EUREKA FINANCIAL SOLUTIONS

# VIEWPOINT

## EUREKA FINANCIAL SOLUTIONS - NEWSLETTER

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.

PART OF THE Openwork PARTNERSHIP

The Old Inspectors House, York Street, Stourport-on-Severn DY13 9EH
andrew@eurekafs.uk | www.eurekafs.uk | 01299 821160

**2 in 5**

**people think they don't have sufficient wealth to seek advice**

**1 in 4**

**think advice is for those with savings over £100,000**

**3 in 4**

**of those who have sought advice have savings and investments of less than £100,000**

# The value of advice

Throughout our lives, we face having to make financial decisions that can have a major impact on our wealth, as well as determining whether we meet our goals, and can protect ourselves and our families from unexpected events. A carefully thought-through financial plan can make a positive difference, no matter what stage of life you're at. Isn't expert advice only for the wealthy?

Certain life events, such as buying your first home, having a baby or retirement, will tend to prompt people to seek advice.

And don't think that professional financial advice is only for the very wealthy or is only useful when it comes to making complex investment or pension decisions. Even a seemingly straightforward financial goal could involve numerous decisions and having to make a choice from a range of different products and providers.

Research has found that two in five people think they don't have sufficient wealth to seek advice and over a quarter (27%) think advice is only for those with savings over £100,000. The reality is that 77% of those who have either sought advice or who currently have an adviser, have savings and investments of less than £100,000, compared to just 5% with more than £500,000.

## Is it worth seeking financial advice?

Over the years, research has produced some interesting findings that highlight the benefit of taking advice when making financial decisions.

When assessing financial returns, one study found that individuals who receive financial advice were likely, on average, to receive 4.4% more per annum in net returns. This was through a combination of financial planning, tax advice, preventing behavioural mistakes and rebalancing portfolios.

Elsewhere, another study highlighted that receiving professional financial advice over a five-year period (between 2001 and 2006), resulted in a total boost to wealth (in pensions and financial assets) of nearly £48,000, a decade later.

## The real value of advice

Good financial outcomes are obviously important, but the true value of financial advice can be measured in different ways. As well as saving you time, working with a trusted financial adviser can give you the peace of mind and reassurance that things are in hand.

No two clients will have the same requirements, so it's vital you obtain sound financial advice tailored to your individual needs. That's where we can help, with tailor-made advice which helps to add value, whatever stage of life you're at.

***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.***

OW3141 Exp. 03/02/2022

# Why it usually pays to diversify

There are several places you can choose to allocate your assets and it can be confusing. Here's what you need to know about building a diversified portfolio.

You've probably heard about the benefits of asset allocation when investing. The idea is that a portfolio blending different types of investments tends to deliver better (and smoother) returns over the long term. That's because at any one time, assets will behave differently with potentially some rising in value to offset others that are falling in price.

## Asset classes

Different asset classes are often heading in different directions at any one time too. For example, when equity markets are rising, government bonds are often falling in value. Yet that's not always the case, which is why it can help to add exposure to uncorrelated asset classes, such as alternatives.

A diversified strategy tends to be less risky than one that invests in a single asset class. In the past it's an approach that delivers a smoother investment journey with less volatile swings up and down. Diversifying your investment portfolio is important to minimise your exposure to risk, as is spreading your investments within asset classes.

## A diversified portfolio

Building diversified portfolios is complicated. It requires lots of tools and is best left to a professional team of investors. There are lots of ways to invest in a multi-asset portfolio. Here are some of the options available to you:

Managed fund. The most straightforward way is through a fund, for example the Omnis Managed Funds. Working with your financial adviser, you can consider your appetite for risk and other factors like your time horizon, to pick a fund that's right for you and can meet your objectives.

Diversified portfolio. Another way of investing in a diversified portfolio is by combining funds investing in different classes. At Omnis, we offer funds that cover many different asset classes and regional exposures. The Openwork Graphene Portfolios are a series of six advised portfolios with varying degrees of risk. We also provide Graphene portfolios through 2plan wealth management advisers. Your financial adviser will work with you to assess the best portfolio for you and the portfolios are designed to automatically rebalance to the original mix of asset classes every six months so that the portfolio always meets your risk profile.

Flexible portfolio. You can also access a well-diversified portfolio by investing in the Omnis Managed Portfolio Service (OMPS). The OMPS is a discretionary portfolio investing in a wide variety of asset classes through the Omnis funds, in a similar way to the Graphene portfolios. Within the OMPS, the investment team can increase or decrease the allocations to certain asset classes in line with market conditions, but always staying true to your risk profile. This helps optimise the portfolios with the aim of delivering better returns and / or reduced volatility in periods of market uncertainty.

## Diversification protects your interests

Diversification can help mitigate risk and volatility by investing across different parts of the stock market, reducing the impact of any one share or asset class performing badly. For example, if one investment performs poorly over a given period, other investments may perform better over the same period, helping to reduce any potential losses.

A diversified approach is better placed to handle regional fluctuations that could affect the value of your investments and helps to navigate the effects of inflation or interest rates on stocks in a stronger position, too, through the nature of it being a regionally based way of handling different asset classes, supported by local experts.

Ultimately, a diversified approach allows you to minimise any downsides during periods of volatility, and benefit from the rewards that come from stronger market performance.

***Speak to your financial adviser to find a range of investment opportunities that are right for you.***

***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 fall as well as rise and you may not get back the original amount invested.***

OW3656 Exp. 19/10/22

# Get on the property ladder with the Help to Buy scheme

All you need to know about upcoming changes to the government's Help to Buy equity loan scheme.

If you're looking to buy your first home, you probably already know about the government's Help to Buy equity loan scheme. It's proved popular since launch in 2013, with almost 300,000 properties bought as part of the initiative so far. But some aspects of the scheme are changing later this year, and it's important you understand whether you'll still be eligible for help.

## Are you eligible?

The new Help to Buy equity loan rules apply from April 2021 to March 2023. To qualify, you must:

— be a first-time buyer in England;

— have a deposit worth at least 5% of the property you're looking to buy;

— borrow a minimum of 5% and up to a maximum of 20% (40% in London) of the full purchase price of a new-build home from the government; and

— buy the property from a homebuilder registered with the scheme.

## What are the price caps?

The price of your home can't exceed the maximum figure outlined by the government. These limits vary depending on where you're looking to buy.

| Region | Maximum property price |
|---|---|
| North East | £186,100 |
| North West | £224,400 |
| Yorkshire and the Humber | £228,100 |
| East Midlands | £261,900 |
| West Midlands | £255,600 |
| East of England | £407,400 |
| London | £600,000 |
| South East | £437,600 |
| South West | £349,000 |

## What if the value of my home changes?

The amount you have to pay back is based on the market value of the property when you choose to repay. If the market value of your home rises, so does the amount you owe on your equity loan – if it falls, the amount you owe also falls.

Rest assured we are here to help if you have any questions about Help to Buy mortgages

## How does it work?

The total cost of buying your home will be covered by the government equity loan as well as your deposit and mortgage. The percentage you borrow from the government is based on the market value of your home when you buy it.

For example, if the property is worth £200,000, you might ask the government for a 20% equity loan (£40,000) to add to your 5% deposit (£10,000) and 75% mortgage (£150,000).

The loan is interest free for the first five years, and from the sixth year you'll be charged interest at 1.75% each month. This rate increases every year after that in line with the consumer price index, plus 2%. You'll continue to pay interest until you've fully repaid the loan.

You can repay all or part of the equity loan at any time, but a part payment must be a least 10% of what your home is worth at the time.

You'll need to pay the equity loan back in full if you:

— reach the end of the equity loan term

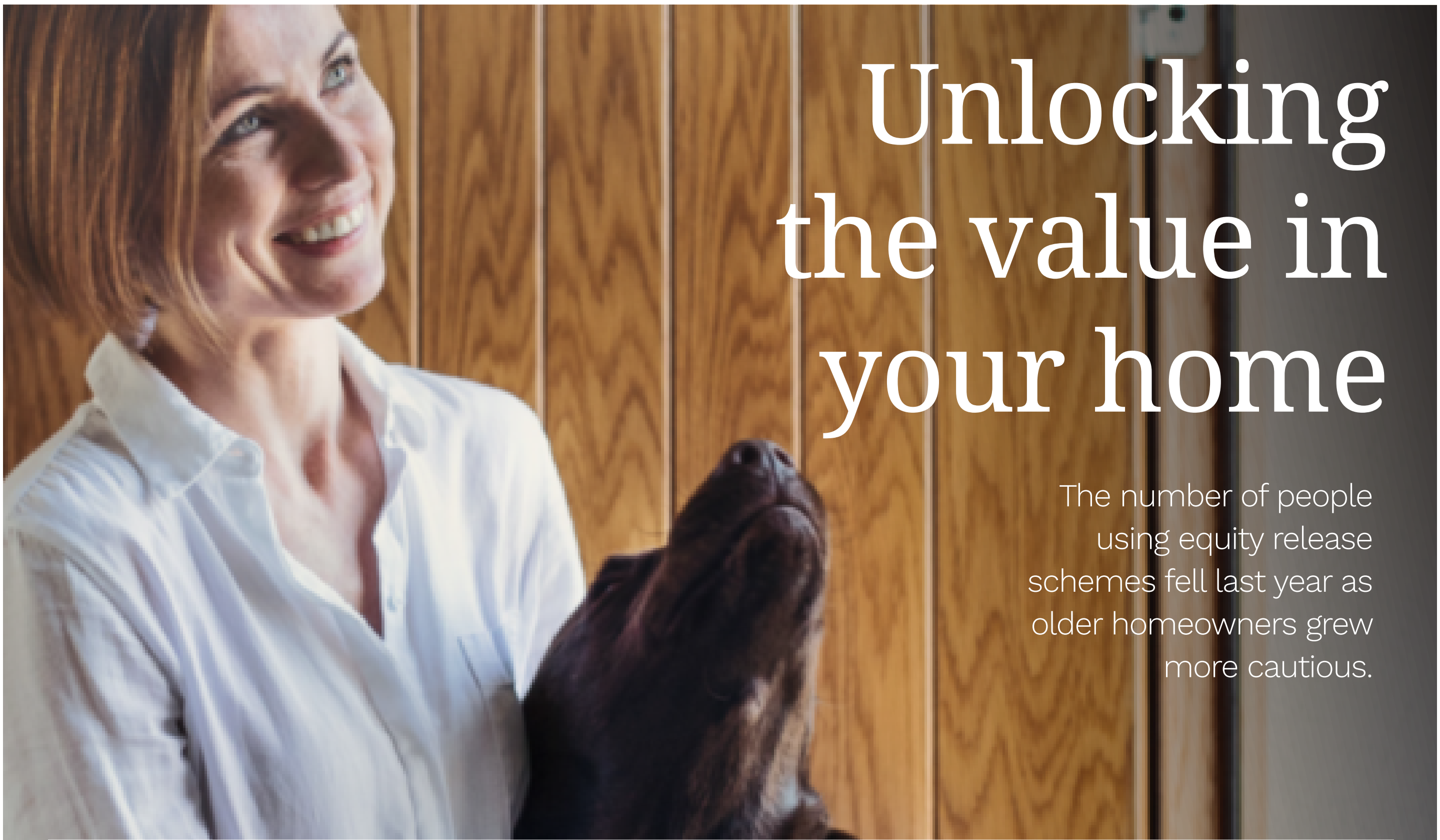
— pay off your mortgage

— sell your home

— do not follow the terms set out in the equity loan contract

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

OW3218 Exp. 09/03/2022



# 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 (5). These figures suggest people are biding their time before unlocking wealth from their homes, according to David Burrowes, the trade body's chairman (6).

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% (7). 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 (8).

## 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.**

# What is income protection?

## Income protection insurance pays out a percentage of your monthly income if you are unable to work.

Your income is important and keeps your family secure. So, if you are in a situation where you'd like to protect it if anything happened, you might want some income protection.

### How does income protection work?

Income protection is an insurance policy, so you pay a monthly or annual premium for it like any other type of insurance. If you can't work because of sickness, disability, or other reasons (depending on your policy criteria), you will receive a regular income until you either return to paid work, retire, pass away or the policy term comes to an end.

The amount that is paid could be anything from 60% to 65% of your pre-tax income, and payments (which are tax free) will start after a pre-agreed waiting period, which could be weeks or months. You'll pay more in premiums if the waiting period is shorter, and the percentage of your income is larger.

Income protection is different to life insurance or critical illness cover, both of which do not pay regular amounts but instead give you one-off lump sums in the event of your death or the diagnosis of a critical illness. That's why it's important to seek financial advice if you are thinking about getting coverage.

### Who could benefit from income protection?

If you work in a high-risk profession or have high-risk hobbies, you might want income protection in case you're unable to work because of an accident. If you've suffered an illness and feel you're at risk of being unable to work because of it, income protection could provide peace of mind, too.

Some things to consider if you are thinking about getting income protection include:

- if you have a good level of statutory sick pay from your employer, you may not need more cover.
- is it the best option for you and your situation? For example, do you (or your partner or spouse) have sufficient savings to help provide an income if you were unable to work?
- can you keep up with the premiums?
- will you find any exclusions in your policy difficult to manage?
- are you close enough to retirement to not need income protection?

### How are premiums calculated?

As with any insurance policy to do with your life and health, factors like your age, health condition, if you smoke, your occupation and others (like how much of your income you would like to receive, and how soon you would like payments to start) will be considered when your premium is calculated.

Our Protection Advisers will be able to give you advice and guide you through what type of policy works best for you, helping you find value for money as well as some peace of mind knowing your income is protected.

***Our advisers can help you find an income protection policy to suit your needs and keep your family secure.***

OW3654 Exp. 19/10/22

# Are you insured to work from home?

We all know that remote working has soared since the onset of the pandemic, with 30% of the population still working exclusively from home during the week ending 29 November 2020. But with millions of workers taking to their home offices, their kitchen tables and – let's face it – their sofas, are they adequately insured?

Although the Association of British Insurers issued a statement in the early months of the pandemic stating that office-based workers would not need to contact their insurer if working remotely during lockdown, things may now have changed. A recent survey revealed that more than two in five homeworkers have not reported to their home insurance company they are now working remotely – potentially invalidating their policy.

## What if I continue to work from home?

You may need to contact your insurer if you continue to work from home, or are allowed to return to the office but choose to work from home several days per week, to tell them that your working patterns have changed.

In addition, if you are now receiving business clients in your property instead of the office, you'll likely need to check with your insurer for this, too. You may not be covered for certain aspects of your policy, such as loss of money or theft.

## Will my work laptop be covered?

Your own home insurance policy is unlikely to cover business equipment such as laptops, tablets and other devices. You should check with your employer to see whether their business insurance covers equipment away from the office.

## What about health and safety?

All employers are legally required to have employers' liability insurance, which covers their legal liability if employees suffer an injury during the course of their work. While some policies extend automatically to remote working, others don't – so have a word with your employer to ensure they're covered in case you have an accident while working from home.

## If in doubt – check!

If you're in any doubt, check with your insurer – you don't want to risk invalidating your policy! Meanwhile, if you'd like to review your home insurance needs, just have a chat with us – we can review a wide range of policies and recommend the one most suited to your circumstances.

# Be wary of the crypto-craze

You might be thinking about whether to invest in crypto currencies. We explain why it may not be the right choice, and how to better approach your portfolio.

This year has been eventful for bitcoin, with the cryptocurrency reaching a record high and then almost halving in value all in the space of six weeks. The walk-back in May from Tesla's Elon Musk in his support of bitcoin underlined concerns around the idea of cryptocurrencies as a stable investment. Musk – previously an outspoken supporter – announced his company would not be accepting bitcoin as payment for its vehicles. What followed was a series of plunges in its value – not helped by the additional news of Chinese regulators signalling a crackdown on the use of digital currencies.

## Bitcoin in brief

Bitcoin is a type of digital, decentralised currency, allowing the transfer of goods and services without the need for a trusted third party. The network is based on people around the world called 'miners' using computers to solve complex mathematical problems in order to verify a transaction and add it to the 'blockchain' – a massive and transparent ledger of each and every bitcoin transaction maintained by the miners. The first to verify is rewarded with bitcoin. There is a finite amount of bitcoin that can be produced and, as more are created, the mathematical computations required to create more become increasingly difficult.

## Cryptocurrencies can be volatile

Bitcoin's high volatility (risk) makes it a poor substitute for money in a broad sense. The unsteady air around cryptocurrencies in May showed the speculative nature of this asset class. Bitcoin and cryptocurrencies in general have more in common with commodities and currencies – they are much harder to value than cashflow-producing equities and bonds.

**Reasons to be crypto cautious**

- Cryptocurrencies are a volatile choice and susceptible to stock market bubbles, which can affect investments negatively during a downturn.
- They're not a tangible form of investment, and are not regulated, which can be a red flag when it comes to your investments.
- Volatility means investors are likely to act on doubts and sell if they fear a fall in return.

## Where to invest?

A sensible approach is to invest in high-quality companies that are well-established businesses. These are usually businesses with strong management teams, serviceable levels of debt and predictable cash flows. To avoid being hit by market volatility make sure your portfolio is invested in a wide range of assets, and less vulnerable to market shocks.

Staying invested when there is a downturn can help you get through any turbulent times and put you in a good position to benefit from any ensuing recovery.

***Our financial advisers can help advise you on your investment choices.***

***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.***

OW3539 Exp. 25/08/22