financial advice centre
Independent Financial Advisers

NMA TOP 100 2021-2022
NMA TOP 100 2020-2021

Your Spring Newsletter 2022

Award Winning Independent Financial Advisers since 1999

Striking a balance this spring

As well as being a season of hope and renewal, spring is also viewed as the ideal time to declutter and reorganise. The last couple of years have taught us the importance of achieving balance in our lives – this extends to our finances too, making now an opportune time for investors to review and rebalance their portfolios to ensure investments remain aligned to their long-term financial goals.

Concerns surrounding inflation, rising interest rates and immense global political tensions have all combined to create a potentially disconcerting backdrop for investors during the early part of this year, as markets search for a stable footing. The good news is that many investors with long-term retirement goals tend to have time horizons that extend beyond inflationary cycles and any market volatility experienced is a normal investment phenomenon. History shows that investors who are patient and stick to their plans are more likely to achieve their financial objectives. Diversification is one strategy that withstands the test of time.

What now for the global economy? A ‘*disrupted recovery*’

The current mix of uncertainties has led the International Monetary Fund[1] to downgrade its global growth forecast when its latest economic musings were released in January.

While the international soothsayer does expect the global recovery to continue in 2022, it is now predicting a ‘disrupted recovery’ with growth forecast to moderate from 5.9% in 2021 to 4.4% this year – half a percentage point below the previous forecast made in October.

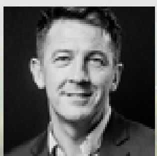
Macro matters

Last year’s gains in growth due to rebounding activity now appear to be behind us. Although the pandemic will continue to impact growth rates, the outlook for macroeconomic policy is likely to become increasingly critical. Indeed, the path of the global economy this year looks set to be largely shaped by central bank policies; specifically, their ability to keep inflation expectations anchored while allowing a supportive environment for growth.

Time to review your portfolio

We are always reviewing your portfolios to make sure they are well balanced-diversified, tax efficient and inflation-proofed where possible. If you have any questions or would like to discuss please contact your adviser.

[1]IMF, 2022



Piers Mepsted,
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In this Issue

For questions and advice get in contact today...

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Market Overview | part 1

The first trading day of 2022 set a particularly buoyant and optimistic scene, with the FTSE 100 index pushing above the 7,500 level for the first time in almost two years and US stock markets setting yet another all-time high.

Investors appeared to discard concerns over the Omicron variant of COVID-19, and jitters surrounding inflation and central bank policy were pushed down the list of worries.

However, hopes of a more calm and collected start to 2022 were soon disappointed.

Minutes from December's US Federal Reserve (Fed) meeting indicated the central bank was considering raising interest rates "sooner or at a faster pace" than previously anticipated in order to tackle inflation.

Equity markets fell heavily, particularly in more 'growth'-focused sectors, as well as parts of the fixed income universe.

For growth stocks, higher inflation and rising interest rates can reduce the value of the future company earnings, profits and valuations that dictate a significant portion of their present value. For fixed income investments, a backdrop of rising interest rates can make current fixed levels of income look less attractive.

All of which made for an uncomfortable environment for investors, as it became apparent the Fed would use all available options – including interest rate hikes – to get inflation back under control.

Market Overview | part 1

The invasion of Ukraine

The most significant event during the quarter was Russia's unprovoked invasion of Ukraine.

Russian troops had been assembling on the Ukrainian border for some time, so the invasion itself was not entirely a surprise. However, the scale and brutality of the invasion shocked markets.

The Russian equity market experienced some of its worst ever falls and the Russian currency crashed to historic lows against the dollar as western nations began imposing significant (and in some cases unprecedented) sanctions.

More broadly, almost all equity regions fell too, although not nearly to the extent of Russian markets.

Given Russia's extensive involvement in oil and gas exportation, oil and energy prices soared.

The decision by the US and UK to ban Russian oil imports as part of their broader economic punishment for Russia briefly sent Brent crude oil prices towards $140 a barrel before subsiding.

European equities suffered the most severe impact, not least because of Europe's proximity to the conflict, but also the reliance many European countries have on Russia for their energy imports.

The UK equity market has held up relatively well, thanks in part to high levels of exposure to commodities and energy stocks that benefitted from higher prices.

US equities also proved resilient, as North America has greater energy independence than other countries and much less reliance on Russia in particular.

As events progressed, markets were able to better digest the implications of the invasion.

After an initial bout of volatility subsided, markets subsequently moved higher in the ended last month of the quarter.

Market Overview | part 2

Inflation

Away from the Ukrainian crisis, inflation was one of the biggest threats to asset prices. In the UK inflation measured by the Consumer Price Index (CPI) rose by 6.2% in the 12 months to February, marking a new 30-year high and significantly higher than the previous high of 5.5% recorded in January. This prompted the Bank of England to increase its inflation forecast, predicting a peak of 7.2% in April, up from the 6% predicted in December. In the US, annual CPI inflation jumped to 7.9% in February, with core inflation (which excludes food and energy costs) at 6.4% year-on-year.

Central banks in both the US and UK chose to raise interest rates during the quarter. The rate hike in the US was the first increase since 2018, while the UK saw the first back-to-back rate increases since 2004, with some members of the Bank's Monetary Policy Committee pushing for even greater increases. In the Eurozone, the annual CPI inflation rate rose to a fresh record high of 5.9%. Europe has had negative interest rates for eight years, but this latest inflation number increased the likelihood of rate hikes taking place in Europe this year, which until recently had seemed an impossibility.

In the UK

In broader data, UK gross domestic product (GDP) bounced back in January, increasing by 0.8% and returning it to pre-pandemic levels.

UK unemployment also fell to pre-pandemic levels in January, although it was evident wages were struggling to keep up with rising inflation.

Chancellor Rishi Sunak's Spring Statement was dubbed by critics as a "missed opportunity" to materially help struggling consumers and businesses, given the challenging inflationary backdrop.

The National Insurance threshold for individuals was increased by £3k and a cut in Income Tax from 20p in the pound to 19p was pledged for 2024.

Motorists were given a 'helping hand' as fuel duty was cut by 5p per litre.

Market Overview | part 3

In the US

US employment data was another relatively bright spot as non-farm payrolls rose by 678k, well above expectations of 400k, while new jobless claims fell to their lowest point since 1969. Strong jobs growth pushed the US unemployment rate down to a post-pandemic low of 3.8%.

In China

In China, the economy had made a better start to 2022 than expected, with both industrial production and retail sales growing strongly, thanks to improving car sales and demand for Olympics-related products. Despite this, Chinese equities were weak through the period. A new COVID-19 outbreak resulted in the highest number of cases since 2020, culminating in further mass lockdowns. The economic ramifications of this caused weakness across the Asia-Pacific region, and this weakness was compounded by fears China would open itself up to US sanctions if it agreed to Russian requests for military assistance in its war with Ukraine.

In Summary

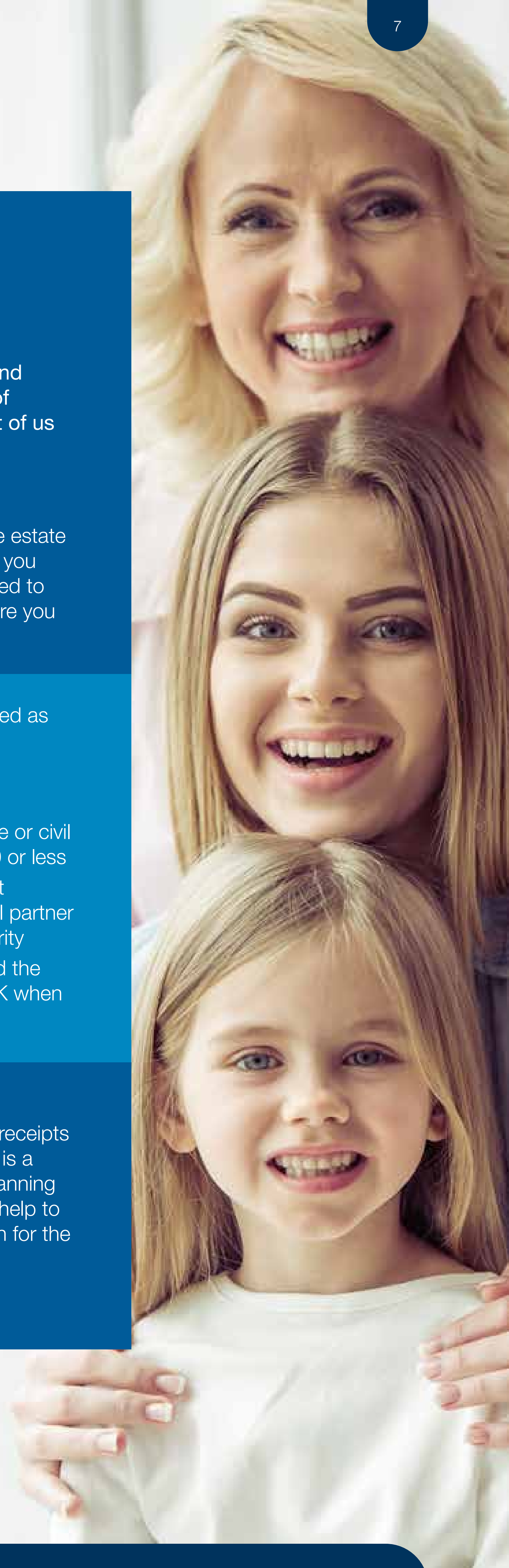
The volatility and headwinds that faced asset classes in the first quarter of 2022 are almost certainly likely to continue throughout the remainder of this year. Our investment partners are hopeful that COVID-19 will continue to be a reducing risk to portfolios, and that central bank activity helps to ensure inflationary pressures subside towards the end of this year/early 2023.

A well-diversified portfolio continues to be one of the most prudent approaches to navigating these uncertain times. Our investment partners also continue to emphasise the vital role that alternative assets will play in light of the inflationary challenges facing equities and fixed income in the months ahead.

Markets and Investments

Outlook	Asset Class	Reasoning
↑	UK Equities	UK equities held up relatively well in the first quarter, thanks in part to the greater exposure the main index has to commodities and energy companies that performed well in the wake of Russia's invasion of Ukraine. UK CPI touched a 30-year high of 6.2% in the 12 months to February and the UK central bank pushed through the first back-to-back rate hikes since 2004 with the base rate now standing at 0.75%. UK GDP and unemployment data reached pre-coronavirus levels.
↔	US Equities	Confirmation that the U.S. central bank was going to increase interest rates faster than expected sparked a sell-off in stocks in early January. US CPI jumped to 7.9% in February and base rates were raised for the first time since 2018. Employment data was strong, coming in ahead of expectations and unemployment reached a post-pandemic low of 3.8%. More recently, U.S. equities maintained relative resilience thanks to the county's energy independence and lesser reliance on Russia in particular.
↓	European Equities	Eurozone inflation rose to a fresh record high of 5.9%, increasing the potential for rate hikes to take place which until recently, seemed an impossibility. European equities were particularly impacted by Russia's invasion of Ukraine, not least because of the region's proximity to the conflict, but also the reliance that many European countries have on Russia for their energy imports. Protracted sanctions and energy embargoes will be a key challenge for the region.
↑	Asian Equities	For the first time in two years, the Japanese government announced the reopening of the international border which is an important psychological step towards economic normalisation that could potentially pave the way for a strong economic recovery in 2022. Japanese inflation has remained subdued, but expectations are for this to increase in 2022. Nonetheless an expected figure of 2% is still low compared to other developed economies. The Chinese economy had initially made a better start to 2022 than expected, with both industrial production and retail sales growing strongly. However, the region has suffered weakness as the latest outbreak of COVID-19 resulted in mass lockdowns that investors feared would cause economic weakness. Volatility could well provide buying opportunities in a region where the struggles of COVID mean that part of the reopening recovery is still to come.
↔	Emerging Market Equities	The Russian equity market experienced some of the worst falls in history and its currency crashed to historic lows against the dollar as western nations began imposing unprecedented sanctions. More broadly, Emerging Market concerns are shifting away from Covid towards spill-over from the Ukraine crisis. Many regions still have scope to continue their recovery, but the challenge of dealing with high rates of inflation is being amplified by higher energy prices.
↓	UK Gilts	Gilts continue to be whipsawed in response to inflation and interest rate expectations and there looks to be no short-term end to this pattern. Elevated inflation risks are highly likely to remain acting as a headwind for the asset class and due to their low level of income returns their price is likely to react in a volatile manner. Traditionally, the use of assets such as Gilts provided investors with a 'safe haven't but the elevated volatility does not reflect this quality.
↑	UK Corporate Bonds	As central bank policy continues to play havoc with bond markets the increased levels of volatility should continue to provide a rich hunting ground for active investment managers. The size and diverse nature of the sector will undoubtedly provide opportunities for investors during this difficult time, but also means that the fortunes of all in this sector may not be correlated.
↔	Cash	Cash remains 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 for investors to deploy should attractive investment opportunities present themselves. Additionally, as interest rate increases come through investors can, for the first time in many years, receive a return on their cash deposits, albeit at a rate below inflation.

Your Adviser Discusses



Inheritance Tax reporting - in the know

Keeping up to date with tax changes can be challenging and you may have missed this one in relation to the reporting of Inheritance Tax (IHT), especially as it's not something most of us will deal with very often.

Excepted estates

The changes came in at the start of the year and apply to the estate of anyone who dies on or after 1 January 2022. Now, before you make a report to HM Revenue and Customs (HMRC) you need to check whether the estate is an 'excepted estate' to make sure you complete the right forms.

There are several reasons why an estate may now be classified as 'excepted':

- The estate has a value below the current IHT threshold (£325,000 for one person)
- Any unused threshold is being transferred from a spouse or civil partner who died first, and the estate is worth £650,000 or less
- The estate is worth less than £3m and the deceased left everything in their estate to their surviving spouse or civil partner who lives in the UK, or to a qualifying registered UK charity
- The estate has UK assets worth less than £150,000 and the deceased had permanently been living outside of the UK when they died.

Thinking of your own IHT planning

More people are having to pay IHT. HMRC figures show IHT receipts for the period April 2021 to January 2022 to be £5bn, which is a £700m increase on the same period one-year earlier.[1] IHT planning is a complicated subject, but sensible financial planning can help to reduce the amount of IHT payable and safeguard your wealth for the future.

[1]HMRC, 2022

Investment News

Taking positive steps to achieve financial freedom

When are you thinking of retiring? With many pre-retirees reassessing their lives and priorities in the wake of the pandemic, there really is a seismic shift for many people towards achieving life balance. People need a plan to flex with their changing aspirations - it's become more about living life rather than going through the motions of the daily grind.

With earlier retirement a serious consideration for many seeking balance, a quarter of Brits who aspire to retire early feel that age 60 is the optimum time to do so[2].

Embracing a new lifestyle

What really makes you happy? If you're planning to celebrate your 60th birthday by saying 'goodbye' to working life, it's good to know that 68% of people report an increase in overall happiness as a result of retiring early, with 44% of early retirees reporting their family relationships improved and 34% citing improvements in their friendships. From a health perspective, 57% of early retiree respondents report a boost to their mental wellbeing, with 50% believing their physical wellbeing has improved.

Driving force

Nearly a third (32%) of people who retired early or plan to do so are driven by the desire 'to enjoy more freedom while still being physically fit and well enough to enjoy it.'

Other factors driving people to pursue early retirement include financial security (26%), reassessing priorities and what's important to them in life (23%), wishing to spend more time with family (20%), finding they are either 'tired or bored' of working (19%). Stress is also a contributing factor that 19% of respondents are keen to irradicate.

Pause for thought

With a sizable 24% of people returning to work after retiring because they experience financial issues, careful planning is essential. Interestingly, 47% of retirees found that their finances worsened and only 22% felt they benefited financially from their decision to retire early.

Positive steps to financial freedom

People cite steps toward making early retirement achievable like paying off a mortgage (30%), saving little and often (29%), saving extra when they receive a pay rise or bonus (19%) and receiving an inheritance (14%).

We're here to reassure you that happiness doesn't need to come at a cost when retiring early. Although it's very important to be realistic, with meticulous planning and careful consideration, we can assess and develop a robust plan to align and flex with your changing requirements and priorities.

[2]Aviva, Dec 2021

Property & Mortgage News

Looming crisis in older people's housing

With demand for homes for older people four times higher than supply, the government has been urged to investigate[3].

The UK's largest retirement housebuilder is requesting the introduction of rules to ensure 10% of new housing is designed for pensioners.

A new government initiative 'The Older People's Housing Taskforce' is set to examine barriers to supply of housing for older people, to look at how homes can be adapted to make them more suitable for older inhabitants and to examine the limited choice of properties available to OAPs, revealed in the Levelling Up White Paper.

[3]McCarthy Stone, 2022

Bumper Q4 for equity release

The Equity Release Council says record amounts of property wealth were accessed through equity release products in the last quarter of 2021, taking total lending for the year to £4.8bn, representing a 24% rise from the 2020 figure of £3.86bn[4].

Average loan sizes also increased, which the Council says is partly influenced by a rise in property prices as well as an increase in wealthier customers using equity release as part of their financial planning.

[4]Equity Release Council, 2022

Do you know your mortgage rate?

Do you know if you could benefit from remortgaging? If not, the first step is to compare your current interest rate to those currently available on the market.

Several surveys over recent years have shown that a substantial minority of people have no idea what their mortgage interest rate actually is.

Interest rates are rising

If you're unsure about your mortgage interest rate, now is the time to find out, with Base Rate on the rise. If you currently have a tracker or discount mortgage, or are on your lender's Standard Variable Rate, it's likely you're already feeling the impact on your bank account. So, now would be a good time to lock into a fixed rate deal before interest rates rise any further.

Knowledge is power

Understanding your current financial situation is the first step towards improving it. Don't stick your head in the sand - we can help you to assess your current mortgage rates, and whether more favourable options are out there. Please get in touch to find out whether you could save on your mortgage.

Property & Mortgage News

Investors tap into holiday let demand

Pandemic-related travel restrictions have unleashed huge demand for UK-based rentals among British holidaymakers – with buy-to-let investors scrambling to take advantage.

According to figures[5], holiday let mortgage availability has trebled since 2020, giving would-be investors ample opportunity to tap into this demand. There are now 231 buy-to-let mortgages eligible for holiday lets on the market, versus just 74 back in August 2020.

As the number of deals increases, competition between lenders is also on the rise, with average rates reducing from 4.14% in September 2021 to 3.92% in January 2022.

Things to think about

If you're thinking about investing in a holiday let, there are some factors to consider before taking the plunge. Firstly, the government is currently working to close a tax loophole that has seen people claiming tax relief on empty 'holiday lets'. Holiday let owners will soon be required to prove that their property is being let for at least 70 days each year in order to claim small business tax relief.

Secondly, it's important to think about the cost of purchasing a holiday let above and beyond the property itself. For example, you may have to spend a significant amount up-front to get the property ready for holiday let clientele. You'll also have to consider how much the property is likely to generate in rental income – is it in a good enough location to attract a steady stream of holidaymakers?

Get advice

We'll be able to help you weigh up the various factors and recommend mortgage finance that's suitable for your needs.

[5]Moneyfacts, 2022

Property & Mortgage News

Life changes – so should your mortgage

The cost of living has shot up in recent months, with inflation expected to reach a peak of 7% this spring[6] and many families facing a significant hike on their annual energy bills from April.

With finances squeezed, every penny counts – so it's important to consider all the options for streamlining your outgoings. If you're reaching the end of your current mortgage term, taking the time to explore whether more favourable rates are available could really pay.

Paying over the odds?

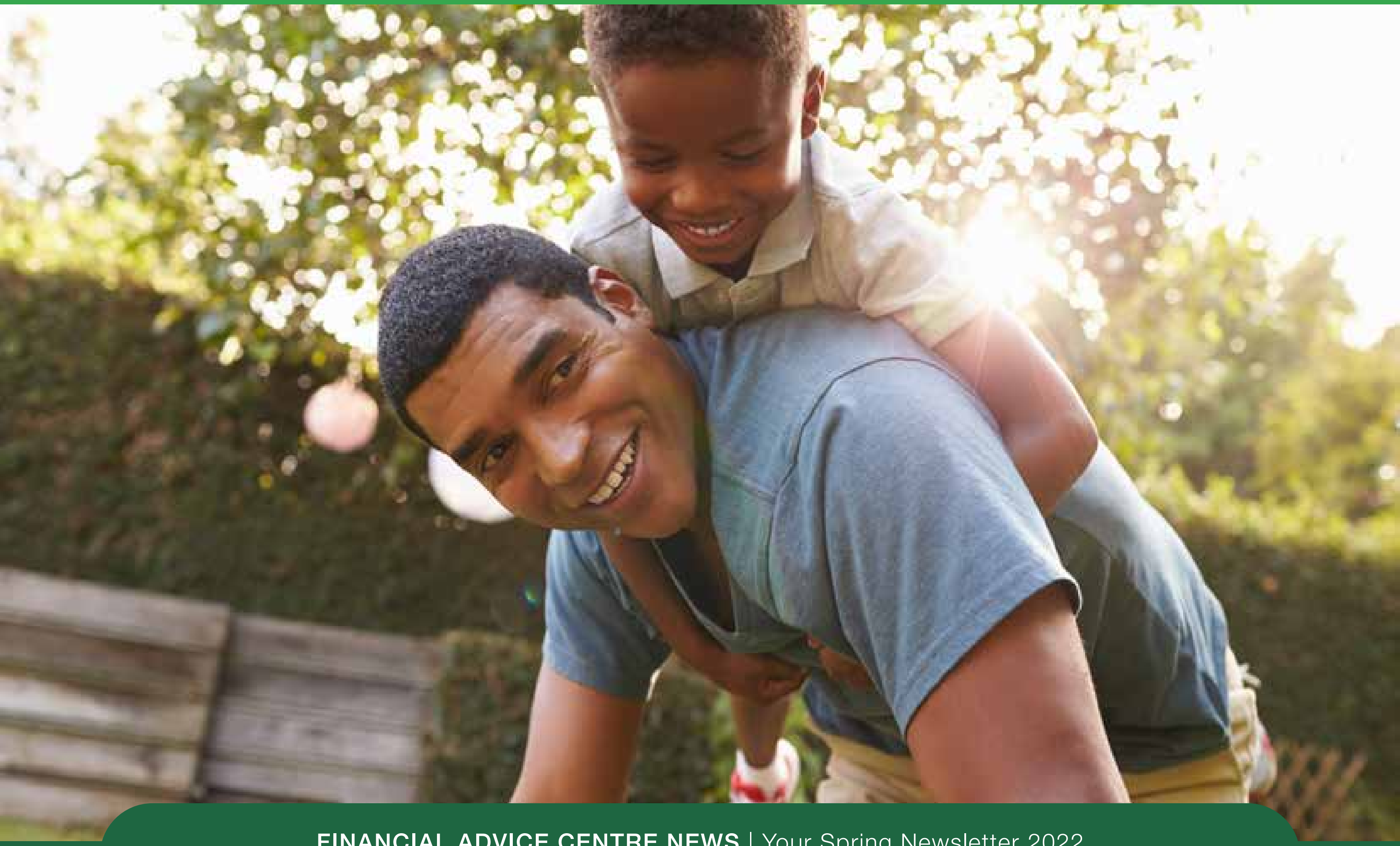
If your mortgage deal has expired and you are on your lender's Standard Variable Rate (SVR), it is likely you'll already have been hit by recent increases to the Bank of England base rate. SVRs are typically higher than those offered by available deals and fluctuate as interest rates rise and fall. Switching to a fixed rate mortgage deal instead could both save you money and make budgeting easier, as you'll know exactly what is going out each month.

Time for a review?

While you can switch your mortgage at any time, you may face early repayment charges (ERCs). Even if your current mortgage deal hasn't quite expired, however, you could start the remortgaging process up to six months beforehand. Many lenders will permit you to lock into a new deal up to three months in advance, so starting early will give you the time you need to assess your available options. That's where we can help – we can scour the market for the most suitable mortgage finance for your circumstances.

[6]Bank of England, 2022

If you're reaching the end of your current mortgage term, taking the time to explore whether more favourable rates are available could really pay.



Property & Mortgage News

Your home contents could be worth more than you think

In January this year, a team clearing out the home of retired antiques dealer and lifelong hoarder found a treasure trove of valuables worth £50,000.

Among the piles of bags and boxes stuffed haphazardly into the Victorian town house were eight grandfather clocks worth £1,000, an antique chair worth between £600 and £800, and a 1956 Morris Minor 'Split Screen' classic car valued at up to £6,000 in the garage.

Do you know what's in your home?

Of course, most people don't have a home crammed with antiques; nevertheless, homeowners have made some incredible discoveries over the years. For example, an ancient Japanese coffer that had been sought aft er for decades by the Victoria and Albert Museum was found in the owner's home aft er his death, where it had served as a TV stand for 16 years. It sold for £6.3m!

If you haven't been up in your attic for a while, now could be the time. If you have any valuables knocking around that are currently unaccounted for, you might risk being underinsured.

Know your worth

Understanding the true value of your home contents (whether or not you have undiscovered valuables lurking in the attic) is crucial to getting the right home insurance cover. We can help you value your possessions and source the home insurance policy that best suits your needs.

About Financial Advice Centre Limited

Financial Advice Centre Ltd is a multi-award winning team of West Midlands 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 has 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
- Wealth Management
- Pension Drawdown and Freedoms
- Life Assurance and Protection
- Inheritance Tax Planning
- Mortgages

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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