

Pensions • Investments • Protection • Long term care • Corporate financial planning

Welcome to the latest edition of our investment bulletin. To discuss any of these topics or to address your own financial planning matters, please do not hesitate to get in touch. Telephone us on 01483 489 895 or email info@laithwaiteifa.co.uk. We look forward to hearing from you.

**2021
January**



Tax return reminder

Remember that tax returns are due to be filed by 31 January 2021, and any tax owed must be paid by the same date. This includes taxes that were deferred in July 2020 as a result of the coronavirus. This deferred tax will not attract interest or penalties if it is paid by 31 January.

If you pay your taxes late, you must pay interest and penalties may also be applied.

If you cannot pay your self assessment tax bill, you may be able to set up a payment plan to spread the cost. Usually this will only be possible if your tax returns are up to date, your bill is less than £30,000, you have no existing payment plans or other debts with HMRC and it is less than 60 days after the payment deadline.

Now is probably a good time to collate your financial records.

Laithwaite Financial Services Ltd
The Forge
101 Robin Hood Road
Knaphill Woking
Surrey GU21 2LS

T 01483 489 895
E info@laithwaiteifa.co.uk
W www.laithwaiteifa.co.uk

Markets review

In an environment where public confidence has been shaken, many investment markets have started to regain lost ground while others have already outstripped previous highs.

We expect markets to continue recovering, albeit unevenly, during 2021. Pharmaceuticals, technology and financial services performed well, while tourism and leisure related markets remain suppressed for the time being.

In the six months to 31 December, the UK's main FTSE 100 index rose by 6.40%. The UK market is recovering from sharp falls in the first half of the year, but uncertainty about the economy remains. Confidence rose with successful negotiations for the UK's exit from the EU, and the development of effective coronavirus vaccines. The future of the furlough scheme and possible tax increases to pay for business support measures during the pandemic may depress investment and expansion plans in the short term.

The MSCI Europe index rose by 9.22%. Many services are still under pressure from government restrictions designed to suppress the spread of covid, although manufacturing is proving more resilient.

US markets, measured by the US S&P 500 index, returned 10.15% over the six months. The full impact of coronavirus has yet to be seen, as cases are still rising sharply, although the availability of effective vaccines should boost confidence.

The MSCI Asia ex Japan index gained 18.63% for the period. Renewable energy and technology were key positive themes for this region.

(Performance data source: FE Analytics, total returns, sterling terms to 31/12/20.)

Dramatic fall in retirement savings by the self-employed

An October 2020 report from the Institute for Fiscal Studies found an alarming drop in the number of self-employed people who are saving into a pension.

In 1998, 48% of the self-employed contributed to a private pension, but in 2018 this number had declined to just 16%. The decline in pension saving has been more prevalent in men than woman, and in younger people compared to older. Other types of saving, such as in ISAs and savings accounts, have also declined among both the self-employed and employees, the report says.

Meanwhile the proportion of employees saving into pensions increased markedly over the same period, largely as a result of auto enrolment. This suggests the potential for a growing divide in retirement between the fortunes of those who were employed and those who were self-employed.

The report could not explain why there has been such a fall in retirement saving but, given that the number of self-employed workers in the UK is growing, the finding is a cause for concern. The report calls for further research.

To discuss how you can best prepare for a prosperous retirement, please speak to your financial adviser.

Releasing mortgage prisoners

People are described as mortgage prisoners when they are unable to switch from their current product into one with more favourable terms.

Prior to the financial crisis in 2008, mortgages were lent with very relaxed borrowing criteria compared to later requirements. Interest-only loans were popular, as were loans to – or even higher than – the full value of the property. Some products offered an unsecured loan alongside the mortgage, which together were worth up to 125% of the property value.

However the financial crisis saw the demise of some lenders, notably Northern Rock and Bradford & Bingley. Their loan books were transferred to other investors, in many cases ones that did not offer mortgages and so could not provide alternative, lower interest, products for ‘prisoners’ to switch into.

Before the crisis, the UK Base Rate hovered around the 5% level, but by March 2009 it had fallen to 0.5%. While most mortgage lenders responded by lowering customer borrowing rates, the institutions that now controlled prisoner mortgages did not do so, or at least not to the full extent.

Prisoners ended up paying much more mortgage interest than comparable borrowers. They also found themselves unable to switch to cheaper products because lending criteria tightened after the crisis and they often did not meet new loan-to-value or disposable income requirements, even if they previously had made all their mortgage payments in full and on time. The compounding effect of time has further disadvantaged mortgage prisoners.

A report by the London School of Economics published in November 2020 calls on the government to help release mortgage prisoners and suggests practical ways to achieve this. We will update clients if and when any new measures are announced.

Crypto currencies: a shiny distraction

Crypto currencies have been a bubbling news story over the past few years, but for many people they remain a mystery.

Crypto currencies were created as an alternative to currencies that are regulated and controlled by central banks. Traders in crypto currencies believe that in time, their use could equal or overtake that of traditional currencies.

Crypto means secret, referring to the secure technology used to record transactions from one online location (or ‘wallet’) to another. There is often no way of finding out who owns a wallet; the anonymity appeals to many traders.

Some think that this anonymity offers more control over their money, but it can make it very hard to enlist help if things go wrong. Because there is no regulator or controlling authority, if crypto currency disappears, traders have no recourse to compensation. The trading methods make it hard to track down where assets have gone, and they can be quickly moved to new owners.

Crypto currencies have very volatile price movements – Bitcoin increased in price 65% in a single day but has also dropped 25% in a day. The risky nature of these currencies is evident when you consider that the estimated value of stolen Bitcoin in 2019 was \$4.5 billion. It is unlikely that much of it will be restored to its original owners.

So, while crypto currencies are fast-evolving and innovative, they are also extremely unpredictable and offer no protection or compensation arrangements if they are stolen. We do not recommend them to our clients.

Facing down a crisis

Who would have predicted the events of 2020?

The speed and severity of the coronavirus pandemic took people by surprise, and its effect on global markets was almost immediate.

However, as we have seen in the past, financial markets are very pragmatic and will usually quickly recalibrate and reprice underlying constituents to accommodate the new conditions.

As Winston Churchill is reputed to have said, “Never waste a good crisis.” The sentiment underpinning this seemingly callous statement is that daunting challenges often trigger invention, innovation and opportunity.

Companies able to withstand or even thrive in the ‘new normal’ will be sought after and highly valued; those that are unable or unwilling to adapt will be seen as outdated, and will likely fall out of favour.

Already we are seeing changing practices, with more people working from home, meeting via their screens and using file sharing software. Automation is set to improve efficiencies further, and the growth in online shopping shows no sign of abating. Most forms of transport are becoming cleaner and household goods are both more responsive and more efficient.

So if you are worried about the impact of the events of 2020 on the value of your portfolio, bear in mind that successful businesses adapt, and professional fund managers are trained to identify the most promising opportunities. Not every pick will be a winner, but diversified portfolios stand the best chance of holding winners over time.

Pocket sized finance

In 2020, the average UK child received £7.55 pocket money a week, according to data company Statista. Greater London children received £8.20 on average, but those in the east and south east received about £2 less than this.

Weeding and mowing the lawn were the most lucrative pocket money activities, paying around £3 per chore.

How to improve a credit score

Checking and improving their credit score is particularly helpful for young people who are starting to navigate the world of personal finance. A good credit score will not entitle them to financial products and services, but it does increase the chances of their applications being approved.

Keep up with credit repayments – pay the full amount owed, on time. Missed or late payments can severely damage your credit rating and may stay on your record for up to seven years.

Register to vote – financial companies use the electoral roll to check your address and help to prevent fraud.

Close dormant accounts – lenders like to see a few well managed accounts, not dozens of unused ones.

Build a credit history – so that you can demonstrate an ability to pay, regularly and reliably. But do not be tempted to apply for credit that you do not need.

Pay off debt – lenders like to see that borrowers can successfully clear debt, rather than maintaining it indefinitely.

Stay put – lenders prefer that you have stayed in one place for a while and do not frequently change your address.

Check your credit report – there are three main credit reference agencies in the UK (TransUnion, Equifax, Experian). Check each periodically to make sure the data they hold is accurate. A basic statutory report is free, more detailed reports will cost.

Review linked people – a spouse, partner, sibling or friend linked to your finances could affect your own rating, if their credit score is low.

County Court Judgements – these can seriously reduce your credit score. If you are struggling to keep up repayments, contact a registered debt advice charity.

Ethical investing

Responsible investing often involves making decisions on a variety of criteria, rather than just financial performance.

Additional criteria might exclude certain industries such as gambling and tobacco from an otherwise diversified portfolio, or they may restrict the portfolio only to areas like sustainable farming or clean energy. Some people avoid pharmaceutical companies because of links with animal testing, while others view the development of new drugs and health treatments as beneficial to society.

An investor might also look at issues of governance, such as whether a company is transparent in its financial reporting, how it treats its employees or the extent to which it tries to benefit the community.

Managers of ethical funds apply their own investment policy and conduct extensive research and monitoring to ensure that companies continue to meet their standards for inclusion in the fund.

We offer responsible investment strategies with a range of funds that target sustainable growth and development in companies around the world. To find out more, please speak to your financial adviser.



What do clients value?

Financial services consultancy firm AKG asked what clients valued about the relationship with their financial adviser. When we ask clients similar questions, we often hear the same reasons as those stated below (although fortunately, in the past the coronavirus has not featured in their responses).

What do you value	%
Peace of mind	55
Ongoing support	48
Ideas on finances/investments	42
Support across different sectors	30
Wide range of services	29
Access to better rates/deals	27
Validation for my own decisions	26
Someone to rely on in a crisis (like coronavirus)	19
Bespoke opportunities	19
Transactional support	15
Life coach that I trust	15

About us

Laithwaite Financial Services Limited offers professional and independent advice on financial matters including pensions, investing and insurance.

We help clients manage their money to secure a better financial future.

We understand that every client has a different idea of financial success. For some, it means taking early retirement or helping the next generation onto the property ladder. For others, it means safeguarding their business with workplace insurance and employee benefits to retain valuable staff.

Every year we give hundreds of clients the comfort of knowing that their finances are best positioned to support their goals, whatever they may be.

Our advisers have years of experience in helping clients achieve different objectives. Every client receives a bespoke financial plan that explains our recommendations in detail, along with the time and costs involved.

Our advice is always practical, focused and individually tailored. We use all available tax allowances, so that client money works as hard as possible. We implement our recommendations only when our clients fully understand and support them, so there are no surprises.

Contact us to arrange an initial meeting without charge or obligation.

Please call 01483 489 895 or email info@laithwaiteifa.co.uk.

Laithwaite Financial Services Limited is authorised and regulated by the Financial Conduct Authority (registration number 225044).

Shares laid bare

Fund managers often issue different types of share in a single fund, identifying them with a virtual 'alphabet soup' of letters for investors to digest.

Different share classes allow a retail client to access the same fund management expertise as a pension fund. Institutional shares are usually cheaper but require bulk purchase (a minimum investment of £1 million is not uncommon). Shares for retail investors typically cost more, but can be traded in much smaller deals.

Shares may also be issued in different currencies and may be 'hedged' so that fluctuations in currency exchange rates do not affect the fund's performance.

Older share classes may incorporate the cost of the investment platform on which they are traded into the share price, although most modern shares are sold 'unbundled', with platform costs charged separately. This enables a more accurate analysis of fund performance.

Funds usually either distribute the income they generate (income shares), or retain it within the fund and reflect it in the form of a higher share price (accumulation shares). An investor making regular withdrawals would likely choose income shares, whereas one targeting long term growth would probably buy accumulation shares, ensuring that gains are reinvested automatically within their portfolio.

Your financial adviser will recommend shares suited to your investment objectives.

The team

Andrew Laithwaite
Director

Richard Braid
Financial Adviser

Ian Crump
Financial Adviser

Rob Sutton
Chartered Financial Planner

Patrick Mostyn
Paraplanner

Harry Theiakodimitris
Paraplanner

Robert Stephens
Compliance Officer

Jane Coxon
Office Manager &
Administrator

Sharon Mitchell
Administrator

Louise Whitmore
Administrator

Victoria Inglis
Administrator

Rebecca Clarke
Administrator & Trainee
Paraplanner

Sue Bystram
Administrator & Receptionist

Maria Politi
Administrator

Ariana Politi
Assistant Administrator

Tamsin Sinclair
Project Manager

Sophie Day
Bookkeeper

Laithwaite Financial Services Ltd

The Forge
101 Robin Hood Road
Knaphill Woking
Surrey GU21 2LS

T 01483 489 895
E info@laithwaiteifa.co.uk
W www.laithwaiteifa.co.uk

Issued by Laithwaite Financial Services Limited, authorised and regulated by the Financial Conduct Authority.

The contents of this newsletter do not constitute advice and should not be taken as a recommendation to purchase or invest.

Before taking an investment decision, we recommend you seek advice from one of our professional financial advisers.