JYFS
John Yuille Financial Services

John Yuille MIFS DipFA
Independent Financial Adviser

e. john@jyfs.co.uk m. 07976 720065 f. 01506 845557 w. www.jyfs.co.uk

Your Window on
Money
SPRING 2020

In the current climate, there is uncertainty in all of our lives with both health and financial concerns. However, while we are all understandably focusing on the here and now, it might be worth using this time to take a step back and review your long-term financial wellbeing as well. This newsletter takes a look at some of the areas you might want to consider. Of course, we are on hand to support you through any challenges ahead.

Make time for life's big decisions

A recent study[1] suggests many people don't have sufficient mental space to make the right choices when it comes to tackling life's difficult decisions. The good news, however, is that minor changes to the way people approach decision-making can dramatically improve their ability to make better financial choices.

Avoiding difficult decisions

The research found that the great British public typically 'don't do difficult decisions'. For instance, over four million said they don't have the mental space to tackle difficult issues, while a further 6.4 million don't have time for important life admin. Many Brits also admitted to putting little effort into key decisions: while over half said they always ensure an optimum choice of holiday destination, less than one in three adopt such a thorough approach to pension arrangements.

Decision fatigue

This tendency to 'sweat the small stuff' appears to be impacting people's financial decision-making abilities. For example, over half of respondents said they haven't made a decision on whether to buy critical illness cover, while just under half haven't considered changing their pension arrangements. In addition, when financial decisions are being made, many don't give it their full attention, with over four in 10 sorting out finances while sat on the sofa and one in 10 doing so at work.

Tips to aid decision-making

Small behavioural changes, however, can have a big impact on people's ability to tackle difficult decisions. For instance, picking a quiet location free from distractions and a time when you can focus fully on an issue will help, as will avoiding making decisions after a tough day. Visualising the future and linking financial decisions to life ambitions can also be beneficial.

We're here to help

Don't forget we're always here to help you with life's difficult financial decisions. So, get in touch and we'll guide you through the decision-making process. With our assistance you might even find that making better financial decisions isn't actually too difficult or time consuming.

[1] Scottish Widows, 2019

FINGER ON THE PULSE – INVESTING IN UNCERTAIN TIMES

Global stock markets are suffering a period of volatility as a result of the COVID-19 outbreak. Although markets do not respond well to periods of uncertainty, what is certain is that volatility goes hand in hand with stock market investment; and although market movements can be concerning, experience teaches us to expect the unexpected.

Calm and collected

To navigate market volatility, stick to your plan, diversify your holdings and very importantly, expect and accept volatility. Investors with diversified portfolios, who stay in the market, have historically and consistently experienced steady gains over time. Even though it can be difficult to ignore market movements, it is vital to focus on the long term and remember that volatility also presents opportunities.

Investment requires a disciplined approach and a degree of holding your nerve if markets fall. The worst investment strategy you can adopt is to jump in and out of the stock market, panic when prices fall and sell investments at the bottom of the market.

Weather the storm together

A well-defined investment plan, tailored to your objectives, in line with your attitude to risk, that takes into account your financial situation, can help you weather short-term market fluctuations. Market volatility is a timely reminder to keep your investments under regular review.

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

INSIDE THIS ISSUE:

KEY POINTS FROM THE SCOTTISH BUDGET

ECONOMIC FORECASTS

- Scottish GDP is forecast to grow by 1% in 2020 and by 1.1% in 2021
- Employment is expected to remain broadly level at 2.67 million, with an unemployment rate of 4%
- Average earnings are forecast to grow by 3% in 2020 and by 3.1% in 2021

TAX RATES

- No changes to Income Tax rates, the thresholds where the two upper rates kick in will not rise with inflation
- A starter rate of 19% will be charged on earnings between £12,501 and £14,585
- The Scottish basic rate of 20% will then be paid on earnings up to £25,158
- An intermediate rate of 21% will then apply up to £43,430, with a higher rate of 41% and a top rate of 46% for those earning more than £150,000
- Land and Buildings Transaction Tax (LBTT) for residential property will be unchanged

NHS

- Frontline services funding for NHS Boards will increase by £333m, with a further £121m increase for improving patient outcomes

ENVIRONMENT AND CLIMATE CHANGE

- A total of £461.8m will be spent on the environment, climate change and land reform – an increase from £426.6m
- The total Scottish budget for health and sport will be just over £15bn

CHILDCARE AND EDUCATION

- Total education and skills spending will increase to £3.5bn
- For colleges and universities, there is a further £22.1m funding

BUSINESS AND ECONOMY

- The Scottish National Investment Bank to be operational in 2020, supported by the £150m Building Scotland Fund and a further £220m in direct investment in 2020–21

In the news

BRITS WASTE £25BN A YEAR ON UNUSED SUBSCRIPTIONS

How long does it take you to cancel a direct debit for a service that you no longer use? Research has revealed that the average Brit wastes £39[2] every month on unused subscriptions. Prime suspects include discontinued gym membership, redundant mobile phones and unused streaming services. About 5% of those surveyed admitted to never checking their direct debits.

PEOPLE SAVING ADEQUATELY FOR RETIREMENT REACHES RECORD HIGH

The introduction of auto enrolment has had a positive effect. The proportion of Brits saving adequately for retirement now numbers 59%, up from 55% last year[3]. However, the proportion of those not saving for retirement at all remains unchanged at 17%, whilst 22% do not expect to be able to afford to retire at all.

IN-WORK POVERTY ON THE RISE

As UK employment figures hit record highs, so too does the level of in-work poverty, particularly amongst social housing tenants where poverty levels are as high as 34%[4]. Changes to the benefit system since 2010 mean that a single parent with two children now needs to work 23 hours per week, compared with 16 previously, to escape poverty.

OVER 14,000 SUSPEND THEIR STATE PENSION

Research[5] highlights an area of flexibility within the system, where people in receipt of a State Pension can choose to suspend and re-start it only once after it is in payment. About 14,300 opted to suspend theirs in 2018–19. Those reaching State Pension Age (SPA) before 6 April 2016, can receive an enhanced State Pension when they re-start, with the weekly payment enhanced 10.4% each year it is suspended; or a lump sum can be taken equivalent to the sum of the suspended payments plus interest (at least 2% above the BoE base rate). Those reaching SPA from 6 April 2016, receive an enhancement of 5.8% for each year it's suspended, with no lump sum option available.

[2]MoneyExpert, 2020
[3]Scottish Widows Research 2019
[4]Resolution Foundation, 2019
[5]Canada Life, Jan 2020

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

Life insurance for astronauts?

The first astronauts had a problem, especially in the early days of the Apollo missions to the moon, as their lives were literally uninsurable. No insurance companies would consider insuring anyone about to embark on a potentially lethal mission.

NASA came up with an idea to arrange 'insurance covers' whereby the crew autographed a number of postal envelopes, as close to launch as possible, the assumption being that these would soar in value if the crew died on the mission, leaving sufficient funds to take care of their families.

Protection for everyone
Fortunately, it's much easier for the average person to obtain protection insurance these days, it's important to have everyday risks covered.

Once in a blue moon?
It can be difficult to think that the worst might happen, but it's best to be financially prepared for illness or death, to give you and your family valuable peace of mind.

Fortunately, it's much easier for the average person to obtain protection insurance these days, it's important to have everyday risks covered.

Pension woes: the tale of Gen X

The changing financial pressures facing members of different intergenerational groups has been a recurring theme in recent years, with the narrative usually proclaiming how younger generations have lower income, assets and prospects than their older counterparts. However, there has been relatively little consideration of the potential retirement woes facing people born between 1966 and 1980 – Generation X.

Limited time to plan
Members of Generation X have between 12 and 28 years left to work and build up a sufficient pension pot to fund their post-working years. A recent report[6] suggests this group is at greater risk of reaching retirement with insufficient income. This partly reflects an array of changes in the labour market and pension landscape, as well as a challenging economic climate, which have combined to increase the complexity of preparing for later life.

Challenges facing Gen X
A number of specific issues have also placed Generation X at risk of reaching retirement with inadequate funds. The decline in private sector defined benefit provision means a large proportion of this group will rely on defined contribution schemes, while they are also likely to receive a lower State Pension income than their predecessors. Additionally, automatic enrolment came too late for this group to benefit fully as most were in their late thirties or over when it was introduced.

Still time for action
While it's imperative for members of Generation X to make time now to consider their pension needs, it's never too late to start saving for retirement. Diligent planning now could make all the difference to securing a comfortable future. So, if you have concerns about the adequacy of your pension, get in touch. We're here to help.

[6]Pensions Policy Institute, 2019

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

Spring clean your finances for a sense of wellbeing

A recent survey[7] asked people how they think and feel about their financial health, in an attempt to understand the connection between wealth and wellbeing.

UK's financial health

In the UK, 45% of respondents said that money is a major cause of stress; this figure increases to 66% with those who had no savings or investments to fall back on. When compared to the global average, the UK population holds fewer market-based investments and is more likely to have no savings or investments.

When questioned about financial health, 75% of UK respondents were of the opinion that this meant *'having little or no debt and being prepared for unexpected events'*.

Lack of knowledge

Amongst younger respondents, a common reason for not investing, was *'lack of knowledge'* with 49% of millennials agreeing with this, compared to 35% of baby boomers. Of all age groups, 34% stated that a fear of losing everything was preventing them from investing.

Financial goals

Setting realistic financial goals, as well as saving or investing towards these, can help you to feel more in control, reduce stress and improve your feelings of financial well-being.

It can be difficult to take the first step but talking to a trusted financial adviser can help. In fact, 75% of survey respondents, who use a financial adviser, reported having a positive sense of well-being.

Why not talk to us today to see if we can help to improve your financial wellbeing both now and into the future.

[7]BlackRock, 2020

Setting realistic financial goals, as well as saving or investing towards these, can help you to feel more in control

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

FIVE MILLION SELF-EMPLOYED

Recent figures from the Office for National Statistics (ONS) show the number of self-employed in the UK has reached record levels, at five million people, which represents around 15% of all people in employment.

If you are self-employed, you won't benefit from auto enrolment, but you will still qualify for generous tax relief on any pension contributions you make, subject to annual and lifetime HM Revenue and Customs allowances.

We can advise you on the pension that best suits your individual circumstances, so that you can look to the future with confidence.

Early financial education gives children a head start

According to The Financial Capability Strategy, part of the Money & Pensions Service, children's attitudes to money are well-developed by the age of seven. In an ideal world, therefore, primary schools would be encouraging children not only to recognise the pounds and pence needed to buy their weekly Haribo rations, they should also be preparing them – through experiential learning – to open their own bank accounts at age 11.

Research confirms that children and young adults who receive a formal financial education are more likely to be money confident. They are more likely to have a bank account, understand debt, be capable of saving and generally have the skills needed to make the most of their money in future.

A life skill that 'remains untaught'

Why, then, the organisation asks, is financial education not prioritised within the school curriculum? It says only four in 10 children and young adults currently receive financial education lessons and that educational establishments want to do more but are hampered by lack of curriculum time and financial skills and knowledge. The Financial Capability Strategy seeks to rectify this by providing resources for schools, parents, employers and individuals. Meanwhile, it's worth noting that the top family board games promoting financial literacy are: 'Cashflow 101' and the ever-popular 'Monopoly', which now has junior versions.

IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.