AUTUMN 2017

WEALTH PERSPECTIVES

Could INTEREST RATES *be set to rise?*

Experts predict things could be about to change.

THE IMPORTANCE OF PROTECTING YOUR FAMILY'S INCOME

Why are parents more likely to insure a pet than they are themselves?

ACTING YOUR INVESTOR AGE

Is your investment strategy in line with your stage of life?

BEWARE OF YOUR LENDER'S SVR

Could your mortgage be costing you more than it needs to be?

Alexander House™

CAERUS Capital Group

WELCOME TO THE **LATEST EDITION** OF

WEALTH PERSPECTIVES

in which we focus on the issues that affect your finances.

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While the Bank of England voted to leave rates as they are, experts are envisaging things should, and could be about to, change.

Pg.05 – Your financial checklist for 2017, how's it looking?
If your New Year financial resolutions have fallen by the wayside, there are still things you can do to get them back on track.

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A good investment strategy should reflect the many different stages of our lives, so are you doing the right things at the right time?

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Although commonly overlooked, income protection should be seen as an essential purchase.

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With some expert help, getting onto the property ladder needn't be stressful.

If you wish to discuss your finances or any of the issues raised in this edition, please do get in touch.

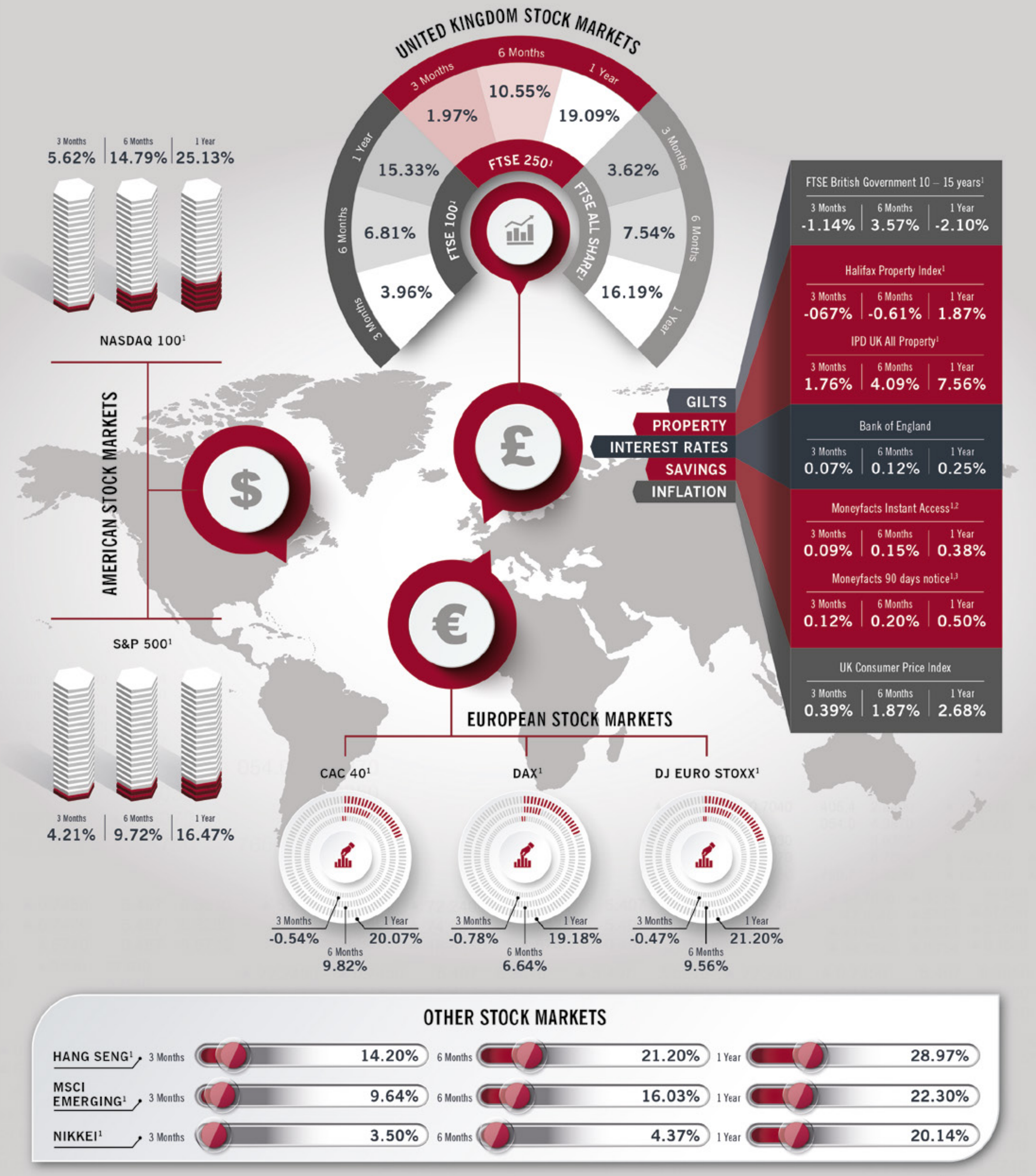
Best wishes

Nick Kelly

Nick Kelly

Alexander House Financial Services

LEADING *Indicators*



Source: **Financial Express Analytics 1st August 2017**

Notes: **1** Gross return bid-bid, annualised. **2** Moneyfacts Average of instant access accounts, £10,000 invested, total return, gross. **3** Moneyfacts Average of 90 day notice accounts, £10,000 invested, total return, gross.

Could INTEREST RATES *be set to rise?*

When the Bank of England's Monetary Policy Committee (MPC) met in June, the vote to leave rates at their current level of 0.25% was passed, but it was closer than had been expected at five to three in favour.

Inflation rose to 2.9% in May, and although it fell to 2.6% in June, it is still over the 2% figure that the government has targeted for the Bank to maintain.

In his June Mansion House Speech, the Governor, Mark Carney, suggested that the economy hadn't yet reached the point where rates needed to rise, saying: "Now is not yet the time to begin that adjustment".

However, Andrew Sentance, a former member of the Bank's Monetary Policy Committee and a senior economic adviser at PwC, said: "We have not necessarily passed the peak of inflation". Speaking to BBC Radio 4's Today programme, before the inflation figures were published, he said the Bank should follow the US Federal Reserve by starting to gradually raise interest rates: "If the Bank gradually raised interest rates that would help support the value of the pound so we would get less imported inflation and that might take some of the pressure off consumers." Watch this space.

YOUR FINANCIAL Checklist FOR 2017, HOW'S IT LOOKING?

Did you make some New Year resolutions about your finances, if so are you sticking to them? As we pass the halfway point this year, here are a few thoughts about actions you may want to take to keep your finances in good order.

I will get my pension reviewed

The tax incentives offered by pensions are too good to pass up; because of tax relief on contributions, it costs the basic-rate taxpayer only £80 to make a £100 contribution to their pension, while a higher-rate taxpayer only pays £60 for the same effect. If it's been a while since you looked at your pension, get in touch to arrange a review.

I'll make sure my Will is up to date and write a Power of Attorney

A Will written a few years ago might not reflect your current wishes about how your wealth should be apportioned on your death. So, you may want to review and update its provisions.

Everyone should plan for a time when they might not be able to handle their own financial affairs, or deal with decisions about their care. Creating a Lasting Power of Attorney enables you to nominate the person or people who would legally be able to take charge of making important decisions about your money and welfare, if there comes a time when you are not able to do this yourself.

The Financial Conduct Authority does not regulate wills or will writing

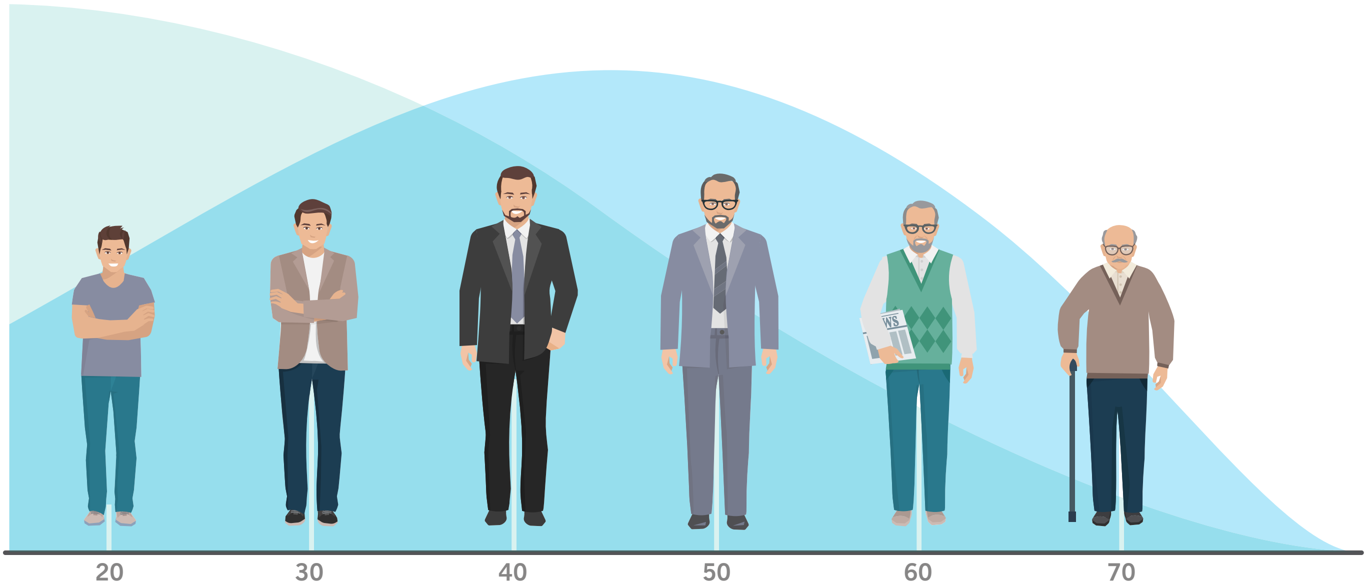
I will save as tax-effectively as possible

With the Individual Savings Account (ISA) limit for 2017-18 set at £20,000, it makes sense to shelter as much money as you can in these accounts. In an ISA, you don't pay tax on income or capital gains and the Help-to-Buy and Lifetime ISA accounts offer attractive government bonuses too.

If you're making plans for your retirement and would like some professional advice, then please get in touch.

Tax treatment depends on individual circumstances. Tax treatment, rates and allowances are subject to change.

The value of pensions and the income they produce can fall as well as rise. You may get back less than you invested.



Acting your INVESTOR AGE

As we mature our priorities and goals can change, as well as our circumstances, and we may need to revisit our investment strategy to reflect all of the different stages of our lives. Age may just be a number but it's important to grow up and act your investor age!

What should I be doing in my 20s?

It's likely that in your 20s you are starting your career, you may be paying back student loans or saving for the deposit on your first home. Rather than keeping any spare cash in an account that pays a low rate of interest, investing as early as possible can be a good long-term strategy. A benefit of investing early is that there is plenty of time to ride out any short-term fluctuations in the stock market. You can also make use of your annual ISA allowance, meaning your investments will be free of income and capital gains tax. You may also be interested in looking into the Lifetime and Help-to-Buy ISAs.

What should I be doing in my 30s?

In your 30s, it is likely that you will have more financial obligations, such as a home and a family. Despite all of these challenges, it's important not to lose sight of future financial objectives, like investing for a child's education or building up a healthy retirement fund. Try to keep adding to these pots.

What should I be doing in my 40s?

By the time you reach your 40s, retirement can still seem a long way off, but this is the time you are likely to be in your peak earnings years, so maximising your pension contributions and taking advantage of your tax-free ISA allowance are both good ways of investing for your future.

What should I be doing in my 50s?

Pension changes introduced a couple of years ago mean that many people in their 50s could be considering retiring at age 55, even though the state pension age is rising. If this is something you wish to consider, you also need to think about the available investment options; you may change your investment strategy from one that is focused on producing income, to one that concentrates on growth.

What should I be doing in my 60s?

Reaching your 60s often used to be the end of your working life, but nowadays many more people work well into their 60s or 70s. This is the time to revisit your attitude to risk as it's likely that you will now be more concerned than you were in your younger days about protecting your funds from stock market movements and may decide to opt for lower-risk investments.

You may be in the fortunate position of having enough funds in retirement for your own use and choose to invest part of your assets for the benefit of younger family members.

Whatever your age, we can offer advice that's tailored to your circumstances.

If you're making plans for your retirement and would like some professional advice, then please get in touch. Tax treatment depends on individual circumstances. Tax treatment, rates and allowance are subject to change. The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.

DON'T FORGET TO USE YOUR *ISA allowance*

The good news is that since 6th April you can use this year's ISA savings allowance to put your hard-earned cash to work in a tax-efficient way.

The 2017-18 allowance is a generous £20,000 and as it can't be carried forward, it makes sense to take advantage of this savings opportunity as soon as possible in the year, rather than risk losing your entitlement if you miss the tax year-end deadline.

The longer your money is in your ISA, the more opportunity for interest and growth

If you're planning to make use of your ISA allowance this tax year, it's a good idea put your money in as early as possible. The longer your money is saved or invested, the more time it will have to produce tax-free returns.

If you're thinking of putting your ISA subscription into the stock market, but are worried that there might be more volatility ahead for the economy, then you can always choose to make contributions on a regular monthly basis. This is referred to as 'pound cost averaging' and means that you don't have to worry about getting the timing of your investment exactly right, and there's no need to constantly watch markets and stock prices to invest at the right moment.

Making the right choice

If you have cash that you don't need to access in the short term, then you may want to think about using your ISA allowance now. You only get one ISA allowance each year, so don't risk missing out on the valuable tax relief available. When it comes to choosing the most appropriate account or fund, there is a wide choice available, so why not contact us for advice on choosing the one that's right for you?

The value of investments and the income they produce can fall as well as rise. You may get back less than you invested.

PERSONAL BORROWING *hits record high*

Figures from the Bank of England show that household debt increased by a staggering £1.6 billion in March. Borrowing grew by more than 10% compared with the same month a year earlier.

It seems that slow wage growth and rising inflation have led to the average household taking on unsecured debts of around £13,200, just below the figure of £13,300 seen in the lead up to the 2008 credit crunch. The TUC recently warned they estimate that unsecured debt per household will rise to £15,000 by 2020. In another sign that the UK's finances are getting overstretched, almost 300,000 County Court Judgment cases came to court in the first quarter of this year, the highest figure for more than 10 years.

Bank of England raises concerns

The Bank's Financial Policy Committee has taken steps to stop banks getting around key tests designed to stop them lending too much to consumers and has forced them to find an extra £11.4 billion over the next 18 months to shore up their finances against the risk of bad loans. The Bank is bringing forward by six months the so-called 'stress test' that gauges whether lenders could withstand losses on loans that are not repaid.

35-year-olds bear the brunt

There's evidence that those in their mid-30s are bearing the borrowing brunt. That's because they are likely to have student loans to repay, personal loans for cars and make regular use of credit and store cards.

Debt charity StepChange had a record 600,000 people approach them for help with debts last year. Their research shows more that 8.6 million people are using credit cards to cover everyday living expenses, including 1.1 million who are resorting to high-cost credit.

ONE *in* SIX DOWNSIZERS *have second thoughts*

People often find themselves considering downsizing as retirement approaches. After all, selling a large family home and buying a smaller property to retire to has its attractions. Maintenance costs are likely to be cheaper, utility bills will be smaller and the cash released can be used to bolster retirement income.

However, a recent study has shown that one in six people who had thought they might downsize, decide not to go through with it. The reasons behind the decision to stay put were the cost of moving, the valuations they received on their existing property and problems finding the right home to move to.

Housing market pressures

Many estate agents believe that not enough people are downsizing to smaller properties to free up the thousands of larger homes desperately needed for growing families. They also acknowledge that there is a national shortage of suitably designed and attractively-priced retirement properties.

However, there may be more to it than that. Moving home at any age can be an emotional wrench; leaving a familiar neighbourhood can mean leaving good friends and neighbours behind, as well as having to change doctors, dentists and other healthcare providers at a time of life when their services are increasingly relied upon.

Large family homes contain lots of memories and possessions that have often accumulated over many years. Relocating can be a costly and time-consuming business, with stamp duty often mentioned as a contributory factor in the decision not to move.

Buying a £300,000 home would cost £5,000 in stamp duty. The Chartered Institute of Housing and the Royal Institution of Chartered Surveyors have both put forward proposals for a reduction in stamp duty and other financial incentives to make optimum use of the available housing stock.

"Many estate agents believe that not enough people are downsizing to smaller properties to free up the thousands of larger homes desperately needed for growing families."

FEWER HOME MOVERS SLOWING *the housing market*

There is a new phenomenon which is affecting the housing market, it's a nasty case of the 'missing mover' – this is where mortgaged homeowners are choosing not to move up the housing ladder, opting to stay put instead. To put this into context, in the UK, prior to the recession there were 1.6 million home sales every year. This figure fell dramatically to 860,000 in 2009, recovering to around 1.2 million at present. Why the shortfall? Why has this figure not rebounded to pre-recession highs?

New research[1] suggests that these 'missing movers' account for about 320,000 of the annual housing transaction shortfall. The research indicates several reasons for the decline in home movers, including the fact that at present there are fewer mortgaged owners than ten years ago. These mortgaged owners tend to be older and therefore much less likely to want to move home. An example of how the effects of an ageing population filter through to the property market; as their desire to move has diminished.

Around 140,000 of these missing movers can be attributed to a fall in the rates of moving among mortgaged homeowners. The research suggests that the availability of sufficient equity is the number one factor restraining the mortgaged mover rate. In addition to this lack of equity, are the secondary limiting factors – such as the lack of availability of the right home to purchase.

The researchers deduce that it is not the present situation of fewer movers, but the past situation where numbers were inflated, which is the extraordinary circumstance. For over 50 years the property market has undergone changes that provided a massive boost to the ability of people to buy and to own their own homes. An expectation of returning to those conditions is simply unrealistic.

Interestingly, the report concludes that: "The challenges of the future must be tackled on the basis of the context in which we find ourselves today. That is one of low interest rates, relatively low inflation, high and rising house prices relative to the incomes of prospective homeowners, and an ageing population. From our analysis, this combination is unlikely to unlock broad-based equity building or provide much scope for more relaxed lending. Perhaps fresh, novel policies will emerge that facilitate more moving in the current much-changed economic environment. However, in their absence we should expect the foreseeable future movement among mortgaged homeowners to remain constrained".

"For over 50 years the property market has undergone changes that provided a massive boost to the ability of people to buy and to own their own homes. An expectation of returning to those conditions is simply unrealistic."

[1]Council of Mortgage Lenders, 2017

Your home or property may be repossessed if you do not keep up repayments on your mortgage. Tax treatment depends on individual circumstances. Tax treatment, rates and allowances are subject to change.

BEWARE OF YOUR LENDER'S SVR

With interest rates currently low, many borrowers are content to stick with their existing mortgage deal. However, as the monthly mortgage repayment is often a family's major outgoing, it's a good idea to review your mortgage on a regular basis, as you could potentially save yourself money by remortgaging.

A lender's Standard Variable Rate (SVR)

If your current fixed-rate, tracker or discount deal is about to end or has already ended, it's usually the case that you'll be moved to your lender's Standard Variable Rate (SVR). The SVR is usually pegged to a percentage above the bank base rate and can be subject to change by the lender. So, if you don't do anything, you could be vulnerable to interest rate rises when they come. However, you could potentially save a substantial amount by moving your mortgage to a more attractive rate, either with your existing lender or a different lender.

Many could get a better deal

There are currently around two million people on Standard Variable Rate mortgages who could remortgage and save money and it's estimated that these homeowners could save a massive £10 billion a year in interest payments.

You might want to remortgage if your property has increased substantially in value. Remortgaging could also let you release cash from the equity tied up in your home. An increase in value might also enable you to move to a lower rate of interest.

Remortgaging also gives you the chance to change the terms of your loan, allowing you to make higher repayments and so shorten the overall mortgage term. You can also take the opportunity to raise additional cash against the value of your property to carry out home improvements.

We're here to help

If you're considering remortgaging your property, why not ask us for advice?

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BUY-TO-LET AND FIRST-TIME BUYERS, *are their fortunes changing?*

There's growing evidence that buy-to-let landlords are not as active in the housing market as they once were, meaning that young buyers are likely to find it a little easier to get on the housing ladder.

The Council of Mortgage Lenders (CML) reports that lending in March was down 19% on the previous year, at £21.4 billion, and attributes the downturn to landlords withdrawing from the lettings market.

Buy-to-let tax bites

The advent of the new taxes on rental income that started to take effect from April 2017, as well as the introduction of tighter lending controls requiring landlords to demonstrate greater levels of rental cover for borrowing, have served as a disincentive. Estate agents report a significant drop in new property purchases by landlords and more are selling existing rental properties. The past 20 years have seen an explosion in the market for privately rented homes, with the number of rental properties more than doubling to more than 5.3 million households today.

The CML reports that buy-to-let activity has been around 42% lower year-on-year and the downward curve in activity began when the additional stamp duty on second homes was introduced in April 2016.

Buy-to-let landlords are clearly considering their options. Some have set up limited companies and transferred their properties into them to escape the higher tax on rental income. Others have increased rents to cover their loss of income tax privileges.

Lenders are also providing help to first-time buyers; more are comfortable lending to those with 5% deposits. According to Moneyfacts, more than 50 lenders are operating in that market, offering over 250 different deals.

If you're a first-time buyer looking for a mortgage, why not contact us for some good advice?

"It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK."

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NEARING RETIREMENT?

Here's what you need to think about

"If you've had several jobs during your working life, you may have built up various pension pots, so get familiar with what you already have, plus there's your state pension to consider."

It may be approaching on the horizon, the prospect of a long, happy retirement, after years of working hard.

For many, retirement means spending more time with family and friends, or pursuing hobbies and interests, travelling the world or maybe even starting a new career or enjoying your garden.

Whatever you want your retirement to be, here are some tips to help you plan your finances to make the most of your later years.

Get familiar with your entitlements

Do your maths – working out how much you will have to live on and how much you'll need to spend is your first port of call. If you've had several jobs during your working life, you may have built up various pension pots, so get familiar with what you already have, plus there's your state pension to consider. It's a good idea to put together a budget that includes all your sources of income, your basic living costs, money you'll want to spend on holidays and pastimes, plus funds to cover emergencies.

Be scammer-savvy

It pays to be scammer-savvy. There are scammers around who are desperate to get their hands on your pension funds. They email, cold call and can even turn up unannounced on your doorstep. Very often, scams don't look like scams. They sound legitimate and come via convincing websites and glossy brochures. Don't get taken in; if an investment sounds too good to be true, then the chances are that it is. You can check out scams on the Financial Conduct Authority website (Be a ScamSmart Investor).

Focus on the future

Give careful consideration to making and updating your Will, also think about putting a Lasting Power of Attorney in place, so that if the time comes when you aren't able to make decisions for yourself, you have nominated someone you know and trust to act on your behalf. If you think that your estate might be subject to inheritance tax, then this could be a good time to get some professional advice as to how to plan your wealth so that more of it will go to your heirs.

Take some sound advice

The pension reforms that came into effect in 2015 provide greater flexibility and choice. With life expectancy continuing to rise, many people retiring today can look forward to a lengthy retirement, so it's more important than ever to make the right decisions about your finances. Financial advice can help you understand your options, make the most appropriate choices and plan your finances for the future. Get in touch today to consider your options.

If you're making plans for your retirement and would like some professional advice, then please get in touch. Tax treatment depends on individual circumstances. Tax treatment, rates and allowances are subject to change. The value of pensions and the income they produce can fall as well as rise. You may get back less than you invested.

THE IMPORTANCE *of* *protecting your family's income*

It may be a perpetual item on your to-do list, especially if you have a family, but arranging some form of income protection should be a top priority.

Research[1] has shown that parents are more likely to insure their home contents, their phones and the family pet, than they are to have income protection in place for themselves or their partner, leaving many families vulnerable. Don't worry, if you don't have a financial plan in place for your family's future, you certainly aren't alone; the great news is, income protection can be relatively straightforward to arrange.

Think about your circumstances

There's no time like the present to set aside the pressures of everyday life and put plans in place to protect your family should the worst happen. The first step is carefully quantifying your finances and commitments. We all depend on our monthly salary to pay our outgoings such as mortgage payments, phone bills and child care.

If your monthly salary were removed, would your family be able to afford to pay your mortgage and your household bills? If not, you need to assess how much money you would need to cover this shortfall.

One of the most important benefits of an income protection policy is having peace of mind knowing that if the worst were to happen, you and your loved ones have everything covered, from your weekly food shop to your utility bills. Without an income protection policy you risk losing everything you have worked for. The strain it would put on the family and yourself could be massive. The end result could be either you returning to work early which could make your health deteriorate or requiring a longer period of sickness after your premature return.

Getting the right cover

There are many different types of policy on offer, covering different risks that families typically face. They provide numerous levels of cover for varying terms. Deciding which policy to take out on your own can be hard, so that's why many people ask us for advice on how much cover they need to be adequately protected.

Income protection is a plan which can be custom-built to suit your financial needs with regard to how much it pays out per month to how long the plan covers you for. It can be adjusted to suit anyone's budget. Income protection should be seen as an essential purchase to protect your income and your loved ones.

It makes good financial sense to consider putting protection policies in place that could provide a payout if serious illness were to strike. Don't delay – get in touch today!

[1]*Aviva, 2017*

KEY STEPS *in buying your first home*

With hundreds of competitive mortgage deals currently available, this could be a good time to get into the housing market.

Making a success of your first property purchase means being well prepared. You'll have heard how nerve-racking buying a property can be, however working with us will help take a lot of the stress and hassle out of the process. It's a big and expensive decision and we will help you get it right.

You'll need to know what house prices are in the area in which you want to live. We will talk you through the amount of deposit you'll need to get a good mortgage deal. You'll need to budget for costs like surveys, legal fees, stamp duty and expenses associated with moving.

Check your credit score. If it's not as good as it could be, take steps to improve it before you make your mortgage application. We will be able to help you submit your application to the right lender, saving you the headache of approaching lots of lenders and comparing their terms. Once you have an offer in principle, you can start looking for a property.

When you've found somewhere you want to purchase, you'll need to make an offer. If that's accepted, then it's on with the paperwork and there's lots of it. You'll need a survey to find out if the property is structurally sound and a solicitor or conveyancer to carry out the legal work. When you and the seller are ready, contracts are exchanged and you're committed to the deal. That's followed by completion, at which point you can finally call the property your home and move in.

Your home or property may be repossessed if you do not keep up repayments on your mortgage. Tax treatment depends on individual circumstances. Tax treatment, rates and allowances are subject to change.

Alexander House™

We are always delighted to hear from you; to contact us please phone or email:

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