financial advice centre

independent face to face advice

Your Summer Newsletter 2020

Independent Financial Advisers and Wealth Managers since 1999

Welcome to your Summer Newsletter from Financial Advice Centre. What an unusual time this has been for us all. We hope you are keeping safe and that we are helping to keep you well informed. To that end we are happy to be sharing our latest quarterly newsletter with you.

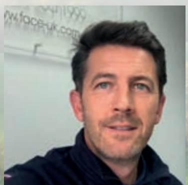
There have been some developments at Financial Advice Centre I wanted to bring to your attention to as well.

We have always worked closely with solicitors to help their clients where we can. But we wanted to offer some of their advice more broadly in the hope this will help you with your financial planning. Over the past few months we have teamed up with a network of local solicitors to create some useful written and video content which may help to prompt discussions in your families. We'll be sending these out soon so look out for this information.

We've included a useful article on Income Protection from your Adviser as well as a case study and some of the press coverage we've been receiving on our views of what's been happening in the Mortgage industry.

Finally with so much happening and changing so quickly we thought you might find it useful to hear from some external experts on issues that may be affecting you. We've asked our IT tech support team to outline some FAQs on the questions they've been asked the most in lockdown and our Management Accountant has outlined some extremely useful information around the chancellors summer statement and support available to businesses and the self-employed.

We hope you find this content useful and as always, we welcome your feedback.



Piers Mepsted,
Managing Director

In this Issue

For questions and advice get in contact today...

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Market Overview | part 1

Following on from a first quarter which saw the fastest sell off of global stock markets on record, the second quarter was always going to be a case of investors taking a step back, surveying the damage, and attempting to envisage where we go from here. There were countless articles written about exactly what 'shape' the global recovery would be, would it be a V, a U, a Nike swoosh, the possibilities were endless. At the start of the quarter economists were having a field day with predictions, hoping to be able to look back in twelve months' time and say they got it right, but as famed economist JK Galbraith once said "the only function of economic forecasting is to make astrology look respectable".

A phased re-opening

No matter which shape of recovery this ends up becoming, April continued the upward trend that had begun in earnest at the end of March.

Whilst COVID-19 continued its global spread, some countries infection rates started to fall and conversations about when economies may reopen began.

Governments and central banks introduced unprecedented stimulus measures to reduce the damage caused by the economic shutdown, which also brought positive sentiment to markets.

Economic numbers around developed markets continued to look dire at the start of the quarter, but this was not to anyone's surprise and as such markets took it in their stride.

The upward trajectory could largely be put down to the intervention of central banks, and the repeated comments that they would do 'whatever it takes' to help keep their economies afloat.

The Federal Reserve led the way, committing to not only unlimited government bond purchases, but also stepping into the corporate bond markets to purchase both high quality company debt and that issued by companies that have seen their credit ratings fall since the pandemic took hold.

The impact of support packages

In the UK, Chancellor Rishi Sunak announced a new 'bounce bank' small loan scheme for businesses affected by the pandemic after reports that banks were requesting personal guarantees (such as homes) for loans for small businesses. Sunak's statement that the government's goal was to provide "a bridge over what will be a sharp and significant crisis", again highlighted the support on offer to any business that may need it.

The European Central Bank (ECB) continued its bond-buying programme, placing greater focus on countries such as Italy and Spain where the virus had the most devastating impact. Any extension of borrowing powers to small and medium-sized companies also helped sentiment. Further support packages announced by the ECB and the European Council reiterated the levels that counties were willing to go to.

Developed markets hit 'bull market' territory in May, a phrase commonly defined as a situation where stock prices rise by 20% in a short period of time. The US, Japanese and European markets posted the largest rises, as steps towards a reduction in containment measures continued.

Sectors such as technology continued their buoyant mood as investors digested how the technological advances that the public have adopted during the lockdown, may lead to a long term changing of habits, whether this be in the way we communicate or the way we shop.

Market Overview | part 2

Looking at the markets now you'd be forgiven for thinking that the virus was behind us and that 'normality' will resume without any further complications, but even the most optimistic amongst us must admit that this is highly unlikely. Improving economic data from China has helped to bolster confidence, but recent reports of an increase of cases in Beijing and partial lockdowns being reintroduced continues to bring question-marks over how soon is too soon to reopen an economy.

Production of a vaccine against Covid-19 and any developments surrounding trials have dominated headlines and kept markets gripped. The general theme tends to swing between overzealous hopes of new developments to disappointment and despair at either inconclusive trials or the challenge of supplying billions of doses before the next winter flu season.

Whilst every positive report of progress is greeted with anticipation, the fact remains that with so many vaccines still in their infancy, we must stay focused and not get drawn into the hype. The distribution of any potential vaccine, both geographically and demographically, also raises questions over how effective it may be in bringing an end to the pandemic.

While many economies remain on a downward trajectory of case numbers, there are isolated instances of cases spiking in cities around the globe, particularly in the US.

The effective management of these spikes is essential to ensure they are contained, and we do not return to a situation of entire countries having to be put in lockdown.

We are encouraged by the swift action taken in the UK to place Leicester into lockdown and hope that action of this sort is repeated as and when necessary, and that the public acknowledge these instructions so that we can continue to move in the right direction.

Market Overview | part 3

Other considerations

Away from COVID-19, other factors are still at play in the global economic landscape.

US-China trade discussions were brought back in to focus late in the quarter, as White House trade adviser, Peter Navarro was quoted as saying the trade deal ‘was over’. These comments were quickly quashed, with President Trump confirming that the deal remained ‘fully intact’.

Indeed, the US is now potentially turning it focus to the UK and Europe, with reports of new $1.3bn increase in tariffs on goods, and this is an area we watch with great interest.

The oil price remained volatile despite an agreement on production cuts. An extension to this agreement in June helped to add to the optimism about the prospects for a global economic recovery. The meeting also confirmed a stricter approach to making sure that members actually stick to the plan. Whether the deal can fix the unprecedented turmoil in the market and whether oil demand will ever return to previous levels remains to be seen though.

Brexit negotiations continue, but following the latest meeting there remained with serious differences of opinion over the state of a post-Brexit trade deal.

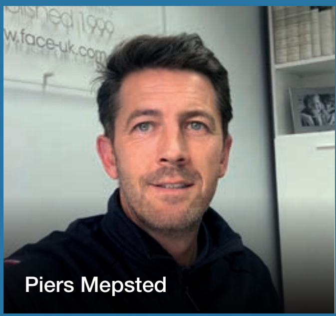
EU negotiator Michel Barnier said the EU’s position needed to be “better understood and respected” by the UK if an agreement is to be found. Whereas, Boris Johnson said a “good deal” was possible but that any deal must recognise UK sovereignty in areas such as fishing. With the UK ruling out an extension to the December deadline, we are moving into the last throws of brinksmanship in the hope that a deal can be agreed.

Markets and Investments

Outlook	Asset Class	Reasoning
↓	UK Equities	Returns in the UK continue to be hampered relative to other developed markets due to the large exposure to Oil and Financial Services, which have suffered as a result of the pandemic. Brexit headwinds remain with the UK ruling out an extension to the December deadline and serious differences of opinion over the state of a post-Brexit trade deal.
↑	US Equities	Parts of the US market have seen spectacular gains. Technology and Healthcare sectors have been standout performers as they are seen as beneficiaries of 'lockdown life'. Recent announcements have highlighted that as and when a vaccine becomes available, the US will ensure they are at the front of the queue. Whilst questions over the trade deal with China persist, this is not seen as a major headwind.
↑	European Equities	European indices have enjoyed a particularly strong recovery, buoyed by encouraging virus data and the reopening of many countries. The European Central Bank's action coupled with responses from individual countries has led to a strong feeling of solidarity in the region, lifting sentiment further.
↑	Asian Equities	China has been one of the strongest performing markets in recent months and we see reason for this to continue. The People's Bank of China announced "powerful" and "diversified" policy shifts ahead and further interest rate cuts are expected. Japan has a relatively small number of cases compared to other developed markets and this has helped it stay under the radar. Successful early containment of the virus meant Japanese markets did not fall as far as others.
↔	Emerging Market Equities	Following several difficult months, the region has started to see some recovery begin. Stable flow of capital has resumed, and a less volatile oil price has benefitted many countries (particularly the oil importers). We are unfortunately seeing highly concerning infection case numbers in countries such as India, Mexico and Brazil where containment measures have been ineffective, causing notable risk to three of the largest economies in the Emerging Markets.
↔	UK Gilts	As the Bank of England has stepped in to purchase vast quantities of UK Gilts, yields have been driven to historic lows. Therefore, Gilts have lost any sense of appeal that they once had for income investors, or those looking for capital growth. Despite this, government debt still plays an important part in a portfolio as a diversifier and as a tool for reducing overall portfolio volatility.
↑	UK Corporate Bonds	As yields on UK Gilts have been driven down, investors have looked to the corporate bond market in search of higher returns. The support offered by the UK government to companies of all sizes throughout the pandemic, has helped to ease some concerns about the number of companies who may be forced to default on their debt, bringing a higher level of confidence to the corporate bond sector.
↔	Cash	Cash continues to be a vital component of portfolio construction. In volatile markets cash can act not only as a buffer to protect on the downside, but also to allow for flexibility to deploy should attractive investment opportunities present themselves. It is highly unlikely that we have seen the back of the recent market volatility and as such an element of cash within a portfolio is prudent at these times.

Your Adviser Discusses | part 1

Protecting your family during uncertain times


Piers Mepsted

The Covid-19 outbreak has made many of us think more carefully about protecting our family from financial difficulties. However, this isn't just about having savings and investments to provide for the long term – it's also about ensuring loved ones are provided for should the worst happen.

I thought it would be a helpful reminder to discuss what you need to know about the different types of financial protection, and which options may suit your needs. These things are rarely clear cut so please remember to contact me to discuss which may best suit you.

Life insurance

This will pay out a lump sum on death which could be used, for example, to pay off the mortgage and, ideally, provide a cash buffer to ensure your family's financial security. As with any insurance policy, you will have to go through the underwriting process and the cost will depend on your age and health.

Who's it for?

If you have children or an outstanding mortgage you should consider a life insurance policy. You can choose from different types of life insurance policies.

- **Whole of life insurance:**
  This is the most expensive type of cover, providing a guaranteed lump sum on death and, as its name suggests, covering you for your lifetime. It's often used for inheritance tax (IHT) planning. If you set up your policy in a trust, payment will be made to the trustees to distribute to the beneficiaries of that trust. As such, it stays outside your estate for IHT purposes.
- **Level term insurance:**
  You choose the amount of cover needed and how long the policy will run for. Typically, this is until the children are grown up, for example, and you have repaid the mortgage. If you die before the end of the term, the policy will pay out. If you outlive the policy term, you don't usually get any money.
- **Decreasing term insurance:**
  This insures you for a fixed period, such as 10 years, but the sum assured reduces over the length of the policy. This is more likely to be taken out to run alongside a mortgage term, for example.

Your Adviser Discusses | part 2

Income protection

It can be financially devastating if you are unable to work for a long period because of an accident or illness. Income protection is designed to provide you with a tax-free income if you are unable to work for a long period in these circumstances.

You can opt for this income to kick in after a certain period, such as three months, six or 12 months, and reduce premiums by opting for a longer period. When you need the income to start will depend on any cover provided by your employer, and your level of savings. Check the terms carefully so you understand how the policy works, and when payments would begin. How much you pay for cover will depend on what level you choose, alongside your age, employment, and any health conditions.

Who's it for?

This can be particularly valuable insurance for the self-employed who do not have any cover through their employer. If you are employed, you are entitled to 28 weeks of statutory sick pay, but you may find cover is extended beyond that. Anyone who wants to protect themselves against loss of income if they are unable to work, may want to invest in this cover.

Types of cover: You can choose from short-term and long-term cover. For example, short-term may pay an income over two years, until you are able to return to work, whereas long-term cover may run until retirement, or when the policy ends.

Critical illness

These policies pay out a lump sum on diagnosis of one of the critical illnesses covered by the plan – typically, policies cover core conditions such as heart attack, stroke and cancer. The lump sum may be used to pay off the mortgage, any other debts, or particular outgoings such as school fees, or to adapt living arrangements to the new circumstances. However, critical illness policies can be expensive, and remember they only pay out for certain conditions, which will depend on the particular policy. You may buy a policy where premiums are guaranteed. However, it's more likely that they will be reviewed every few years and rise over the policy term.

Who's it for?

You may want to consider critical illness cover if you don't have enough savings to cover you if you become seriously ill, or you don't have an employee benefits package.

Your Adviser Discusses | part 3

Family income benefit

This is an alternative to level term insurance, covering you for a set period of time. However, instead of a single lump sum, a regular, tax-free income is paid from when you die until the end of the policy. For example, if you take out a 20-year family income benefit policy and pass away after 10 years, it will pay out for a further 10 years.

Who's it for?

This cover is suited to families who want to ensure an income for a set period rather than a lump sum payout for a surviving spouse. It's considered a relatively inexpensive form of life cover, providing a regular, tax-free sum, if the insured dies. Cover may be set to last, for example, until children have reached age 21.

Private medical insurance

Many people have private medical insurance (PMI) through their employment. This will pay for the cost of private healthcare, so you may, for example, speed up the process if you want to see a specialist for any reason than under the NHS. If you don't have PMI cover through work, you can pay monthly or annual premiums for a policy. Beware that the majority of policies will not cover pre-existing medical conditions.

Who's it for?

This depends on your budget, and how much you want this particular cover – it's a personal choice. You are entitled to free treatment on the NHS, but you may want PMI if, for example, you would prefer to see a particular specialist, and use private hospitals.

There are several options available to you and those suitable will depend on your individual circumstances. Please get in contact to discuss how we can help match your requirements to ensure appropriate cover.

Please contact me to discuss your individual needs.

You might find it useful to read a recent case study about a recent client's income protection.

Click on the image to the right.

Update on the Chancellor's summer statement

In his summer statement, the chancellor Rishi Sunak announced a series of measures designed to create and protect jobs and encourage confidence in a longer-term recovery from the coronavirus crisis. However, many of the harder questions around who will end up footing the bill will have to wait until his autumn budget.

This is the first time that Britons have heard from the chancellor in detail since his budget in March, before the start of lockdown, when there was a series of major announcements to support businesses in the face of coronavirus; most notably, the introduction of the furlough scheme.

While nobody was expecting the chancellor to detail such large-scale government interventions in this summer statement, he continued to focus on stimulating measures to support businesses, and most importantly to shore up jobs amid the winding down of the furlough scheme.

The focus, for now, is on preventing a spike in unemployment and reducing the impact of the pandemic on the next generation. The less economic scarring incurred now, the lower the ultimate bill.

However, any question of how that bill will be paid has been put off for now – decisions on tax rates and allowances which may be examined to help pay for the crisis could play a prominent part in the autumn budget later in the year.

On of our partners, Smart Accountancy have prepared a helpful synopsis of the announcement which we have featured here.

Furlough scheme

- The furlough scheme will wind down flexibly and gradually until the end of October. See more on the Coronavirus Job Retention Scheme below.
- A jobs retention bonus will help to wind down the scheme: businesses will be paid £1,000 to retain furloughed staff providing they are employed up to January 2021.

Training and jobs

- Apprenticeships will be supported by bonuses for companies. Companies will get a payment of £2,000 for each apprentice they take on. Companies taking on apprentices aged over 25 will be given £1,500.
- "Kickstart scheme": £2bn fund to pay for six-month work placements for 16 to 24-year-olds on universal credit.
- Payments cover national minimum wage for 25 hours per week, plus national insurance and pension contributions for Great Britain.
- £1,000 grant per trainee for employers who take on new trainees aged 16-24 in England, aiming to triple trainee numbers.

Update on the Chancellor's summer statement

Discounts on eating out

- The chancellor announces an "eat out to help out discount" to encourage consumers to spend at pubs, restaurants and cafes.
- Meals eaten at any participating businesses, from Mondays to Wednesdays in August, will be 50% off up to a maximum discount of £10 per head for everyone, including children.
- Businesses will be able to register through a website launching on Monday. Firms can claim money back to have money in their bank accounts within five working days.

VAT cut for hospitality

- VAT will be cut from the current rate of 20% to 5% for the next six months on food, accommodation and attractions. The cut lasts from 13 July until 12 January 2021.
- Food and non-alcoholic drinks in restaurants, pubs and cafes, as well as hot takeaway food will be covered.

Stamp duty

- The chancellor announces he will cut stamp duty to reinvigorate the housing market.
- The threshold for stamp duty will increase from £125,000 to £500,000. The cut will be temporary, running until 31 March 2021, and will take effect immediately.

Looking ahead

The summer statement provided fresh impetus and reinforced the commitment that government has already demonstrated in dealing with the economic impact of the coronavirus.

However, for many the question will still be how the unprecedented government support will ultimately be paid for in the aftermath of the crisis.

It's not an immediate problem as borrowing costs for the government are negative for bonds (loans) of up to five years.

However, the chancellor was clear that phase three of his Covid-19 response involves rebuilding, and that includes the rebuilding of the public finances.

It will be the autumn budget when we get a stronger sense of how the cost will be met, and there is a widespread view that those with the broadest shoulders will be asked to bear the greater load.

There has already been press speculation about wealth taxes, although prime minister Boris Johnson denied any intent to introduce one during prime minister's questions shortly before the summer statement.

Reducing current tax allowances, such as higher rate pensions relief, has however been speculated upon previously, and there is little reason to think areas like these will not be revisited now.

In the meantime, many people will look to ensure they make use of their allowances while they remain available.

Smart Accountancy discuss Coronavirus Job Retention Scheme

Since lockdown began, Smart Accountancy has been helping their clients make sense of the information provided by Government relating to claims, grants, deferment of VAT and other issues relating to taxation and business rates. We asked them to share with you some specific information about the Coronavirus Job Retention Scheme.

Mark Smith, Owner of Smart Accountancy which offers proactive Accountancy solutions and financial consultancy to businesses and individuals answers questions about government support options.

Coronavirus Job Retention Scheme (CJRS):

Government grants will cover 80% of the salary of retained workers up to a total of £2,500 per month (provided, where necessary, they obtain the consent of staff). If 80% of salary is £2,500 per month, the full salary would be £3,125 per month. This amounts to a salary of £37,500 per annum. Accordingly, our calculations suggest that any wages earned by a member of staff in excess of £37,500 are not covered by the Scheme.

From 1st August 2020 the scheme will change in order to bring back furloughed workers on a part time basis where needed and the below table shows what it will be like until 31st October 2020.

	July	August	September	October
Government contribution: employer NICs and pension contributions	Yes	No	No	No
Government contribution: wages	80% up to £2,500	80% up to £2,500	70% up to £2,500	60% up to £2,500
Employer contribution: employer NICs and pension contributions	No	Yes	Yes	Yes
Employer contribution: wages	-	-	10% up to £312.50	£20% up to £625
Employee receives	80% up to £2,500 per month	80% up to £2,500 per month	80% up to £2,500 per month	80% up to £2,500 per month

If, as an employer, you intend to access the Coronavirus Job Retention Scheme you will need to instigate the process by discussing it with specified employees becoming classified as a furloughed worker. This would mean the employee is kept on the employer's payroll, rather than being laid off. The Government has made it clear that the scheme will run until October 2020.

Please be aware

HMRC does not send texts or make calls asking for bank or credit card details. If this happens then it is likely to be a scam. Should you require any assistance or have any questions then please do not hesitate to contact Smart Accountancy directly with any further questions for a FREE initial consultation.

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Techys2u discuss lockdown FAQs | part 1

Many of us have faced challenges with IT since lockdown whether we are business owners or simply trying to stay in contact with others from home. So we asked our IT support team to provide some answers to their most frequently asked since lockdown.

Timothy Bailey, founder of **Techys2u**, which offers managed IT services for small to medium businesses across the Midlands, answers questions about IT setup for the ‘new normal’.

Q. My internet/ Wi-Fi is really slow at home – what’s wrong?

You need to find out whether it’s your Wi-Fi or internet connection that’s the problem. Use Google to find a free online internet speed test. Do the test while connected by a cable to your router, with any other devices disconnected. A good internet speed in the UK is 24Mbps. If yours is significantly lower, then speak to your provider as you may need to switch.

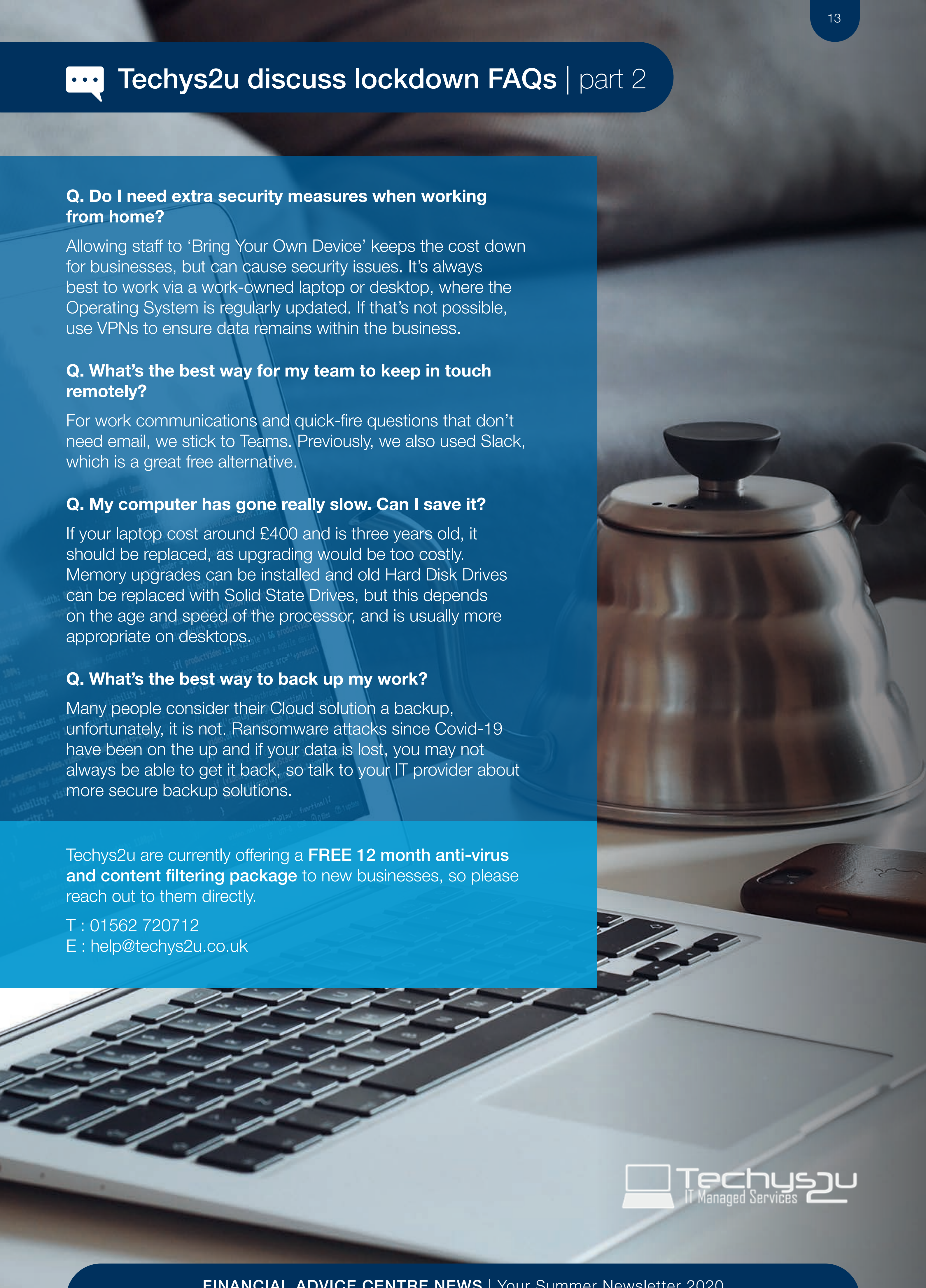
Q. My internet speed is okay, it’s my Wi-Fi. What can I do?

Check how far your device is from the router. Things like foil-backed plasterboard and stone walls both reduce signal. Extenders can be used to boost your Wi-Fi. Alternatively, Powerline or HomePlug adapters can be used to send internet signals over your homes’ mains cables to another part of the building so you can plug in. Cabling your internet is always preferable to wireless.

Q. What is a VPN and what does it do?

VPN stands for Virtual Private Network and it basically provides a secure link from point A to point B. Imagine it as your personal tunnel through the internet or like a wormhole through space.

Techys2u discuss lockdown FAQs | part 2



Q. Do I need extra security measures when working from home?

Allowing staff to ‘Bring Your Own Device’ keeps the cost down for businesses, but can cause security issues. It’s always best to work via a work-owned laptop or desktop, where the Operating System is regularly updated. If that’s not possible, use VPNs to ensure data remains within the business.

Q. What’s the best way for my team to keep in touch remotely?

For work communications and quick-fire questions that don’t need email, we stick to Teams. Previously, we also used Slack, which is a great free alternative.

Q. My computer has gone really slow. Can I save it?

If your laptop cost around £400 and is three years old, it should be replaced, as upgrading would be too costly. Memory upgrades can be installed and old Hard Disk Drives can be replaced with Solid State Drives, but this depends on the age and speed of the processor, and is usually more appropriate on desktops.

Q. What’s the best way to back up my work?

Many people consider their Cloud solution a backup, unfortunately, it is not. Ransomware attacks since Covid-19 have been on the up and if your data is lost, you may not always be able to get it back, so talk to your IT provider about more secure backup solutions.

Techys2u are currently offering a **FREE 12 month anti-virus and content filtering package** to new businesses, so please reach out to them directly.

T : 01562 720712
E : help@techys2u.co.uk

Techys2u IT Managed Services

Mortgage News

Throughout lockdown our Mortgage Team have been asked to comment on a number of issues facing those applying for mortgages. We've selected a few articles we thought you might find interesting.

FT ADVISER

Residential May 22 2020

Self-employed suffer from lending squeeze

By Chloe Cheung — Financial Adviser

Lenders have become increasingly cautious about self-employed applicants, asking for more details and looking to do more manual assessments on mortgage applications.

Read more...

FT ADVISER

Buy-to-let May 4 2020

Buy to let market shrinks 1% per year

By Chloe Cheung — Financial Adviser

The buy to let market has declined 1 per cent every year in the past five years and is expected to see a further shock under the lockdown measures, which could lead to a rise in rent prices, according to research.

Read more...

MortgageSolutions
Committed to mortgage intermediaries

MARKETWATCH

'It's sad to decline business I would have completed months ago' – Marketwatch

by: Shekina Tuahene

18/06/2020 • 1

As lenders cautiously bring high loan to value (LTV) mortgages back to the market, low deposit borrowers are seeing a notable increase in the cost of their loan as some rates rise.

This week *Mortgage Solutions* is asking: As rates rise on high loan to value deals (LTV), are you worried about the financial impact on first-time buyers and low deposit borrowers?

Read more...

About Financial Advice Centre Limited

Financial Advice Centre Ltd is a team of Worcestershire based Independent Financial Advisers (IFA's) and Wealth Managers. Founded in 1999, the team has grown to become a leading West Midlands based firm recognised for progressive thinking and a refreshing, transparent approach to managing and advising on client funds.

Our team of IFA's have deep technical expertise and offer an innovative approach to financial advice as seen through our proven pedigree of successful strategies in these areas:

- Bespoke Investment Strategies
- Retirement Planning Solutions
- Pension Drawdown and Freedoms
- Wealth Management
- Inheritance Tax Planning
- Mortgages
- Life Assurance and Protection

We are active Advisers with a unique charging structure focussed on building long term relationships and consistently adding value to clients' investment propositions. Our aim is to provide a service that is both forward-thinking and independent to help clients achieve their financial objectives.

Clients choose to work with us because we simplify a complicated financial environment and consistently deliver results in a way that's easy to understand.

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