Life Centred Planning

Seneca Reid Limited

If any of these articles have piqued your interests and you want to discuss more, please get in touch

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Don’t underestimate the value of financial advice

Throughout our lives, it is highly likely we will need to take financial decisions that can have a major impact on our wealth, such as taking out the right pension plan, or investing wisely for the future. Over the years, research has produced some interesting findings that highlight the benefit of advice when taking major financial decisions. Those who take advice are likely to accumulate more financial and pension wealth, supported by increased saving and investing in equity assets, while those in retirement are likely to benefit from more income.

Advice is key to achieving your financial resolutions

A new study has found the likelihood of success in this area is heavily linked to receiving professional advice and the establishment of clear financial objectives. The research provides a measure of the value attributed to advice when it comes to helping investors achieve their goals.

The research, based on data relating to more than 100,000 advised investors, found that 8 out of 10 people with a defined retirement goal, had at least an 80% greater probability of achieving their financial objectives.

Create a financial plan to secure your financial wellbeing

The study clearly demonstrates how taking expert advice and constructing a tailored plan can significantly boost an investor’s financial wellbeing. Not a surprise, as the benefits associated with financial planning are renowned and abundant.

The value of financial advice comes in different guises and can include better return on investment, peace of mind, accomplishing goals and understanding opportunities. This combines to create future security, ultimately making sure you have enough money.

Discussing your financial objectives with us enables you to consider exactly what you want to achieve and establish clear goals that are both realistic and achievable. Regular financial reviews provide opportunities to monitor progress and adapt plans where necessary. Good financial planning can mean investments are tax-efficient by minimising both current and future tax liabilities.

It’s good to talk, we can help

This study once again reiterates the significant value that can be gained from seeking professional financial advice.

We can help manage the inherent volatility of markets, so your savings have the best chance of growing for the future – without giving you sleepless nights in the process and help make sure you aren’t taking too much, or too little, risk with your money.

The value of your investments and any income from them can fall as well as rise and you may not get back the original amount invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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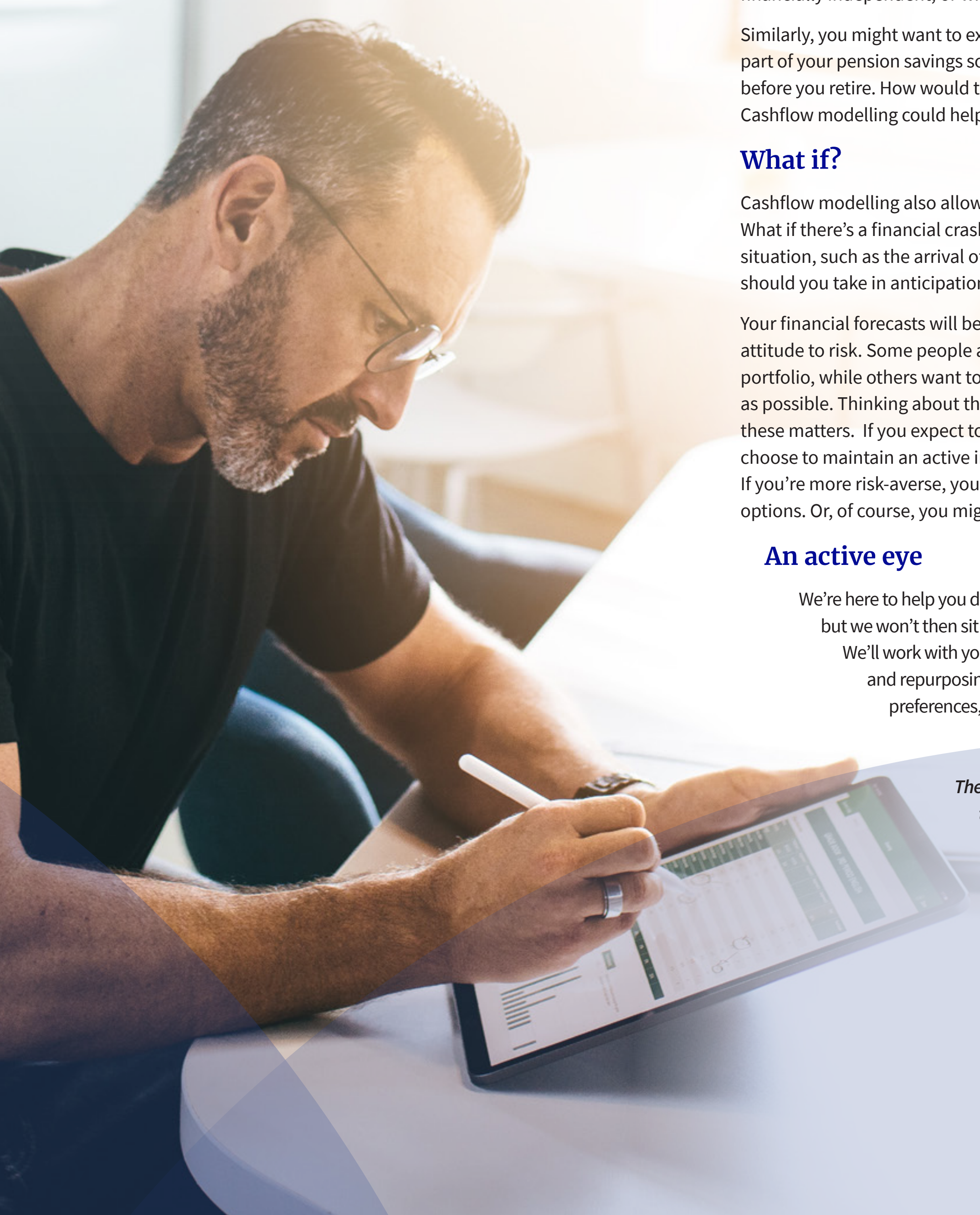
What is cashflow modelling?

"In this world nothing can be said to be certain, except death and taxes."

Financial planning is all about preparing for those things that may not be so certain (and taxes). Plans should be reviewed regularly so they adapt to changes in your circumstances and reflect developments in the wider economy and financial markets.



Cashflow modelling, sometimes known as cashflow forecasting takes a view of investments, debts, income and expenditure. It takes in to account things like inflation, changes in income and interest rates. It can then be used to model a range of different scenarios to help you make informed choices about your finances.

The heart of any sensible long-term financial thinking

In essence cashflow modelling provides a rolling balance sheet that has your income, savings, investments and other assets on one side and your spending requirements and commitments on the other.

With this information to hand, it is possible to assess your current situation. By adding in assumptions about the possible direction of variables such as inflation and investment returns, predictions can be made about how your situation might change over time.

In turn, this can help inform decisions such as when might be the optimum time to retire and how best your retirement income might be funded. It can also embrace estate planning, allowing you to put plans in place that can mitigate any potential Inheritance Tax liability.

Flexible forecasting and planning

Cashflow modelling is endlessly flexible and takes account of your personal preferences. You might want to determine the impact of moving to a smaller property at some point – perhaps when your children are financially independent, or when you retire.

Similarly, you might want to explore the merits or otherwise of accessing part of your pension savings sooner rather than later – in other words, before you retire. How would that affect your income after retirement? Cashflow modelling could help provide the answers.

What if?

Cashflow modelling also allows for examination of "What if?" scenarios. What if there's a financial crash? What if there's a change in your family situation, such as the arrival of grandchildren or a divorce? What action should you take in anticipation, either now or in the future?

Your financial forecasts will be shaped to a significant degree by your attitude to risk. Some people are bullish about potential gains from their portfolio, while others want to achieve as much security and certainty as possible. Thinking about the future will help confirm how you feel on these matters. If you expect to generate investment growth, you might choose to maintain an active interest in equities even beyond retirement. If you're more risk-averse, you might prefer more safe haven assets or options. Or, of course, you might opt for something in between.

An active eye

We're here to help you decide on a strategy that suits your preferences, but we won't then sit back and simply watch how events unfold. We'll work with you to maintain your cashflow model, refining and repurposing it so that it continues to match your preferences, however they develop.

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It is important to take professional advice before making any decision relating to your personal finances.

Are you engaged with 'good' investing?

Socially Responsible Investing and Environmental, Social and Governance Investing explained

Social and environmental change is accelerating at pace, with climate change one of the biggest issues facing humanity today. Recent climate protests around the globe have raised awareness and prompted many people to question their personal and corporations' impact on the environment. This heightened awareness has transcended to investment preferences.

Ethical investing traversed into the mainstream as people increasingly choose to allocate their investable funds towards companies whose values and practices align with their personal beliefs, whether they be environmental, social, religious, or political. Some investors may choose to exclude specific industries or allocate to other sectors which meet their ethical preferences. This involves creating an investment policy with very specific rules aimed at avoiding companies or industries that don't meet your criteria.

Terminology maze

We live in a world of acronyms and abbreviations; investment terminology is certainly not excluded from this phenomenon, with terms such as Environmental, Social and Governance (ESG) and Socially Responsible Investing (SRI), widely used, but what do they mean?

Social responsibility

Socially Responsible Investing, SRI, was originally developed to allow investors to avoid companies they disliked for ethical or values-based reasons. This original form of SRI is now called 'exclusions' or 'negative-screen' investing. Other SRI strategies have been developed, including positive screening or thematic investing, where only investments in companies aligned to the investors' values are made.

Today, SRI very much focuses on social issues, such as labour rights and encompasses any investment strategy which considers both financial return and social/environmental good to bring about positive social change. For example, some SRIs avoid businesses perceived to have negative social effects such as alcohol, tobacco and fossil fuel.

Environmental guardian

Environmental, Social and Governance, ESG, refers to a subset of non-financial performance indicators, which measure the sustainable and ethical impact of an investment. ESG factors can be used to evaluate corporate behaviour and to determine the long-term financial performance prospects of a company.

Increasingly, socially conscious investors are using ESG factors to screen potential investments and many larger firms are beginning to track their ESG progress. Environmental criteria look at how a company performs as a guardian for the environment, their impact on climate change or carbon emissions, water use or conservation efforts.

Social criteria focus on a company's ability to manage relationships with its employees, clients, suppliers and the local communities in which it operates.

Governance examines a company's leadership, shareholder rights, audits and internal controls, anti-corruption policies, board diversity, executive pay and human rights efforts, for example.

The three pillars of sustainability

Another investment style that takes into account environmental issues, is sustainable investing. Sustainability focuses on meeting the needs of the present, without compromising the ability of future generations to meet their needs. Here, investment tends to be focused on companies seeking to combat climate change and environmental destruction, while promoting corporate responsibility. The concept is composed of three pillars: economic, environmental and social.

Impact insight

Another term to become familiar with is 'impact investing'. This involves, not only the avoidance of businesses contributing to damaging activities.It actively supports companies bringing about positive change in and around their business and the wider world, whilst demonstrating high levels of accountability and governance. This involves reviewing companies' operating practices and selecting companies that are trying to solve social and environmental challenges. With an impact approach, investment decisions are based on a company's impact evidence, rather than personal beliefs.

Navigate with certainty

Heightened public awareness and appetite for how money and investments can impact climate change and other societal and environmental issues, means that there is a growing movement towards greater mindfulness in 'good' or responsible investing.

Research is essential because although a company's mission statement may reflect the values and beliefs of an investor; their practices may differ. Selecting investments based on ethics offers no guarantee of performance.

We're here to help you navigate the investment options available; and the terminology!

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Spotlight on Enterprise Investment Schemes and Venture Capital Trusts

Complex tax-efficient investments such as Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCT) are a consideration for those who may be able to tolerate a high level of investment risk.

EIS and VCT are investment vehicles which encourage investment in small, unquoted trading companies in their early stages, who are typically trying to raise capital. These initiatives benefit the economy by promoting innovation amongst the small higher-risk business community, which in turn drives productivity, creates jobs and boosts economic growth.

Since their launch in the 1990s, they have become popular features on the investment landscape. Both schemes still provide an attractive proposition for experienced investors today, looking for the chance to invest in new businesses with the added benefit of portfolio diversification.

High volume of inflows to the small business sector

The schemes have proved successful in terms of generating cash for the small business sector. Data shows since their launch in 1994, over £20bn of funds have been raised through the EIS scheme, with 29,770 individual companies benefiting from investment. VCT have had a similarly positive impact, raising £8.4bn of funds since their creation in 1995.

How do they work and how much can I invest?

In the case of the EIS, investors typically purchase shares directly in firms. VCT are listed companies that allow investors to spread the investment risk over a number of companies by subscribing for shares in the VCT itself, a similar approach to investment trusts.

Currently both offer 30% tax relief and tax-free capital growth, provided an EIS investment is held for at least three years and a VCT for five years. The maximum amount anyone can invest in an EIS is £1m per tax year, or £2m, as long as at least £1m of this is invested in 'knowledge-intensive' companies. Individuals can invest up to £200,000 each fiscal year in new shares issued by a VCT.

A further attractive benefit of EIS is their eligibility for Business Relief. This means if the investment is held for two years, and until death, the value of the assets will not be liable for Inheritance Tax.

Potential risks

While there are plenty of benefits associated with these schemes, they are only suitable for investors who are comfortable holding high-risk investments. This enhanced risk element stems from the fact that EIS and VCT invest in small, fledgling enterprises.

Although some of these companies will flourish and deliver strong returns, some will fail. As a result, these schemes have a high-risk profile, which is something any prospective investor needs to carefully consider. EIS and VCT investments are only suitable for a relatively small proportion of an investor's overall portfolio. As these schemes invest in small companies with shares that are illiquid, they can be hard to sell.

As long as the risks are fully understood, these schemes are worth considering for investors seeking a long-term investment that maximises tax-efficiency and provides portfolio diversification.

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Protect yourself and your family in 2020

While most of us don't go through life expecting something bad to happen, the truth is that we never know what's around the corner. Why not make 2020 the year you put plans in place to safeguard yourself, your family and your home, so that you know you're protected against life's unexpected events?

When to take out protection cover

Most people look into buying a Life Insurance, Critical Illness or Income Protection policy following a significant life event: buying a home, getting married or having children.

Before taking out a policy, however, be sure to check if any protection cover is included in your workplace benefits, as your employer may already be providing cover.

Review your policies regularly

If you don't review and update your policies on a regular basis, you could find yourself underinsured. If you upsize and your mortgage increases, for example, your current policy might not pay out enough to cover your new monthly repayment. In fact, a huge 73% of people aren't sure they have the right level of protection cover. By ensuring you regularly review your cover, you can make sure you're not in this situation.

Reduce stress, both now and in the future

Do you worry about your income and how you and your family would cope if anything happened to you? Are you ever concerned that you might struggle to keep a roof over your head? One way to rid yourself of these niggling worries is to take out protection cover. With only 44% of 18 to 35-year-olds saying they could cope for more than three months on their savings if they lost their income due to illness or injury, it's more essential than ever to plan for these eventualities.

It's not just about life insurance

Protection cover isn't just there to pay out to your family when you die. You can also take out serious or critical illness cover, as well as policies that pay out if you get injured or made redundant. With rent or a mortgage, household bills and other expenses, imagine how much stress could be alleviated if you have a steady income from an insurance policy while you're unable to work.

It won't happen to me...

This is an assumption many of us are guilty of making; however, latest government figures for 2018 show that one in twenty-five employed people had a spell of long-term sickness absence. It might not happen to you – but if it does, having cover could make the world of difference.

When lightning strikes

In July 2015, Mark received a all from someone telling him his house in County Durham was in flames and that a team of firefighters were currently at the scene.

He hung up – first, not quite believing what he'd heard was true – it must be a work colleague playing a prank! But when the police called back, Mark soon realised this wasn't a joke; it was a real problem that required his urgent attention.

Mark had moved out of the house and in with his partner a few months earlier, and was currently renting it out, hoping it might be a good investment. From the moment he took the call though, he started to worry he might have made a big mistake.

The cause of the fire was a lightning bolt, which had gone straight through the roof and into one of the bedrooms. The house was now uninhabitable and, as well as having a significant re-build project on his hands, Mark also had his tenants to consider, not to mention a potential loss of rental income that was currently covering his mortgage payments.

Fortunately, Mark had taken out appropriate insurance with a financial adviser at his local estate agent. They had recommended specialist Landlord's cover with Paymentshield, knowing that it was competitively-priced and that he would be covered should the property become uninhabitable.

Obviously the repairs to the house weren't going to happen overnight, which meant that Mark's tenants would need to be re-housed. Fortunately, his insurance covered the referencing fees to help them find a new property and, to Mark's amazement, it also covered his loss of rent while the work was being carried out.

Mark still had a mortgage on the property and relied on the rent to meet his monthly payments, so knowing he would continue to receive this income was a huge relief. He didn't even have to get too involved with restoring the property; the Paymentshield insurance team managed all the details and kept him fully updated on progress. Other than a small excess, Mark's claim pay-out covered the majority of the work.

It's not every day you get a phone call at work to say that your house is on fire after being struck by lightning.

But that's the whole point of insurance; it's there to protect you when the unexpected happens.

Luckily for Mark, he was covered by this random act of nature, but without the right advice and the right policy, he might not have been so lucky.

For trusted advice on home and contents insurance, please talk to us.

The Bank of... Granny and Grandad?

For many younger people struggling to get a foot on the property ladder, the Bank of Mum and Dad is the only option. With rent taking a huge chunk out of their income and the requirement for increasingly onerous deposits, two in five renters do not believe they will ever be in a position to buy a property, despite a desire to own a place of their own. That's where Bank of Mum and Dad come in, as well as ever more frequently, the Bank of Granny and Grandad.

Among the UK's largest lenders

If the Bank of Mum and Dad was a high street lender, it would have been the UK's 10th largest in 2019. Collectively, parents paid out £6.3bn to give their children the final push towards homeownership. What's more, the average amount lent per transaction shot up by £6,000 to hit a generous £24,1002.

Knock-on effect on retirement prospects

The Bank of Mum and Dad phenomenon is not without its consequences however. With prospective retirees facing spiralling living costs and potential care fees, their generosity is directly impacting their future. According to a report from Legal & General, 15% of over-55s are accepting a lower standard of living after funding their child's property purchase. While many are hitting their pensions savings to scrape the cash together.

Granny and Grandad lend a hand

In 2019, nearly a third of 18 to 34-year-olds received financial help from their grandparents to get a foot on the ladder. Coming as they do from a generation where homeownership was much easier to achieve and pensions easier to save for, they are more likely to have spare money available than their own children, who are already feeling the strain of saving enough to fund their later life. On average, grandparents lend £7,400 to their grandchildren (roughly a third of the average 10% deposit). And 23% of lucky homeowners on the receiving end of this assistance don't ever expect to repay it!

Don't compromise your future

We all want the best for our children, but there are ways of helping them out that don't involve putting your financial security at risk. While the Bank of Granny and Grandad is certainly alleviating the pressure on parents, it's not wise to rely solely on their support. There are a range of government schemes available to prospective homebuyers which can help them buy a property without a significant cash boost from family members. The Help to Buy: Equity Loan, the Help to Buy: Shared Ownership scheme and the Lifetime ISA (LISA) can all help boost your child's ability to buy their first home.

Other investment options

There are more ways to assist your children financially than just helping them buy a property – especially if you get started early. There are a wide variety of savings and investment options that allow you to start providing for your child's future at an early age, putting them in a better financial situation in adulthood.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

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