in just a few companies. Unit Trusts, Investment Trusts and Open-ended Investment Companies (OEICs) are all examples of collective investments, though their pricing arrangements differ.

PLATFORMS

Platforms help investors and their advisers buy investments, hold them in a structured online environment, analyse them as they see fit, and when the time comes, sell them.

Online platforms are like electronic filing cabinets. They cut down on correspondence, use leading-edge technology and provide a secure environment that enables you to hold all your assets in one place, and view them whenever you like. Platforms are now well-established in the UK, and over 90% of advisers regularly use them in some shape or form.

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SIMPLY PUT

Earnings per share explained

Earnings per share (EPS) is a simple formula used to assess a company's profitability; it shows how much of a firm's after-tax profits belong to each ordinary share. It's calculated by dividing a company's net earnings by the number of shares issued. So if Company A had net earnings of £1m and 200,000 shares issued it would have an EPS of 5 (500p); if Company B had net earnings of £1.6m and 400,000 shares issued, it would have an EPS of 4 (400p).

The most common use of EPS is to calculate the price-earnings (P/E) ratio, which helps put EPS into context. The P/E is calculated by dividing a company's share price by its EPS. This is one of the most widely-used ways of assessing a share's value when compared to its peers. A highly valuable ratio to employ.

Looking at the P/E ratio is a good way of comparing shares, particularly those in the same sector; investors normally choose shares with a low ratio rather than one with a high ratio, as they are getting more of the company's earnings for their money.



It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from taxation, are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. If you withdraw from an investment in the early years, you may not get back the full amount you invested. Changes in the rates of exchange may have an adverse effect on the value or price of an investment in sterling terms if it is denominated in a foreign currency. Taxation depends on individual circumstances as well as tax law and HMRC practice which can change.

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