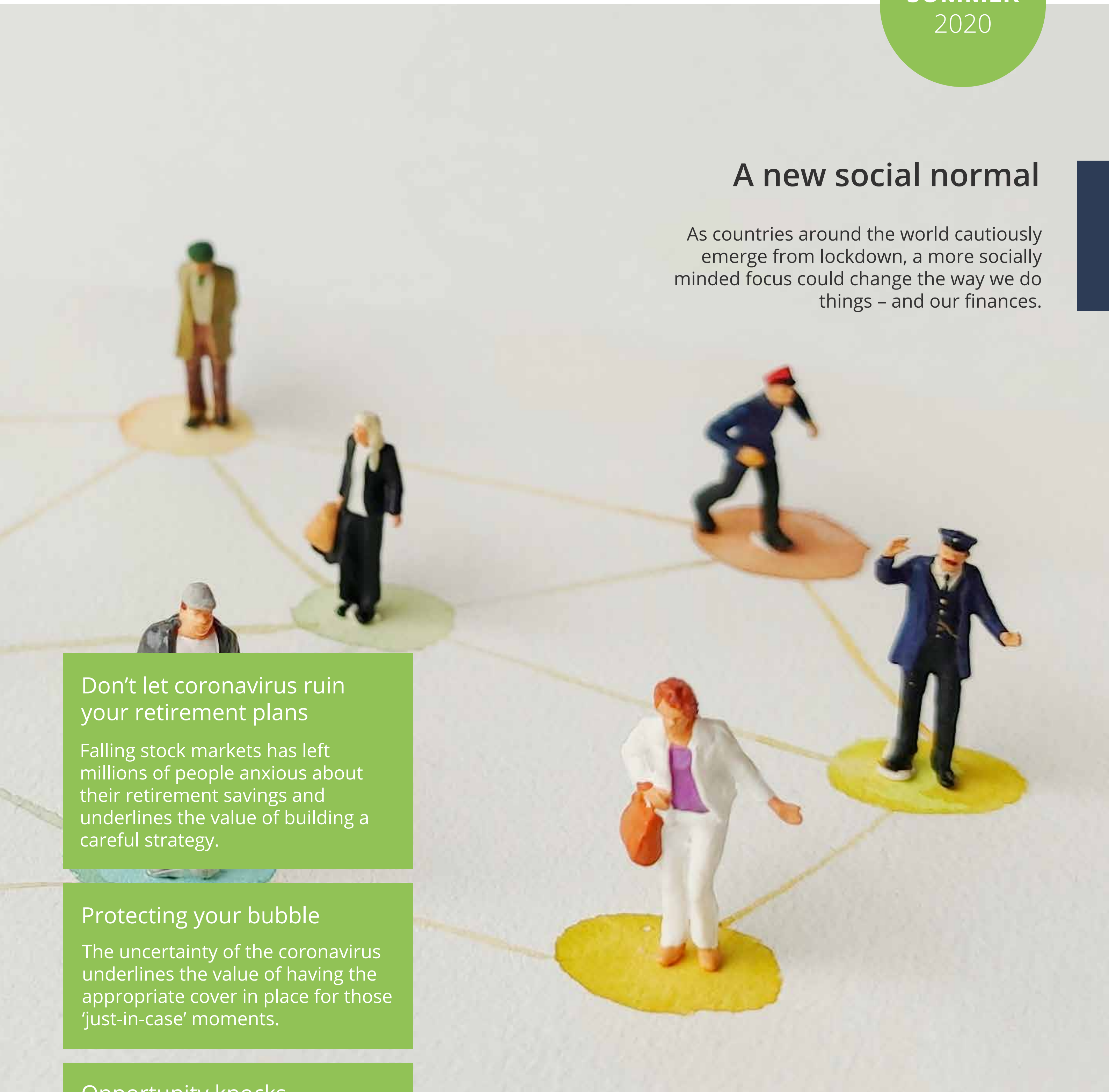
moneyworks

SUMMER
2020



A new social normal

As countries around the world cautiously emerge from lockdown, a more socially minded focus could change the way we do things – and our finances.

Don't let coronavirus ruin your retirement plans

Falling stock markets has left millions of people anxious about their retirement savings and underlines the value of building a careful strategy.

Protecting your bubble

The uncertainty of the coronavirus underlines the value of having the appropriate cover in place for those 'just-in-case' moments.

Opportunity knocks

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Welcome

It is hard to comprehend how the world has changed so dramatically in the space of just a few short months. The impact of coronavirus on our lives, health and finances has been unprecedented, and its repercussions are likely to remain with us for years to come. But as the dust begins to settle, the need to start the financial wheels turning again is of utmost importance for the economy.

In this issue we look at some of the key talking points surrounding your finances, how the virus has forced us all to address our short and long-term strategies and the opportunities that have arisen out of the crisis.

We look at the value of having protection in place to cover for unforeseen events and why it is important to make considered choices to help ensure protection plans provide the right type of cover for you and your loved ones moving forward.

If you were planning to retire in the coming years or have just recently done so, the recent market downturn could have a huge impact on your goals. Given the current pension freedoms, we assess how you can build a more robust retirement strategy by using your savings and investments in a different way to get back on track.

With more people inevitably set to work from home and a shift in people's focus to a more ethical approach to work and life, we look at why ESG funds are currently faring much better than standard investments and could offer a compelling alternative for those looking to reinvest or remortgage in a more sustainable way.

We also discuss why now may be an opportune time to consider remortgaging. With the Bank of England having cut interest rates to the historic level of 0.1% and mortgage providers now offering new products, speaking to your financial or mortgage adviser about the most appropriate deals available for your individual needs and circumstances may prove fruitful over the coming months.

In such uncertain times, it is important to seek financial advice and aim to ensure you are in the strongest position based on your individual circumstances to protect yourself and your finances.

Above all, stay safe and we look forward to being here for you going forward.

The **moneyworks** team

Contents

This newsletter is for information purposes only and does not constitute advice or a personalised recommendation.

The News in Brief

A round up of the current financial stories.

Annuity rates slump to new record low

If you're planning to use your pension pot to arrange a guaranteed retirement income, the 2020 outlook isn't very encouraging.

Moneyfacts data found the average rates offered on annuity products fell by 6% between January and March of this year – slumping to their lowest level on record. This – coupled with pension funds falling during the coronavirus market downturns – has made it extremely challenging to earn a decent amount of income from an annuity.

There are many benefits to the security that comes with an annuity. But these trends underline the importance of seeking professional advice to find the most suitable retirement options for your needs and circumstances.

https://bit.ly/2Tjii1z (Moneyfacts)

Another wrong turn for careful savers

Hopes that savings rates might increase over the medium-term appear to have been dashed by the coronavirus. The Bank of England quickly reacted to the situation by slashing interest rates to 0.1%. And in May, the central bank forecasted rates would stay at this level for a year – and increase to just 0.2% by 2022.

This prediction is a further blow for savers, who have seen interest rates cut on hundreds of savings accounts since March. A poll conducted by LoveMoney found that only one out of five savers believe their savings are in a position to beat inflation.

If you have long-term goals for your savings, it could be worth looking at other options.

https://bit.ly/2z3r4tY (This is Money)
https://bit.ly/2ZfMb6K (LoveMoney)

Beware of the coronavirus scams

As if we don't have enough to be concerned about over recent weeks, unscrupulous scammers are taking advantage of the coronavirus to con people out of their money.

In early April, Action Fraud reported almost £2 million had been collectively lost by victims of a coronavirus-related scam. The fraudsters most regular attempts included requests for donations towards the NHS, offers of tax refunds and quizzes that glean your personal data. Most scams have taken place online, but some criminals have even knocked on the doors of vulnerable people, offering to do their shopping.

It's really important to be vigilant if approached for money. Be wary of calls, visitors to your home and emails if they're from people or organisations you don't know.

https://bit.ly/2zOcmH5 (This is Money)
https://bit.ly/36dAP4X (Which?)

Government could review triple lock pension guarantee

The soaring costs of helping the UK through the coronavirus impact has led to government warnings that taxes might have to go up. And there is speculation the triple lock pension guarantee could also be scrapped.

At present, state pension is guaranteed to rise every year by whichever is the highest – average earnings growth, the rate of inflation or 2.5%. Changing the triple lock could mean retirees receive lower state pension increases in the future, which could impact their future lifestyle.

The Conservatives had considered dropping the triple lock guarantee during its December election campaign. And with Britain's budget deficit on course to reach £337 billion this year, drastic measures might be needed.

https://bit.ly/2TlH01r (The Guardian)
https://bit.ly/3bHZjV2 (CityWire)

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

Don't let coronavirus ruin your retirement plans

Falling stock markets has left millions of people anxious about their retirement savings and underlines the value of building a careful strategy.

These are worrying times in so many different ways. If you're looking to retire within the next decade, the global stock market falls of Spring 2020 might leave you feeling especially concerned about the future.

If you have a defined contribution pension, your contributions are invested on your behalf – with the aim of growing in value over the long-term, to support your retirement. The recent market drop is bound to have impacted on the value of your pension fund. And that might leave you with some tough decisions to make over the coming years.

With average UK life expectancy for 65-year-olds stretching to the mid-80s,[1] your pension pot is likely to be needed for many years. Retirees will have the state pension to support them, but on its own this is unlikely to afford more than a very basic lifestyle. That's why it's really important to ensure your pension is big enough to last.

The freedom to make it work for you

The pension freedoms, introduced in April 2015, allow you to decide when and how to use your pot. And for many people, that will mean keeping a large part of it invested, even after they retire.

In extreme situations like the coronavirus impact, that can be good news. For as badly as markets have fared over 2020, history strongly indicates they will bounce back over the long-term. This means your pension pot has the opportunity to grow again over the years, so it's worth more as and when you need it. Although of course, this does mean continuing to accept the risk that its value can fall.

It can be complicated, and this is where a financial adviser can really help you – and it's why, no matter how near you are to retiring, it can really pay off to make plans now. An adviser can look at how your pension is being invested, and if you're taking a level of risk consistent with your individual needs and circumstances during the final few years of working.

That will depend to a large extent on what you want to achieve in retirement. By sharing your goals, aspirations and needs, an adviser can start to build up a long-term strategy. It would cover the transition into retirement, the early – potentially more active – years, and how your needs might change as you get older.

Where advisers can add real value is thinking about times like this. They use forecasting models that assess the impact of any future market falls. So, if there is a future drop like the one we've just experienced, you'll have a plan for how you would cope in such a scenario. This can give you greater peace of mind that – no matter what the future holds – you will be financially prepared.

The value of your investment can go down as well as up and you may not get back the full amount invested. Past performance is not a guide to future performance. Accessing pension benefits early may impact on levels of retirement income and your entitlement to certain means tested benefits. Accessing pension benefits is not suitable for everyone. You should seek advice to understand your options at retirement.

[1] https://bit.ly/3bM3or0 (Office for National Statistics)

Protecting your bubble

The uncertainty of the coronavirus underlines the value of having the appropriate cover in place for those 'just-in-case' moments.

The devastating effect of coronavirus may have had an impact on your financial goals, dreams and aspirations and they may now look different from what they did just a few short months ago. As the party poppers reined down on December 31 to herald the new decade, nobody could have predicted the turbulent times ahead and the worry about health, job security and long-term finances.

The pandemic has cruelly demonstrated how quickly things can change and the realisation that you just don't know what's around the corner. But that's why it can be very useful to have plans in place for events that we hope will never happen to us but as this virus has taught us, can be very real.

From thinking about what we'd do if we experienced a sudden loss of income, perhaps if you were unable to work, to considering how your loved ones could be financially supported if you were no longer around, there is a wide range of protection insurance products available, designed to pay out if your circumstances were to alter.

Choosing the right cover

There are different types of cover available and income protection is one that would kick in if you were unable to work for a sustained period; either through illness or injury.

Not all income protection products pay out for losing your job, but short-term income protection insurance (STIP) would support this unfortunate occurrence. It replaces a portion of your income for a fixed period – usually 12 or 24 months – which can be useful in plugging the gap.

Life insurance would provide financial cover when you die, or if you were diagnosed with a terminal illness. It can pay out a single cash lump sum, or a series of regular payments.

Peace of mind

The coronavirus crisis has further highlighted the value of purchasing protection cover and it's no surprise to learn that insurers have reported a rise in sales.[1] However, it's vital to make careful decisions when taking out cover.

Many insurers have added coronavirus exclusions to their income protection policies[2] – which mean that, if you were to get sick from the virus, they wouldn't provide pay outs. Others have withdrawn some of their products completely.[3]

Like other insurance products, such as car, home or travel, it might be tempting to find the cheapest protection deal available on a price comparison website. But it is important to really understand and fully familiarise yourself with the protection product you're thinking of taking out. Or indeed already have.

How to make wiser decisions

During these difficult times, it can be very helpful to speak to a financial adviser for guidance on putting protection plans in place and supporting your personal wellbeing. Whilst many products won't provide coronavirus cover, there are plenty that do. A financial adviser will be able to draw on their expertise of the market to find policies with the most suitable value-added benefits for your individual needs and circumstances.

By taking the time to assess your financial circumstances, an adviser will be able to research products that suit your needs. This will put you in a position to make more informed decisions on protecting the future of your and your family.

[1] https://bit.ly/2ZkHKaS (FT Adviser)
[2] https://bit.ly/3bHrVgZ (This is Money)
[3] https://bit.ly/3g5RJqm (This is Money)

A new social normal

As countries around the world cautiously emerge from lockdown, a more socially minded focus could change the way we do things – and our finances.

Out of the darkness of the coronavirus pandemic, some positive trends emerged. As businesses strived to keep operating, we've seen innovative solutions, different ways of working, and a radical transformation in the way we interact. There's also been a strong community and socially conscious spirit emerge from the devastation.

Even as the health crisis gradually eases, many aspects of our normal life are unlikely to be the same ever again. For example, May 2020 research by StarLeaf found 60% of people would like to work from home[1] more often than they did previously, once the lockdown is over. It's a pattern likely to be repeated all over the world.

So that will mean less travel and commuting. And, with it, pollution – which has seen record falls during the lockdown[2] – is likely to remain lower than it was pre-coronavirus.

A good time for socially responsible investing

Not all investors felt the full effects of the 2020 stock market falls. Research by Fidelity showed that funds with a focus on environment, social and governance issues – ESG funds – fared better than standard investments.[3]

There's a wide range of ESG funds operating. Many take a screening approach to selecting companies to invest into – either actively steering clear of sectors considered harmful to the environment or focusing on organisations that make a positive social difference.

If you're looking to grow your money over the long-term, ESG funds could offer a compelling opportunity. Firstly, these types of investments are expected to benefit from the post-coronavirus landscape[4] as issues like climate change command an even bigger focus.[5]

Just as crucially, the breadth of ESG options available may offer you the opportunity to invest in a way that matches your core beliefs. A financial adviser would be able to help you find options that match your individual needs, circumstances and personal values.

A new way of buying a home?

If home working does indeed become the new norm after the lockdown ends, it could also have a long-term impact on our bills. There's already been a greater focus on environmental matters like making new builds more energy efficient. And whilst the lockdown took place against a backdrop of the planet's second hottest April on record,[6] working from home during winter would have a significant impact on energy bills.

This could see more borrowers consider green mortgages. These are discounted mortgage rates available for people who upgrade the energy rating of their home, or who buy an energy-efficient property.

This triple-benefit – cheaper mortgage payments, reduced household bills and doing more to protect the environment – could add up to significant long-term savings.

If you're interested in green mortgages, speaking to a professional can help. A mortgage adviser can explore your options and help you find a suitable deal.

The value of your investment can go down as well as up and you may not get back the full amount invested. Your home may be repossessed if you do not keep up repayments on your mortgage.

[1] https://bit.ly/3bLdmZG (The HR Director)
[2] https://bit.ly/3g5XJiS (Independent)
[3] https://bit.ly/3bJL1mE (Moneywise)
[4] https://bit.ly/2TjZBv0 (Environment Analyst)
[5] https://bit.ly/2ZjcnNS (Imperial College London)
[6] https://bit.ly/2XdsHgn (Scientific American)

Opportunity knocks

It's been a turbulent period for the mortgage market, but this could be a good time to transfer products or remortgage.

Just like the majority of the UK, the mortgage market went on something of a Spring shutdown as a result of the coronavirus pandemic.

Research by Moneyfacts[1] found that 1,585 mortgage products were withdrawn between 11- 31 March – representing nearly a third of all deals that were available[2] while many providers also tightened their lending criteria.[3]

With the priority shifted to looking after the thousands of borrowers needing to take payment holidays – and the challenges of mortgage companies adapting to working from home – those seeking to take out a mortgage or re-mortgage faced a period of uncertainty.

It was a staggering turn of events, given that mortgage approvals had hit a six-year high just before the crisis gripped the country.[4] But the good news is that mortgage providers have begun returning with new products, and the reopening of the housing market in May could further help the mortgage industry return to some sort of normality.

Historic lows

By early May, the amount of mortgage deals available was still only around half of what was on offer in early March. However, the rates on two and five-year fixed deals are now more attractive than ever.[5]

With the Bank of England reacting to the pandemic by cutting interest rates to the historic level of 0.1%, this has filtered through to record low mortgage rates. It seems unlikely that base rate will be increased anytime soon, given the deep recession the UK is facing. But if housing and mortgage activity continues to pick up, there's a good chance more favourable deals will come onto the market over the coming weeks.

This is a boost if you're looking to remortgage in the near future – or interested in more favourable terms from your existing lender. The latter is what's known as a product transfer. In some cases, it can secure you a new mortgage product sooner than if you remortgage, and there's fewer fees to pay.

Although a product transfer might be a tempting option, it could also limit your choices and close you off from potentially better deals elsewhere.

Speaking to an expert

If your current fixed rate mortgage deal is due to come to an end in the near future – or you're on a variable rate, and not sure whether to stay with it – speaking to a mortgage adviser about your next steps is strongly recommended.

An adviser will have the expertise and knowledge to review your current situation and assess all the options available to you. From the potential product transfer options that your current lender can offer, to whether there are better deals elsewhere.

At a time when you've probably got more than enough financial concerns on your plate already, a mortgage adviser can take some of the hassle away by doing the research on your behalf. With their in-depth insight, you might be able to take advantage of the current backdrop for mortgage rates – and reduce one of your biggest outgoings.

Your home may be repossessed if you do not keep up repayments on your mortgage. You may have to pay an early repayment charge to your existing lender if you remortgage.

1 https://bit.ly/2zTMPfS (Moneyfacts)
2 https://bit.ly/2ACsdZG (This is Money)
3 https://bbc.in/2TjGX69 (BBC)
4 https://bit.ly/3dRLxAC (This is Money)
5 https://bit.ly/3bKvF1d (Moneyfacts)

And finally...

Taking stock

The economic uncertainty of the coronavirus is fuelling better financial habits in Brits. Research from Sanlam suggests 46% of us are planning to get our finances in order, as a direct result of the pandemic.

Of those seeking to be more financially prepared for the future, 49% are confident of doing it themselves. 13% are planning to speak to a financial adviser for the first time, and 25% will get back in touch with an adviser they've used before.

A further 13% state they would like to speak with an adviser. However, they believe it would be too costly or that they don't have enough assets for it to be worthwhile.

No matter your situation, it doesn't hurt to explore the potential costs – and benefits – of asking an adviser to help you plan your future.

https://bit.ly/2zaVM4i (Sanlam)

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