LIFE CENTRED PLANNING

SENECA REID LTD

If you want to discuss how the details in this newsletter may affect your financial plan please contact us.

PART OF THE Openwork PARTNERSHIP

Thremhall House, Thremhall Park, Bishops Stortford, Hertfordshire, CM22 7WE
info@senecareid.co.uk | www.senecareid.co.uk | 01279 874480

Investment Update

Springing into action

Successful vaccination programmes are rolling out on both sides of the Atlantic, pointing to a brighter economic outlook.

The US and UK continued their rapid vaccine programmes to combat the coronavirus pandemic, while Europe lagged in its rollout, resulting in a resurgence of COVID-19 cases in some parts of the EU. As a result, the US and UK are likely to be able to reopen their broader economies sooner, while much of Europe still faces strict lockdowns.

Budget brings some relief

In this March Budget, Chancellor Rishi Sunak outlined stimulus measures to support businesses and workers through to the autumn. This much-needed spending foreshadows the largest hike in taxes for decades, with tax and spending decisions to total almost £60 billion in the 2021–22 fiscal year.

In addition, the government mapped out its plan for lifting lockdown restrictions and hopes to be in a position to remove all legal limits on social contact on 21 June. Pent-up demand is likely to push up the pace of economic growth for the rest of this year and in 2022.

US introduces new stimulus measures

In the US, Joe Biden's $1.9 trillion stimulus passed through both houses of Congress in March. Under the legislation millions of Americans will receive one-off cheques for $1,400 and the unemployed will continue to receive $300-a-week top-ups until September. The OECD believes the stimulus will turbocharge the American economy and add a percentage point to global growth.

The US also leads the world in total coronavirus vaccines administered, suggesting the American economy is likely to begin its recovery process sooner than many other developed regions.

Inflation worries linger

Inflation worries hit bond markets, but the consensus is that any rise in inflation is most likely to be short lived. Government bond prices fell sharply (and yields increased), reflecting concerns about an increase in inflationary pressures as the global economy started to recover from the pandemic. Inflation is detrimental to bonds because it erodes the real value of the fixed interest rates they pay.

Investors are concerned about inflationary pressures as economies reopen, but we don't expect the likely spike in consumer prices to persist. Inflation is likely to pick up as spending on services surges when lockdowns end, and government spending is another tailwind. But it's likely to be a fleeting phenomenon and should not pose a longer-term challenge to fixed income markets.

Cyclical stocks are still attractive

Cyclical stocks remain in favour, as vaccines are administered and the economic outlook improves. Cyclicals like financial and energy stocks tend to perform well when the economy is expanding. But sectors that benefited during the height of the pandemic, such as tech, have fallen as prospects for the economy brighten.

This environment has benefited Europe's stock market, which comprises fewer technology firms than America, and more cyclical companies such as banks and commodity firms. The broad rotation away from tech towards cyclicals looks likely to continue.

Big money in digital art

Commodity prices have risen this year, including copper and other metals used in electric vehicles, as well as oil. But gold lost some of its shine as a safe and steady investment, with its price falling steadily since the start of the year.

The Suez Canal was the scene of a stuck cargo vessel in March, blocking the vital shipping route for several days. Around 12% of the world's trade happens via the Canal and it is thought that each day of the blockage halted billions of dollars in trade traffic.

In March, auction house Christie's sold a digital piece of art by contemporary artist Beeple for $69.3 million – the latest example in the market for non-fungible tokens (NFTs). The artwork itself was composed as a single, unique and encrypted image file – the first sale of its kind by Christie's, with bidding opening at $100. The eventual anonymous buyer paid for the work in Ether, a cryptocurrency.

Don't lose out to inflation

Putting your hard-earned cash into savings accounts may not be the most efficient way to make your money work for you.

If you've been placing your cash into a savings account over the past decade, you might be surprised to find that your money could now be worth less now than when you first put it away. According to research from AJ Bell, if you'd put £10,000 into a cash ISA 10 years ago, it would now be worth £9,772 even when accounting for interest.

So why is this? Inflation is currently outpacing interest rates, with the latest figures showing that it reached 0.7% in January. Meanwhile, the Bank of England (BoE) base rate has stayed at 0.1% since March 2020 and doesn't look likely to rise any time soon.

The BoE base rate influences how much banks can charge people to borrow money or what they pay on savings. As a result, the current situation is bad news for savers as it reduces the spending power of their money. Yet it's good news for some borrowers – for example, those with a fixed-rate mortgage benefit from inflation as it effectively reduces their debt.

What is inflation?

Inflation is the rate at which prices for goods and services increase, affecting what you can buy for your money. The most common estimate is the Consumer Prices Index (CPI) measured by the Office for National Statistics (ONS).

It looks at the prices of thousands of things people spend money on, from cinema tickets to bikes, computers and TVs. It's important to remember that inflation is only an average rate that looks at certain products, so it affects households in different ways.

One of the BoE's key roles is to ensure that inflation stays at a target of around 2%. So if inflation falls below this level, the BoE is likely to cut interest rates to lower the cost of borrowing and encourage spending.

What's the alternative to cash?

If you'd used your whole cash ISA allowance each year and put in the maximum of £127,320 since 2011, it would now be effectively worth only £124,857, according to AJ Bell. Yet if you'd put the same amount into an average global stock market fund, it would now be worth £196,079 after accounting for inflation.

This means that if you'd started putting your money into a stocks and shares ISA at the same time, you'd be much better off than if you'd stuck with a cash ISA. Despite this, many people still hold onto their cash because of the security and convenience it offers. While it's important to have access to some cash for your short-term needs, it makes sense to invest your money when thinking about the long term so you don't lose out to inflation.

What about junior ISAs?

A junior ISA is a useful way to save or invest for a child under the age of 18. When they turns 18, the account can be converted to an adult ISA. There are two types available: a junior cash ISA or a junior stocks and shares ISA. As with an adult cash ISA, putting the money into a junior cash ISA means it may not grow as quickly as inflation. Alternatively, the returns from a junior stocks and shares ISA depend on the performance of the underlying investments.

So although investing does come with its own risks, you're likely to achieve higher returns than if you leave your money in a cash savings account. If you'd like to find out more about investing, a financial adviser can talk you through your options and help you find the most appropriate solutions for your circumstances.

An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

What's in a name?

We explore what makes an emerging market and why they can offer attractive investment opportunities.

For example, South Korea is one of the world's largest and wealthiest nations. Its GDP per capita – which measures economic output divided by total population – was $31,846 in 2019, outranking countries like Spain, which had a GDP per capita of $29,600. Yet South Korea is still classed as an emerging market in many stock market indices, such as the MSCI Emerging Markets Index. So why does the country fall into this category?

Markets have to meet specific criteria to be included in an index based on factors like their size and how easy it is to buy and sell securities. In investing terms, South Korea is not currently considered to be as accessible as its developed market counterparts. While its economy may be stronger than those of some developed markets, its financial markets are less efficient.

In short, financial markets in developing countries are less mature than those in developed countries. This means it's often difficult to obtain information about companies listed on their stock markets and it may not be as easy to buy and sell shares.

Why invest in emerging markets?

In general, emerging markets appeal to many investors because they offer the potential for relatively high returns – but this comes with greater risk. One benefit is that economies that fall into this category usually experience faster growth than that seen in developed markets.

For example, the economic growth of most developed countries, such as the US, Germany and Japan was less than 3% in 2019. On the other hand, the economies of emerging markets like Egypt, Poland, India and Malaysia expanded by 4%. China, which is also in this category, experienced growth of around 6%.

Many of these countries follow an export-driven strategy due to a lack of domestic demand. This means they produce low-cost consumer goods and raw materials to export to developed markets, driving economic growth and boosting investor returns.

What are the risks?

While emerging markets do offer attractive investment opportunities, investors have to be willing to do the appropriate research to find them. Many of these countries experience high volatility due to natural disasters, external price shocks and government instability. In addition, they're vulnerable to currency fluctuations, especially in relation to the US dollar.

Recent dollar weakness has been beneficial for emerging markets because the value of foreign-currency denominated assets rises for US investors as the dollar falls. In other words, imagine you're an American tourist going overseas. When you convert your dollars into foreign currency, it won't go as far when its value is lower. Another benefit for emerging markets is that a weaker dollar helps them pay off their US-denominated debt.

Emerging markets offer a range of attractive investment opportunities, but you should also be aware of the risks involved. If you'd like to find out more about investing in emerging markets or investing in general, speak to your financial adviser.

What are frontier markets?

Frontier markets are smaller, less accessible and riskier than emerging markets, but offer potential for high returns over the long term because they could grow to be much more stable over the next few decades. Examples of frontier markets include Kazakhstan, Nigeria and Sri Lanka.

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

Past performance is not a reliable indicator of future performance and should not be relied upon.

OW3143 Exp. 02/08/2021

Protect your peace of mind when moving home

Moving home can be a hectic and exciting time, but don't forget about protection – taking out the appropriate policies can save you a lot of stress in the long term.

If you've just moved home or are about to, it probably feels like you've been caught up in a bit of a whirlwind over the past few months. With searching for a property during a pandemic, making the move before the stamp duty holiday ends and potentially getting caught up in the resulting conveyancing backlog, protection policies are probably not top of your priority list.

Yet it's important to take the necessary precautions to ensure your new home and possessions are looked after – now more than ever. Here are some of the main types of protection you should be thinking about.

Mortgage protection

If you're unable to work due to illness or injury or because you've lost your job, mortgage payment protection will cover the cost of your mortgage each month. These policies usually last for a year or until you return to work – whichever is soonest.

You can pick how much you want your policy to pay out each month, and this can include a buffer for other expenses, such as bills. It's important to bear in mind though that providers usually set monthly limits of between £1,500 and £2,000. You won't always be able to claim straight away, and there's usually a waiting period of one or two months. The cost of mortgage protection will depend on:

- your salary;
- the size of your mortgage repayments;
- the type of policy you choose; and
- how soon you want to be covered.

Income protection

Income protection provides you with a regular income if you've lost your job or are unable to work due to illness or injury. There's usually a minimum wait of four weeks before you can start receiving payments. There are different types available:

- A short-term plan covers you for involuntary redundancy, but is usually limited to a set time period.
- A long-term plan will usually cover you until you return to work, retire, die, or the policy ends – whichever is soonest.

Buildings insurance

If you've got a mortgage, you're likely to have buildings insurance to cover the cost of repairing damage or rebuilding the structure of your home if it's damaged. But have you looked carefully through the policy and made sure that it definitely covers everything you need it to? Once you've moved, you may realise that your new home has a slightly more complex structure than you first realised, and it's important to make sure your buildings insurance takes this into account. If you're lucky enough to not have a mortgage, it's still a sensible idea to invest in this type of insurance for peace of mind.

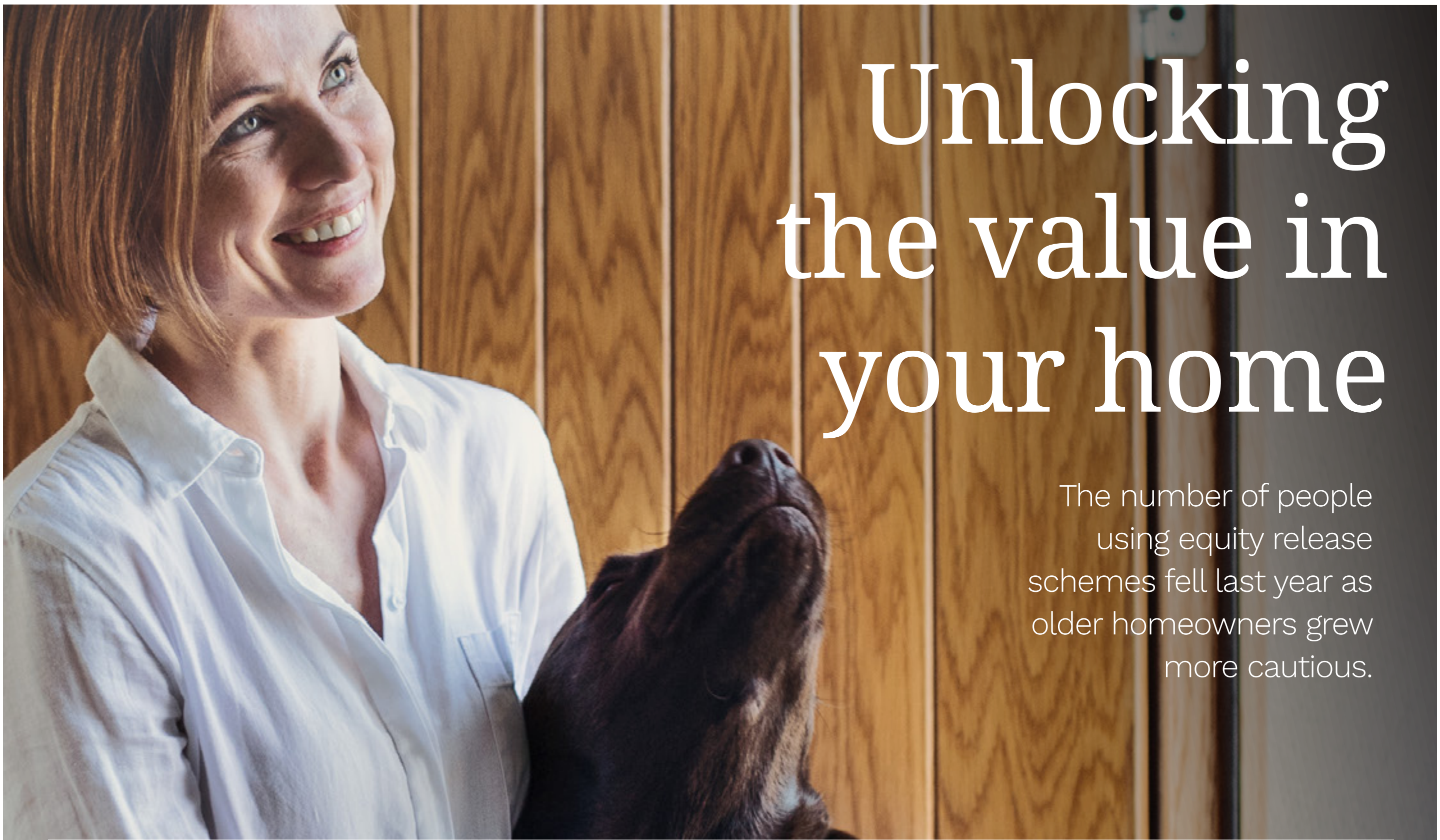
Contents insurance

If you've bought new furniture and gadgets for your home, you might need to review your contents insurance. This type of insurance covers the cost of replacing possessions in your home if they're stolen, destroyed or damaged. It's a good idea to double check which of your items are covered so that you're not caught out if something does go wrong.

Act now

When you're caught up in the excitement of moving, thinking about protection might be the last thing on your mind. But remember that your circumstances can change quickly and it's important to make sure you're prepared now in case things don't go to plan in the future. For more information about protection and to talk about whether your current policies are right for your situation, speak to your financial adviser today.

OW3261 Exp. 19/04/2022



Unlocking the value in your home

The number of people using equity release schemes fell last year as older homeowners grew more cautious.

Older homeowners seemed to be more reluctant to release cash from their homes in 2020, according to the Equity Release Council. Data from the trade body shows drawdowns from lifetime mortgages fell by 21% last year and 10% fewer plans were agreed than in 2019.

This drop suggests the coronavirus pandemic affected the equity release market in 2020, with activity slipping to a four-year low between April and June. Yet the end of the year was a different story – a backlog of cases meant it was unusually busy, with 11,566 new equity release plans agreed between October and December.

What is equity release?

Equity release enables homeowners who are aged 55 and over to access some of the money tied up in their homes. You can take the money as a lump sum or in several smaller amounts. Many people choose this option to supplement their retirement income, make home improvements or help children or grandchildren get onto the property ladder.

The most common way to release equity from your home is through a lifetime mortgage, which allows you to take out a loan secured on your property, provided it's your main residence. You can ring-fence some of the property value as inheritance for your family and you can choose to make repayments or let the interest roll up. The mortgage amount, including any interest, is paid back when you die or move into long-term care.

Alternatively, you can take out a home reversion plan, which enables you to sell all or part of your home for a lump sum or regular payments. You can continue living there rent-free until you die, but you'll have to pay to maintain and insure it. You can ring-fence some of the property for later use. At the end of the plan, the property is sold and the proceeds are shared according to the remaining proportions of ownership.

Is equity release falling out of favour?

In 2020, £3.89 billion of equity was released from property, compared with £3.92 billion in 2019 and £3.94 billion in 2018, according to the Equity Release Council. These figures suggest people are biding their time before unlocking wealth from their homes, according to David Burrowes, the trade body's chairman.

Yet interest rates for lifetime mortgages are now falling, which could encourage people to take the next step. The average equity release interest rate fell to around 4% during the last three months of 2020, with the lowest rates now at around 2.3%. This rate is less than many of those available on 10-year fixed-rate mortgages, but higher than a lot of products with shorter fixed periods.

Is equity release right for you?

Deciding to release funds from your home isn't a decision to take lightly. While equity release means you have money to spend now instead of leaving it tied up in your property, it can be a complicated process. Remember that equity release often doesn't pay you the full market value for your home and it will also reduce the amount of inheritance your loved ones could receive. It's important to talk to a financial adviser who can help you decide whether the process is appropriate for you.

A Lifetime mortgage is a loan secured against your home. A Lifetime mortgage may affect your entitlement to state benefits, and it will reduce the value of your estate.

OW3271 Exp. 07/04/2022

2021 Outlook
The healing process

Following a particularly challenging year for investing, we've identified five themes we'll be watching closely throughout 2021.

The coronavirus pandemic made conditions particularly challenging for investors throughout 2020. After a year when everything seemed to change, what's likely to drive the global economy and financial markets in 2021?

These are the five themes we believe will influence our investment decisions the most as we navigate the evolving environment..

1. The world economy is in recovery mode.

We believe the pandemic will recede this year and the global economy will heal gradually. To help understand how industry sectors are likely to perform, we can divide them into three segments that:

— benefited from the lockdowns;

— suffered and are vaccine dependent; or

— were only partially impacted but sensitive to the policy response.

From a geographical perspective, some regions have contained the spread of the virus more effectively than others and are bouncing back more rapidly. Many Asian countries have avoided prolonged lockdowns. With the recovery heading in the right direction, we're confident about the outlook for company profits and stock market returns.

2. Inflation is absent but there are risks.

We expect inflation to pick up in 2020 but not dramatically. The pandemic has forced unemployment higher and created spare capacity in the economy. those who have saved most during the pandemic are more likely to reduce debt or top up their pensions than spend.

We do not expect the tide to meaningfully turn for the assets that have benefited from low inflation – notably government bonds and growth companies. With yields already at record lows, new buyers of bonds receive only a small income and the potential for capital gains appears slim. Similarly, in equity markets, we believe better investment opportunities lie outside growth companies.

3. Globalisation has become more regional.

Although the health crisis has challenged globalisation, there have been some developments in regional integration. For example, Australia, New Zealand and 13 Asian countries, including China, signed the Regional Comprehensive Economic Partnership in 2020. In the US, Joe Biden's economic team has indicated it wants to engage with the rest of the world in a more cooperative way.

From an investment perspective, we believe Asian emerging markets are best positioned to prosper in this environment. Many are increasingly self-reliant, moving away from exporting goods to developed markets. They offer a rich source of successful businesses across a range of sectors, from luxury goods to innovative technology and financial services companies.

4. Tech firms face regulatory challenges.

The companies whose fortunes have been most obviously lifted by the pandemic conduct their business over the internet. While they have the potential to keep growing their earnings by entering new markets and launching innovative products and services, policy and regulation can have a significant impact on their business models.

Another issue for the large firms is market saturation and whether they have enough room to continue growing in order to justify their valuations and the potential for further share price gains. However, we continue to believe the technology sector provides opportunities to invest in companies with disruptive business models that are revolutionising their industries, and addressing changing consumer needs.

5. Building back better

The pandemic has put environmental concerns and social inequalities in the spotlight, and policymakers have responded by declaring the recovery can improve the world by "building back better". For example, the EU has earmarked around a third of its €750 billion recovery fund to fighting climate change. Other regions have made similar commitments.

There are lots of ways we can gain exposure to companies that have the potential to benefit from government spending packages and policies designed to support a sustainable recovery. Although we don't select the investment managers in our portfolios based on their ESG credentials, we do expect that they will integrate these risks and rewards into their processes.

If you have any question about what these themes might mean for you please get in touch.

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

Past performance is not a reliable indicator of future performance and should not be relied upon

OW3217 Exp. 09/03/2022