

Life Centred Financial Planning

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How much can I pay into my pension?

A pension is a tax-efficient, long-term savings plan that you contribute to during your working life to provide an income when you stop work. You can benefit from tax relief on the contributions you pay in and your pension pot has the potential to grow.

At the moment you can save up to £40,000 every year into your pension. However, tax relief will only be given on 100% of your earnings or £40,000, whichever is the lower. This will differ if the reduced Money Purchase Allowance applies, or if your salary exceeds £150,000 (explained below).

What if...

...your "adjusted income" is over £150,000?

Broadly speaking, adjusted income is your total taxable income (including salary, dividends, rental income and savings interest) plus the value of any employer pension contributions. If this exceeds £150,000 your annual allowance could be lower than £40,000. Here's why:

For every £2 of adjusted income over £150,000, your annual allowance falls by £1. If your adjusted income is £210,000 or more, your annual allowance is fixed at £10,000.

...you want to contribute over £40,000 this tax year?

Some higher earners can contribute up to £160,000 by 'carrying forward' unused annual allowance from the previous three years. Please ask for our guide which helps explain the rules around Pension Carry Forward.

...you're a member of a defined benefit (final salary) pension scheme?

The benefits you're building up each year are assigned a monetary value. This value counts towards the annual allowance and could therefore restrict what you can contribute to another pension. You need to contact your pension administrator and ask for this value.

...you've already accessed your pension?

Since 6 April 2015, if you have accessed a pension or had flexible drawdown before, a reduced money purchase annual allowance may apply. This is £4,000 for the 2018/19 tax year. You cannot use Pension Carry Forward option to contribute more than the money purchase annual allowance.



This information is based on our current understanding of the rules for the 2018/19 tax year. HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen. The value of investments and any income from them can go down as well as up and you may not get back the original amount invested

Taking the long view

For the best part of 10 years, global markets have enjoyed a period of steady growth. 2018, however, saw markets ‘wake up’ to increased uncertainty on a number of key political and economic events.

Fuelled by the sustained efforts of central banks to maintain low interest rates and introduce measures such as quantitative easing (QE) to boost the economy, the decade following the 2007-08 financial crisis saw comparatively low market volatility and sustained economic growth.

More recently, however, we’ve seen volatility creeping back, thanks to the uncertainty created by global political tensions – notably between the US and China, a change of course by central banks to reverse their economic support measures following the financial crisis, and, closer to home, Brexit.

This uncertainty hit market sentiment and company earnings expectations and as a result, the UK equity market fell by 9.5% in 2018 and most stock markets experienced a negative return. In this environment, it’s natural to feel unsettled - whether you’re investing for your future or relying on the return from your investments for income now. But, when you consider how markets perform over the longer-term it becomes clear that the increased volatility in 2018 is not unusual. Taking the UK equity market as an example, looking back over almost a hundred years to 1926, the market ended with a negative return in around one in four calendar years. (This is also broadly true for US and global stock markets.)

Most of these 23 years of negative return saw the equity market falling by no more than 20%. There were a few years where there were losses of more than this but, importantly, there were far more years with gains of more than 20% a year. So, the odds of an exceptionally good return are far higher than the odds of an exceptionally poor return in any one year.

With this historical context in mind, what should we make of the markets in 2018? Well, simply put, every so often markets will fall. But while past performance is no guide to the future, historically, there have been far more good years than bad.

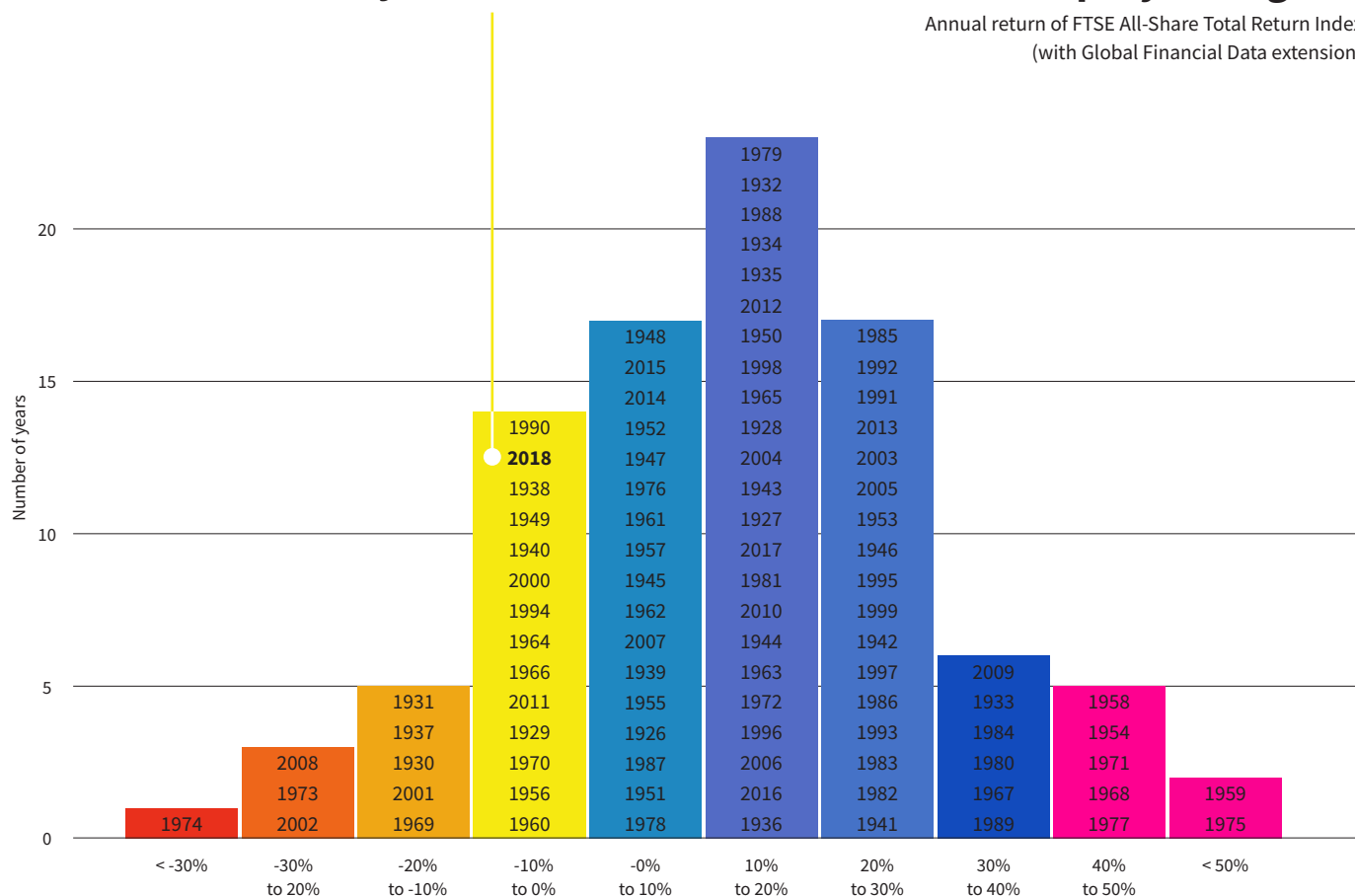
And, importantly, unlike the speculators who sell out in panic during these declines, the patience of those who remain invested is often rewarded with a return greater than the decline.

The price for seeking the growth that investing in markets can deliver is that sometimes the waters can become a little choppy. But, by staying invested, ensuring your investments are spread across a diverse range of assets and regions of the world and balanced to match your personal attitude to investment risk, we believe you stand the best chance to reach the goals you’ve set for your money.

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.

you are here



Source: Timelineapp Tech Limited. Based on historical monthly returns from 1926 to 2017. For illustrative purposes only. FTSE All-Share Return Total Return Index (with GFD extension) as produced by Global Financial Data. Past performance is no guarantee of future returns.

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Time in the market vs timing the market

When it comes to investing, you might have heard that time in the market is better than timing the market.

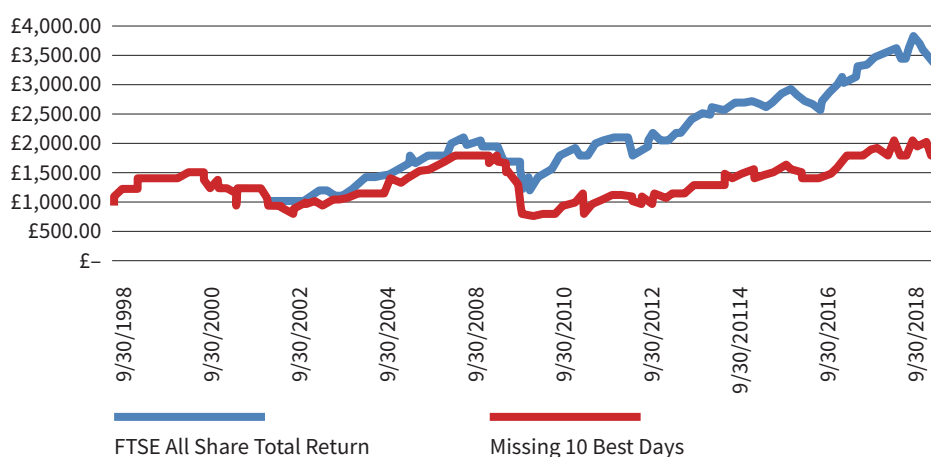
Time in the market is another way of describing long-term investing. Investors with a time horizon of at least five years (and in many cases longer) buy an asset and hold on to it. They tend to invest with a goal in mind. A good example is someone saving towards retirement which, depending on the stage of their career, could be 20 years or more in the future.

On the other hand, investors who try to time the market buy an asset when the price seems low and aim to sell it once they believe the price has peaked. That means they typically trade more frequently and hold on to their investments for a much shorter period.

Patience is a virtue

How long you are prepared to leave your money in the markets can have a significant impact on your returns.

Returns become more reliable the longer you hold your investments, especially for a period of 10 years and beyond. To put this into context, take a look at the chart above which covers the performance of the FTSE All Share Index since 1998 (source: Omnis Investments).



As the blue line shows, if you invested £1,000 in 1998, it would have risen in value to £3,000 by the end of 2018. That works out as a compound annual growth rate of 5.65 per cent for every year invested. However, the index did not move up in a straight line each year. While annual returns were positive most years, on some occasions they were negative. But by staying in the market, you would have earned a substantial return on your investment.

The red line tells a different story. It shows your returns on that £1,000 investment if you missed the ten days when the FTSE All Share enjoyed its strongest performance. This is entirely possible if you had tried to time the market, which is notoriously difficult to predict over any time frame, even for seasoned investment professionals. As you can see, your returns over the same period would be nearly 50 per cent lower.

A long-term perspective

Both the auto-rebalancing Openwork Gaphene portfolios and the actively-managed Omnis Managed Portfolio Service are designed to deliver returns over a period of five to ten years. At a fund level, we also ensure our managers target returns over a similar time horizon.

To find out how long-term investing can help you achieve your goals, please get in touch.

Regardless of whether you invest in the long or short term, the value of your investment and any income from it can fall as well as rise. You could get back less than you invest.

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

This update reflects Omnis' view at the time of writing (April 2019) and is subject to change.



Look beyond the price of your protection policy

Most of us celebrate the start of life and pay tribute to the end of life, but are we placing enough importance on everything in between?

If we're lucky we'll enjoy certain life events like finding a lifelong partner, marriage / civil partnership, having children, enjoying a career and, ultimately, retiring. But how many of us take out financial protection in the event our plans go awry?

Clearly life isn't always plain sailing and we will face obstacles and challenges to overcome. When these challenges are more serious, for instance if accident, illness or death strike, protection insurance can help provide a safety net.

And when it comes to protection, we hold two firm beliefs:

- 1 It should form the foundation of most people's financial plan.
- 2 Cover should be reviewed regularly to make sure it continues to meet your needs.

The second principle is particularly important when you're at a particular 'life' stage. Whether that's buying a house, getting married, starting a family, setting up in business, or all the above, protection insurance will help to protect your loved ones and your financial responsibilities.

But it's important to look beyond the headlines when taking out protection as many providers will offer added-value benefits beyond an initial pay out, that can really help you adapt and cope to potentially life-changing circumstances.

These additional benefits could be anything from access to expert medical opinion, rehabilitation to get you back to work as quickly as possible, bereavement counselling, or even global treatment.

When using comparison sites and direct insurers, care should be taken to make sure their 'off-the-peg' solutions meet your specific needs. Using our expert product knowledge, we can help find the right solution with the right value-added benefits for you.

For more information or to discuss a protection shortfall, please get in touch.

All about ISAs

In the 2019/20 tax year, you can save up to £20,000 tax-free in an Individual Savings Account (ISA), and when it comes to your ISA investment, you have a number of options.

Investors comfortable with the slightly higher risk Peer to Peer lending can also now invest in an Innovative Finance ISA, and those aged 18 to 40 can open a Lifetime ISA.

Although you can't hold an ISA for anyone else, parents or guardians can open a Junior ISA and manage the account; but the money belongs to the child.

Put simply, an ISA is a tax wrapper for your money. There are two main types available depending on the level of risk you're prepared to take:

- Cash ISA
- Stocks and shares ISA

Withdrawing money

You can withdraw money from your ISA at any time without losing the tax benefits, but your ISA provider may have restrictions or ask you to pay a charge. It's worth contacting them to find out before you withdraw any money.

If you have a 'Flexible' ISA, you can withdraw cash and replace it in the same tax year without reducing your current year's allowance. For example

- The 2019/20 allowance is £20,000
- You pay in £10,000 and withdraw £5,000
- If your ISA is flexible, you'll have a remaining allowance of £15,000
- If your ISA is not flexible, you'll have a remaining allowance of £10,000

Transferring your ISA

All ISA providers allow you to transfer your money to a different provider (or to a different ISA with the same provider). By transferring, rather than selling or reinvesting, you keep future tax benefits.

Here are the rules:

- You can transfer from one provider to another
- You can transfer money from one type of ISA to another ie, from a cash ISA to a stocks and shares ISA
- Money you have invested in an ISA in the current tax year must be transferred in full
- Money you have invested in previous years can be transferred in part or in full

You may not be able to transfer your ISA back to the original source.

If your investments are moved to us as cash, you'll be out of the market while your money is being transferred. You could miss out on growth/income if the market rises during this time.

Additional permitted subscription allowance (APS)

If you're married or in a civil partnership with someone who died on or after 3 December 2014 you can apply for APS, which means the surviving spouse or civil partner will have an increased ISA allowance:

- If a person dies with £50,000 in an ISA;**
- The remaining spouse can apply for APS
- In the 2019/20 tax year they would have an allowance of £70,000 instead of £20,000.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen. 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. You may not get back the amount you invested.



01 April

National Living Wage (*for age 25+*) rises to £8.21.

National Minimum Wage rises to
£7.70 (*21 - 24-year olds*),
£6.15 (*18 - 20-year olds*),
£4.35 (*16 - 17-year olds*), and
£3.90 (*apprentices under 19 or in the first
year of their apprenticeship*).

Council tax bills rise by an average of 4.5%.

Universal Credit for households with children and
those with disabilities can earn is to go up £1,000.

21 June

Go Home on Time Day: part of a national
campaign to highlight the importance of having
a good work-life balance. Leave on time and do
something you love!

01 July

New rules mean mobile phone providers
must make switching easier.

31 July

Tax credit renewal deadline for anyone who
claims Working Tax Credit or Child Tax Credit.

05 April

End of the 2018/19 tax year.

06 April

Start of the 2019/20 tax year.

ISA allowance remains at £20,000.

Junior ISA allowance goes up to £4,368.

Minimum auto-enrolment contributions go up to 8%
(*at least 3% from the employer and 5%
from the employee*).

State Pension rises by 2.6%. Recipients of the old
State Pension will get an extra £3.25 a week, those
with the new State Pension will get an extra £4.25.

Lifetime allowance for tax free pension saving rises
to £1,055,000.

Personal allowance rises to £12,500.

Higher rate tax threshold goes up to £50,000.

Mortgage interest relief for landlords goes
down to 25% Call us if this impacts you.

29 August

Payment Protection Insurance (PPI) Deadline day
– you have until 11.59pm to claim for mis-sold PPI.

31 October

Paper self-assessment deadline for your return
to be with HMRC.

30 November

Help to Buy ISA closes to new savers.

Your financial plan could be impacted by these
key dates. Talk to us for advice.

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

01 May

National Savings and Investments index-linked
savings to CPI.

2019 Key dates for your finances

A global approach to asset allocation



Asset allocation is one of the key tools in our investment proposition to help strike the right balance between risk and reward in your portfolio. It applies to asset classes, such as equities, bonds and cash, and different global regions.

The actively-managed Omnis Managed Portfolio Service (OMPS) and our Graphene model portfolios are all globally diversified. While the largest allocation is to domestic assets, as you might expect from a UK-based service, they also hold investments in developed and emerging markets (EMs).

The thesis supporting the investment in developed markets (DMs) like the US, Europe and Japan is reasonably clear. Their economies are robust, and their stock markets boast some of the biggest publicly-listed companies in the world.

The argument in favour of EMs is based on what we believe are attractive prospects for the region due to its demographics. As we pointed out in one of our newsletter articles in late 2018, most of the global growth in the middle class for the foreseeable future will take place in EMs. An expanding middle class consumes more and generates greater domestic demand, leading to a stronger economy.

A bumpy journey

One reason investors sometimes shy away from EMs is because they are traditionally not as stable as developed markets. These concerns are reflected in the volatility of the region's stock markets. The MSCI Emerging Market Index (the benchmark for the Omnis EM Equity Fund) rallied at the start of 2018 before a strong US dollar, rising US interest rates and idiosyncratic incidents in Turkey and Argentina weighed on performance for the rest of the year. However, the outlook has improved lately as the Federal Reserve has softened its tone and is expected to pause interest rates in 2019, while China has launched stimulus measures to boost its economy. Other EMs, including India, are undertaking structural reforms which should improve sentiment further.

Effective diversification

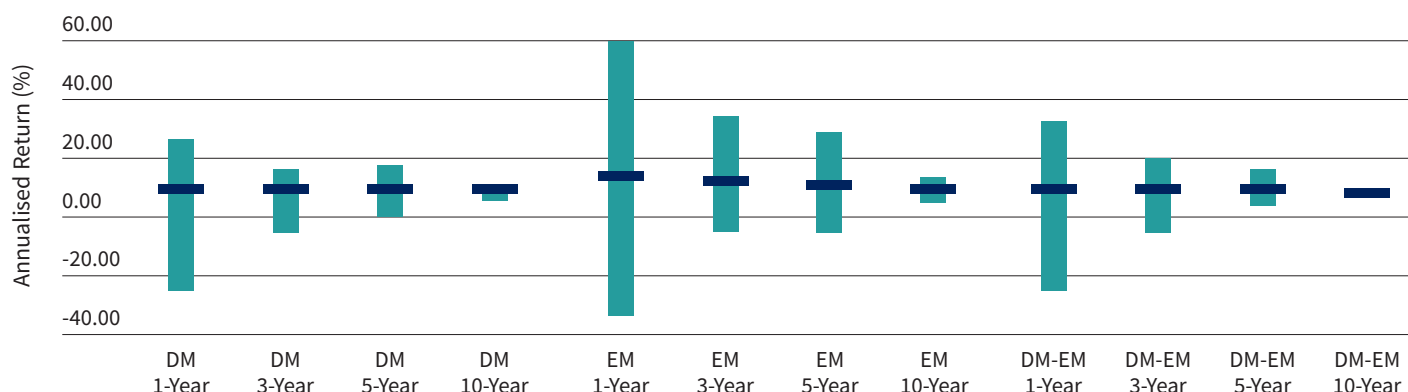
As you can see from the chart, long-term average returns from EMs tend to be higher than developed markets. That's why the allocation to the region in the Graphene and OMPS Adventurous and Balanced portfolios is relatively high compared to similar services available to UK investors (the OMPS Cautious portfolio occasionally adds a small overweight position).

We believe this will allow us to take advantage of what should turn out to be the region's superior growth rates. But as 2018 reminded us, you must be prepared to put up with short-term periods of volatility to secure those potentially attractive returns.

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.

Range of Developed & Emerging Equity Returns Over Different Holding Periods



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