2plan®
wealth management

financial
Newsletter
Edition 31 – Summer 2019

What is the British Pound worth vs. Euro?

What is the British Pound worth vs. Dollar?

FTSE 100 Chart

KEY FACTS & FIGURES – The UK Economy		
Boe Base rate	0.75%	May 2019
Unemployment	3.80%	May 2019
Inflation (CPI)	1.90%	May 2019

Agenda

Why markets bounce back and what comes next

A financial guide to starting a family – Finding your feet as new parents

A more transparent approach to charges

The asset allocation conundrum – Do you feel lucky?

VitalityLife: Who's going to look after you when you're old?

Are you scared of shares? – Opening a stocks and shares ISA may seem daunting, but there's no reason to be scared of shares…

Taking the long view

Time in the market vs timing the market

Base rate

The Bank of England Base Rate remains unchanged at 0.75%.

UK economic outlook

- UK gross domestic product (GDP) grew by 0.2% in the three months to January 2019.
- The services sector was the main driver of GDP growth, while the production and construction sectors contracted.
- GDP grew by 0.5% in January 2019.
- The services sector grew by 0.5% in the three months to January 2019.

Inflation

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.8% in March 2019, unchanged from February 2019.
- Rising prices for motor fuels and clothing produced the largest upward contributions to change in the rate between February and March 2019.
- The largest, offsetting, downward contributions came from across a range of recreational and cultural goods, food and motor vehicles.
- The Consumer Prices Index (CPI) 12-month rate was 1.9% in March 2019, unchanged from February 2019.

UK unemployment

- The UK employment rate was estimated at 76.1%, higher than for a year earlier (75.4%) and the joint-highest figure on record.
- The UK unemployment rate was estimated at 3.9%; it has not been lower since November 1974 to January 1975.
- The UK economic inactivity rate was estimated at 20.7%, lower than for a year earlier (21.2%) and the joint-lowest figure on record.
- Excluding bonuses, average weekly earnings for employees in Great Britain were estimated to have increased by 3.4%, before adjusting for inflation, and by 1.5%, after adjusting for inflation, compared with a year earlier.
- Including bonuses, average weekly earnings for employees in Great Britain were estimated to have increased by 3.5%, before adjusting for inflation, and by 1.6%, after adjusting for inflation, compared with a year earlier.

Why markets bounce back and what comes next

The market rebound

As spring blooms, investors are celebrating the return to health of stock markets across the globe. The precursor to these gains was a significant stock market decline in the final three months of 2018. When a broad section of a market falls and then bounces back to previous levels it is usually referred to as a 'market rebound'.

What caused markets to bounce back?

Remarkably, this market rebound happened despite a number of gloomy growth projections and political uncertainties. Weakening global economies, faltering progress on US-China trade talks, an Italian banking crisis and the unruly Brexit process all worked to dampen sentiment. Yet markets rose. The signals from the US Federal Reserve that they would not raise interest rates played a major part in the rebound. In the end, stock markets gave in to first principles. Despite the obvious ongoing worrying events of 2019, the end of year declines in 2018 meant that many stocks and other assets looked attractively priced. So, reassured by the Fed's willingness to act in support of markets, investors bought them, and prices have risen as they have returned to the market.

Fast forward to today

Markets are at a crossroads. Overall, the environment for riskier assets such as equities looks fairly balanced. The trade rhetoric from the Trump administration has moved on to Europe, which could upset European trade, but China and the US seem to be closer to a resolution. The global economic slowdown is still ongoing. But central banks are now more accommodating than anyone could have anticipated only months ago, and this could help ease global slowdown worries.

What's next for markets?

The impressive start to 2019 has already corrected the balance, so the big question in many investors' minds is what is going to happen next? There are a number of scenarios that could particularly sway markets this year:

- A shift in sentiment in the China-US trade dispute
- A reversal from current central bank policy
- Strengthening of global recession fears
- Signals that corporate earnings growth trend is changing
- The consequences of Brexit, if it happens…

Interestingly it could be good news that has the ability to upset the market's upward direction this year. US Fed officials are leaving the door open for more rate hikes if the economy improves, which would be a big negative for global markets. But for the time being this is not on the horizon, which is good news for markets.

Looking to the future

If you are investing for the long term, it's likely that you will experience these market rises and falls from time to time. But history has shown that these events won't affect the long-term positive performance of the markets we invest in. That said it's important to remember there are no guarantees, and past performance is not a reliable guide to future performance.

What does this mean for investors?

The ups and downs of the market are perfectly normal and reflect the dynamic nature of the factors that influence it, from economics, to politics, to investor sentiment. This highlights the importance of diversifying investments across a range of asset classes, to help smooth out returns.

A well-constructed and diversified portfolio designed around your investment time frame could provide you with a practical way to cope with the uncertainties of a changing world.

Key takeaways

- Key issues that worried investors and led them to sell at the end of 2018 still exist to a certain extent.
- On the other hand, some of the dark clouds over the global economy are disappearing.
- History shows that the best strategy is to maintain your long-term perspective and stay diversified.

Important information

The value of investments and any income from them can go down as well as up and is not guaranteed. You could get back less than you originally invested. Past performance is not a guide to future performance. The views expressed within this article are those of Architas, who may or may not have acted upon them.

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CFA, Deputy Chief Investment Officer, Architas

A financial guide to starting a family

Finding your feet as new parents

Whether you're simply planning or already have a little one on the way, raising a family can mean big changes to your family finances.

We've put together some top tips to help you start planning for the patter of tiny toes.

Make a family budget

From buggies to babygrows, having an extra member of the family (no matter how small) means you'll need to set aside money in your budget to cover your changing outgoings.

Think about how much you'll need to set aside each month and whether you need to cut back on any luxuries. As a guide, new parents on average spend £586 a month on children under 5[1].

Start saving early

It might be difficult to imagine now, but sooner than you think your little ones will be fleeing the nest – perhaps looking to go to university, get married or buy their own home.

If these are things you want to support, starting to save early on could leave you in a much better position to help in future.

Looking at long-term savings options, such as investing in stocks and shares could also help your savings grow more quickly than a typical savings account (though remember there's an added risk that investments could go down as well as up).

[1] Research carried out by ICM, surveying 2,002 parents with children aged 0-5 in November 2014. Figure compiled by multiplying the number of children aged under five in the UK, according to ONS mid 2013 data (4,013,861) by the average annual cost spent by parents on under-fives annually (£6,990).

[2] *https://www.gov.uk/child-benefit/what-youll-get* - accessed 06/04/2019.

[3] *https://www.gov.uk/child-benefit-tax-charge* - accessed 06/04/2019.

Benefits and tax allowances

Tax-free ISA allowance

Under current government regulation, you can benefit from a tax-free ISA allowance each year – allowing you to put aside savings without paying tax on the interest you earn.

You can also open and save into a cash ISA, an investment ISA or a combination of the two each tax year.

Child benefit

All families are entitled to a weekly child benefit payment of £20.70 a week for your first child (and £13.70 a week for all other children)[2]. Only one parent can claim for child benefit and different rules apply if parents separate or join family units.

If your individual income is over £50,000 a year, you may have to pay what's called a High Income Child Benefit Tax Charge[3].

Protect your loved ones with life insurance

It may be difficult to think about, but if something were to happen to you or your partner, you'd want to know your family is protected financially.

Life insurance can help protect things like mortgage payments should you pass away unexpectedly. Thinking about how much money your family would need to maintain their lifestyle if you weren't around can give you a good idea of how much life insurance cover you could need.

Author: David A Johnson
Strategic Account Manager, Aviva

A more transparent approach to charges

The investment industry is constantly striving to improve the quality of information it provides to investors. This includes being more transparent about the charges associated with investing. With this in mind, the Financial Conduct Authority has recently introduced new rules which require investment firms to provide more information regarding the costs and charges that apply to client portfolios. The focus on greater transparency is an important factor in building trust and will help investors understand the charges made by all parties associated with managing an investment.

Therefore, as part of this industry-wide initiative, FundsNetwork has recently introduced an annual costs and charges summary, which is designed to give you more detail regarding the costs associated with your investments. It's important to note that you are also likely to receive similar information from other providers, where you hold investments with them.

The FundsNetwork costs and charges summary will be issued on an annual basis and a copy will also be sent to your 2plan adviser. You will receive one if you:

- hold investments with us in your own name
- are the primary account holder for a joint account
- are the registered contact for a Junior ISA.

The annual summary will initially concentrate on ISAs and Investment Accounts and we plan to add the FundsNetwork Pension in the future. It will include lots of useful information, briefly summarised below.

Should you wish to find out more about the summary, we have produced a helpful guide which is available on our website at *fidelity.co.uk/accostsandcharges*. You may wish to refer to this when you receive your first summary. Of course, your 2plan adviser will also be able to answer any questions you may have. I believe greater transparency within the wealth management industry is a very positive step, leading to clearer information provided to investors. It means you will be better informed and well-placed to understand all of the costs associated with managing your investment portfolio.

I hope you find them very useful, supporting your discussions with your 2plan adviser in the years ahead.

Important information

When making decisions about investing, we recommend that you always consult your adviser. As you will be aware, they work with you to understand your needs, offering comprehensive expert advice to help you achieve your long-term goals. We only give information about our products and services and do not provide investment advice. The value of investments can go down as well as up, so you may not get back the amount you invest. The value of tax savings and eligibility to invest in an ISA depend on personal circumstances. All tax rules may change in future.

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What's contained in the costs and charges summary?

The new costs and charges summary will cover three main areas:

1. How your investments changed over the year

Your summary will start with a valuation of your investments as at the end of the 12-month period. The change in value over the year is also shown – this is expressed as a monetary amount (e.g. +£1,234.00) as well as a percentage increase or decrease (e.g. +3.45%). It then covers any changes that have affected the value of your investments over the year, such as amounts you have added or withdrawn from your accounts over the period. A figure is given showing the performance of your investments after accounting for any 'money in' and 'money out'.

2. How charges affected the value of your investments

This section lets you know how much you paid in total charges over the year in monetary terms (e.g. £789.00). You will then be presented with two figures which will help explain:

- What your investments would have been worth had there been no charges at all – this is a purely hypothetical value, simply designed to show the impact charges have made on your investments (it's generally not possible to invest without any charges at all)
- What the change in value (performance) would have been over the year if there had been no charges – again, this will be expressed as a monetary value (e.g. +£2,345.00) and as a percentage increase or decrease (e.g. +4.56%).

3. Charges information in more detail

The specific annual charges paid are then broken down to allow you to see how much was paid to the various parties involved with your investments:

I. Service charges – the fees we take as the platform provider. These are for the work we do to administer your accounts, such as safeguarding your investments, maintaining our technology systems and providing statements. We'll also show any costs you have paid for dealing in company shares or other assets which have explicit dealing charges

II. Investment charges – the fees that specifically relate to the investments you have chosen along with your adviser. These are charged by the investment companies in question and include each fund's annual management charge and other costs associated with its administration, such as fees for registrars and auditors. These charges would largely be the same regardless of whether you held the investment directly with the fund provider or on another platform

III. Adviser charges – the fees agreed between you and your adviser, typically for any advice you have received in connection with your investments. Where these have arisen, we will have collected them from your account on your behalf and paid them to your adviser.

The asset allocation conundrum

Do you feel lucky?

By now I suspect we are all used to the question often posed at the start of every year, whether it is a new calendar year or a new tax year. The question can take different forms but it is essentially asking the same thing: Where should I invest my money this year to get the best returns?

The trouble is to answer that question correctly is *extremely* difficult. It means taking a very short-term view and also relies on being right every time. That is both unlikely and unsustainable. While the upside returns potential from such an approach could well be compelling, the downside potential is much less so. It leaves investors in a binary outcome situation, with very little protection.

Returns can vary considerably

Picking a market that will perform well each year is no easy endeavour. Looking back over the last 15 calendar years it is clear that there have been significant differences in return between the best and worst performing asset classes globally.

Figure 1: Asset class returns by calendar year

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Equities 21.62	Real Estate 22.93	Commodities 39.95	Real Estate 24.63	Commodities 30.95	Bonds 4.50	Real Estate 24.15	Real Estate 24.36	Bonds 5.98	Real Estate 23.09	Equities 21.07	Real Estate 23.03	Real Estate 5.79	Commodities 32.81	Equities 13.79	Real Estate 1.37
Real Estate 19.94	Commodities 9.15	Real Estate 28.44	Equities 6.77	Equities 10.83	Equities -20.81	Equities 22.28	Equities 17.34	Commodities -0.65	Equities 11.52	Real Estate 2.26	Equities 11.37	Equities 3.84	Equities 29.44	Bonds 6.94	Bonds -1.09
Bonds 12.67	Bonds 9.12	Equities 24.20	Bonds 6.52	Bonds 9.49	Commodities -27.14	Bonds 7.12	Commodities 12.92	Real Estate -5.16	Bonds 4.24	Bonds -2.65	Bonds 1.29	Bonds -2.75	Real Estate 25.28	Real Estate 1.82	Equities -3.37
Commodities 9.01	Equities 7.77	Bonds -4.10	Commodities -25.43	Real Estate -8.41	Real Estate -28.37	Commodities 2.43	Bonds 5.61	Equities -6.35	Commodities -4.43	Commodities -3.15	Commodities -28.83	Commodities -29.00	Bonds 2.16	Commodities -3.45	Commodities -8.56

Source: Invesco, Bloomberg, in GBP as at 24 April 2019. For indices used please see Important Information.

In 2017 for example, the difference in returns achieved for those invested in equities and those invested in commodities was around 17%. Similarly, bond investors achieved around half of the return that equity investors did. Where you invested your money still made a meaningful difference.

Looking within rather than between the major asset classes, the picture is similar. In the bond market (see Figure 2), the returns varied markedly between high yield bonds, investment grade corporate bonds and government bonds.

Figure 2: Bond market returns by calendar year

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Global High Yield 32.42	Global High Yield 13.14	Global High Yield 3.59	Global High Yield 13.69	Global Treasuries 10.57	Global Treasuries 10.20	Global High Yield 59.40	Global High Yield 14.82	Global Investment Grade Credit 7.49	Global High Yield 19.55	Global High Yield 7.33	Global Investment Grade Credit 7.40	Global Investment Grade Credit -0.49	Global High Yield 14.23	Global High Yield 10.43	Global Treasuries -0.38
Global Treasuries 14.78	Global Treasuries 10.30	Global Investment Grade Credit 1.77	Global Treasuries 6.44	Global Investment Grade Credit 4.48	Global Investment Grade Credit -6.21	Global Investment Grade Credit 19.21	Global Investment Grade Credit 9.06	Global Treasuries 6.33	Global Investment Grade Credit 10.37	Global Investment Grade Credit -1.28	Global High Yield 0.01	Global High Yield -2.72	Global Investment Grade Credit 6.02	Global Treasuries 7.29	Global Investment Grade Credit -2.37
Global Investment Grade Credit 8.12	Global Investment Grade Credit 5.31	Global Treasuries -6.66	Global Investment Grade Credit 4.48	Global High Yield 3.16	Global High Yield -26.81	Global Treasuries 2.63	Global Treasuries 5.90	Global High Yield 3.12	Global Treasuries 1.83	Global Treasuries -4.30	Global Treasuries -0.79	Global Treasuries -3.29	Global Treasuries 1.65	Global Investment Grade Credit 6.44	Global High Yield -4.06

Source: Invesco, Bloomberg, in GBP as at 24 April 2019. For indices used please see Important Information.

Similarly, different equity regions performed well at different times (see Figure 3), despite what has felt like persistent US equity market leadership over the last decade.

For UK investors exposed solely, or heavily, to our home equity market in recent years, it is clear that this has been at the expense of returns.

Figure 3: Equity region returns by calendar year

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Latin America 55.36	Latin America 29.14	Latin America 66.93	Latin America 25.68	Latin America 48.38	Japan -3.64	Latin America 84.31	Global Small Cap 31.29	USA 2.53	Asia Pacx Japan 17.54	USA 30.01	USA 20.53	Japan 14.65	Latin America 56.65	EM 25.77	USA 1.32
EM 40.72	EM 17.25	EM 49.75	Europe ex UK 19.55	EM 37.89	USA -14.45	EM 61.49	Global Mid Cap 25.45	UK -1.81	Europe ex UK 17.02	Global Small Cap 26.62	Global Mid Cap 11.45	USA 7.14	Global Small Cap 33.65	Asia Pacx Japan 25.75	Latin America -0.48
Asia Pacx Japan 35.09	Asia Pacx Japan 15.26	Japan 40.20	Asia Pacx Japan 17.58	Asia Pacx Japan 35.96	Global -20.81	Asia Pacx Japan 57.36	EM 23.50	Global -6.35	Global Small Cap 13.24	Europe ex UK 26.17	Global 11.37	Europe ex UK 5.90	EM 33.27	Europe ex UK 16.72	Global -3.37
Global Small Cap 34.07	Europe ex UK 14.17	Asia Pacx Japan 35.67	EM 16.39	Europe ex UK 15.68	Global Small Cap -23.32	Global Small Cap 36.58	Asia Pacx Japan 23.17	Global Mid Cap -8.74	EM 13.23	Japan 24.14	Asia Pacx Japan 10.00	Global Small Cap 5.68	USA 33.10	Global Mid Cap 14.08	Japan -7.56
Europe ex UK 29.15	Global Mid Cap 14.12	Global Mid Cap 27.84	UK 14.60	Global 10.83	Europe ex UK -24.67	Global Mid Cap 29.28	Japan 19.64	Global Small Cap -10.48	Global Mid Cap 12.05	Global Mid Cap 22.46	Global Small Cap 8.64	Global Mid Cap 4.46	Global 29.44	Global 13.79	Global Mid Cap -7.60
Global Mid Cap 25.83	Global Small Cap 13.55	Global Small Cap 27.18	Global 6.77	UK 6.56	Global Mid Cap -27.01	UK 27.67	USA 19.62	Japan -13.70	Global 11.52	Global 21.07	EM 4.23	Global 3.84	Global Mid Cap 28.42	Japan 13.63	Asia Pacx Japan -8.21
Japan 22.69	UK 11.47	Europe ex UK 24.94	Global Mid Cap 5.24	Global Mid Cap 5.04	UK -28.40	Global 22.28	Latin America 19.21	Europe ex UK -13.93	USA 10.86	UK 18.37	Japan 2.58	UK -2.27	Asia Pacx Japan 28.05	Global Small Cap 13.47	Global Small Cap -8.79
Global 21.62	Japan 8.19	Global 24.20	Global Small Cap 4.86	USA 4.77	Asia Pacx Japan -33.52	Europe ex UK 20.32	Global 17.34	Asia Pacx Japan -14.54	UK 10.18	Asia Pacx Japan 2.07	UK 0.44	Asia Pacx Japan -3.53	Japan 23.62	Latin America 13.33	UK -8.84
UK 18.79	Global 7.77	UK 20.10	USA 1.28	Global Small Cap 4.02	Latin America -33.70	USA 14.75	UK 12.21	EM -17.72	Japan 4.51	EM -4.18	Europe ex UK 0.19	EM -9.70	Europe ex UK 19.56	UK 11.73	EM -9.05
USA 16.60	USA 3.05	USA 17.86	Japan -6.57	Japan -5.51	EM -36.22	Japan -3.86	Europe ex UK 5.90	Latin America -18.71	Latin America 3.90	Latin America -14.89	Latin America -6.54	Latin America -26.90	UK 19.16	USA 11.27	Europe ex UK -9.24

Source: Invesco, Bloomberg, in GBP as at 24 April 2019. For indices used please see Important Information.

A more pragmatic approach

Is there a better way to allocate capital? Taking a multi-asset approach means building a more diversified portfolio of assets that is less susceptible to the 'feast or famine' of short-term binary decisions. While this approach may mean that investors miss out on being fully exposed to the best performing asset class, region, or market in a given year, those investors also avoid the pain of being solely exposed to the worst performing ones too. This is particularly important in falling markets as demonstrated in 2018, 2011 and in 2008 (see Figures 1, 2 and 3 above).

Multi-asset investing is a pragmatic approach which allows investors to express preferences for those asset classes and regions that they think have the potential to perform strongly over the long term. At the same time it could afford them downside mitigation, greater risk-adjusted returns potential, and improved sustainability of returns that a truly diversified portfolio can bring. After all, the wider the spread across various asset classes, regions or markets, the lower the correlation between them, hence the lower the level of overall risk.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

The Invesco Summit Growth range has the ability to use derivatives for investment purposes, which may result in the funds being leveraged and can result in large fluctuation in the value of the funds.

The funds may be exposed to counterparty risk should an entity with which the funds do business become insolvent resulting in financial loss.

The securities that the funds invest in may not always make interest and other payments nor is the solvency of the issuers guaranteed. Market conditions, such as a decrease in market liquidity for the securities in which the fund invests, may mean that the fund may not be able to sell those securities at their true value. These risks increase where the funds invest in high yield or lower credit quality bonds and where we use derivatives.

The funds invest in emerging and developing markets, where there is potential for a decrease in market liquidity, which may mean that it is not easy to buy or sell securities. There may also be difficulties in dealing and settlement, and custody problems could arise.

Important information

All data in this article as at 24 April 2019 unless otherwise stated.

Indices used for Figures 1, 2 and 3: Equities: MSCI ACWI, Bonds: Bank of America Merrill Lynch Global Broad Market, Real Estate: FTSE EPRA NAREIT Developed, and Commodities: S&P GSCI. Within equities, Global Small Cap: MSCI ACWI Small Cap, Global Mid Cap: MSCI ACWI Mid Cap, Global: MSCI ACWI, USA: MSCI USA, UK: MSCI UK, Europe ex UK: MSCI Europe ex UK, Japan: MSCI Japan, Asia Pac x Japan: MSCI Asia Pacific ex Japan, Latin America: MSCI EM Latin America, EM: MSCI Emerging Markets. Within bonds, Global High Yield: Bloomberg Barclays Global High Yield TR Index Value Unhedged, Global IG Credit: Bloomberg Barclays Global Credit IG – USD Unhedged, and Global Treasuries: Bloomberg Barclays Global Agg Treasuries TR Index Value Unhedged USD.

Where individuals or the business have expressed opinions, they are based on current market conditions, they may differ from those of other investment professionals and are subject to change without notice.

For the most up-to-date information on our funds, please refer to the relevant fund and share class-specific Key Information Documents, the Supplementary Information Document, the Annual or Interim Reports[1] and the Prospectus, which are available using the contact details shown.

[1] As the Invesco Summit Growth Range launched on 19 July 2018, the first reports will be issued on or before the following dates. Interim: interim to 31 January 2019, Annual to 31 July 2019.

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Investment Strategist for Invesco's Summit Growth range

VitalityLife: Who's going to look after you when you're old?

It's a question creeping inexorably up the social agenda, but one that few clients even want to consider. VitalityLife's Deputy CEO, Deepak Jobanputra, argues it's time we did, for all our sakes.

If you have clients who have already taken care of – and more importantly, funded – their potential later life care needs, let me be the first to congratulate them for their admirable powers of foresight. They certainly are in a very select group of people.

For everyone else – and I'm guessing that's at least 99% of them – the thorny issue of planning for a future that may involve having to live with dementia, Alzheimer's, Parkinson's, stroke or frailty is one which grows ever more relevant with every passing year.

To be fair, it's not as if there's currently a glut of financial products for long-term care. After all, the former UK pensions minister, Steve Webb, recently referred to these products as being something that "no one wants to buy". But that doesn't make it any less of a burning issue for you, your clients or society at large.

Look at the data, which all appears to be pointing one way: at current rates, around a million people in the UK will have dementia by 2025[1], rising to two million by 2050. As a result, consumer research into views on later life conducted by Vitality revealed that 71% of us expect a steep increase in the numbers needing later-life care. However, only 12% expect the NHS to foot the bill. 58% worry about developing Alzheimer's/dementia and an equal percentage worry about being able to perform activities of daily living, yet only 20% of us expect our children to support us. Understandably, therefore, 68% of people worry about future care costs, with 58% struggling to even quantify them[2]. Without wanting to sound alarmist, but with later-life care bills exceeding over £30,000 a year[3], it's unlikely ppersonal savings will be able to fill such a gap.

So there's little point ignoring the issue, particularly as the increase in later life conditions and the rise in life expectancy seem set to continue. It's precisely why we've made considerable efforts to come up with a world-first for the protection industry: the Dementia and FrailCare Cover plan, designed to help support people as they prepare for their later years, whatever they may bring.

It's an integrated product, available on Serious Illness Cover at no extra upfront cost or underwriting, that could help towards the cost of caring for dementia, Alzheimer's, Parkinson's, stroke and frailty. For the duration of the cover term, your clients enjoy the highest levels of serious illness protection. Then, when the term ends, it automatically converts into a fund to help pay for their later life care.

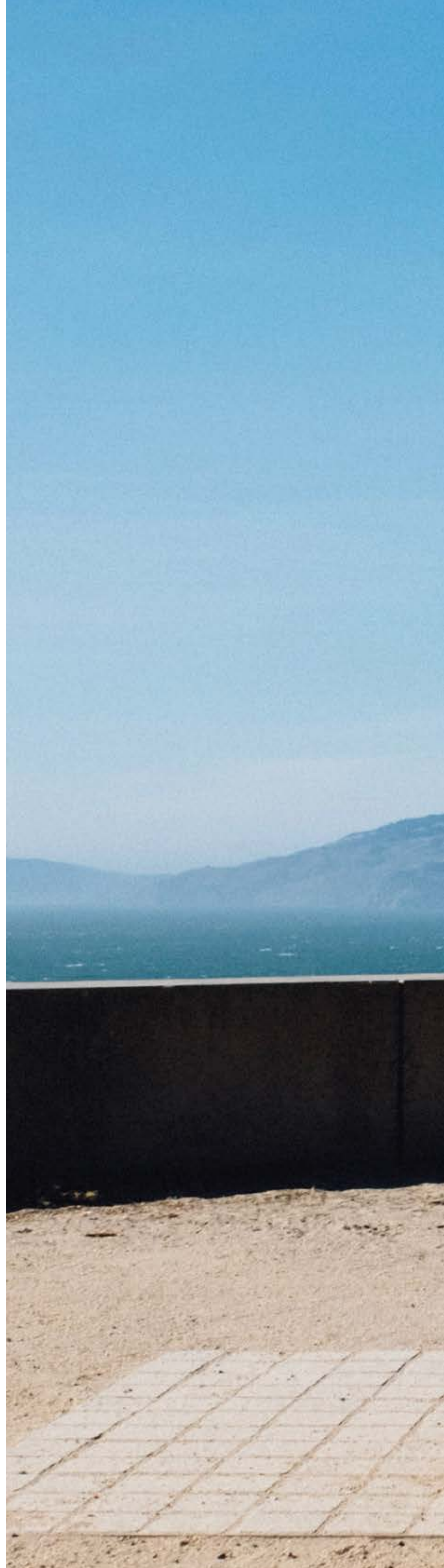
Of course, as the insurer that rewards clients for positive lifestyle habits, following our healthy living programme over the long term can also help protect them against the onset of later-life conditions in the first place. Together with the added financial security our new plan brings, we hope this is an important first step on the long road to addressing this urgent social issue. Because, however much we try to avoid it now, it's something the vast majority of your clients will have to face eventually.

[1] Alzheimer's Research UK, Prevalence by age in the UK, 2018

[2] Internal Vitality research: research design – 1001 robust online consumer interviews. 585 SIC/CIC plan owners aged 30-70 and 416 SIC/CIC considerers aged 30-50, with broad spread of age/gender/geographies conducted 10-15 August 2018

[3] Mintel - Planning for Long-Term Care - UK - September 2017

Author: Deepak Jobanputra
Deputy CEO, VitalityLife



Are you scared of shares?

Opening a stocks and shares ISA may seem daunting, but there's no reason to be scared of shares…

For many people, a stocks and shares ISA represents their first foray into the world of investing. If you're ready to invest but perhaps feel a little uncertain, allow us to lighten the load by helping you master the basics.

Why invest?

Investing can be a great way to grow your money over the medium to long term, and help you achieve your financial goals. The interest rates offered by some savings accounts (particularly while the Bank of England base rate is low) may not keep pace with inflation. This means that, over time, the value of your money effectively declines. Investing in the stock market via a stocks and shares ISA, and over a medium to long timeframe, may help you beat inflation. And the longer you keep your money invested, the more chance it has to both grow, and recover from any dips in the market.

What's the catch?

How risky are you? Are you more of a risk taker, or are you more risk averse? Investing in a stocks and shares ISA comes with an element of risk. The value of your investment can rise and fall, and it's possible you won't get back the full amount you invested. Even though investing over the longer term offers the potential for significant growth, it is this 'risk warning' (as we call it) that leaves some feeling a bit edgy. But in a stocks and shares ISA, you can invest in a way that matches how you feel about risk. You can choose a fund or funds which are considered more or less risky because of the investments they hold.

How long should I invest for?

We believe investing in a stocks and shares ISA is for the medium to long term (at least five years). So even though you have access to your investments, there probably are better alternatives if you need quick access to your cash. Long-term investing also gives you more time to recover from possible losses during dips in the market.

What's the difference between a cash ISA and a stocks and shares ISA?

Cash ISAs are similar to standard savings accounts (i.e. your money isn't invested, but earns interest), but with one powerful extra: they are also a tax shelter. This means you won't pay any tax on the interest your money earns. On the other hand, stocks & shares ISAs provide you with a tax-efficient way to invest in the stock market. They are structured differently to cash ISAs in that you invest in funds which then invest in the stock market. Each fund pools your money with other investors and is run by an investment manager.

How much can I invest?

In the current tax year (which runs until 5 April 2020) the ISA limit for both cash and stocks and shares ISAs is £20,000. This means you can invest £20,000 as a maximum across both. For example, you could invest £18,000 in a stocks and shares ISA and £2,000 in a cash ISA. And, just like saving, you can either invest a lump sum or a regular amount every month, if you find that more manageable.

How do I know which option is best for me?

If you're saving for short-term goals, you may want to consider keeping your money in a standard bank account or cash ISA. Investing is for goals you see yourself achieving five, 10, or even 20 years down the line. And those goals, as well as their timeframes, should largely inform which investments you choose.

What now?

Find out more about the Zurich stocks and shares ISA, or speak to your 2plan financial adviser to discuss your options.

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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.)

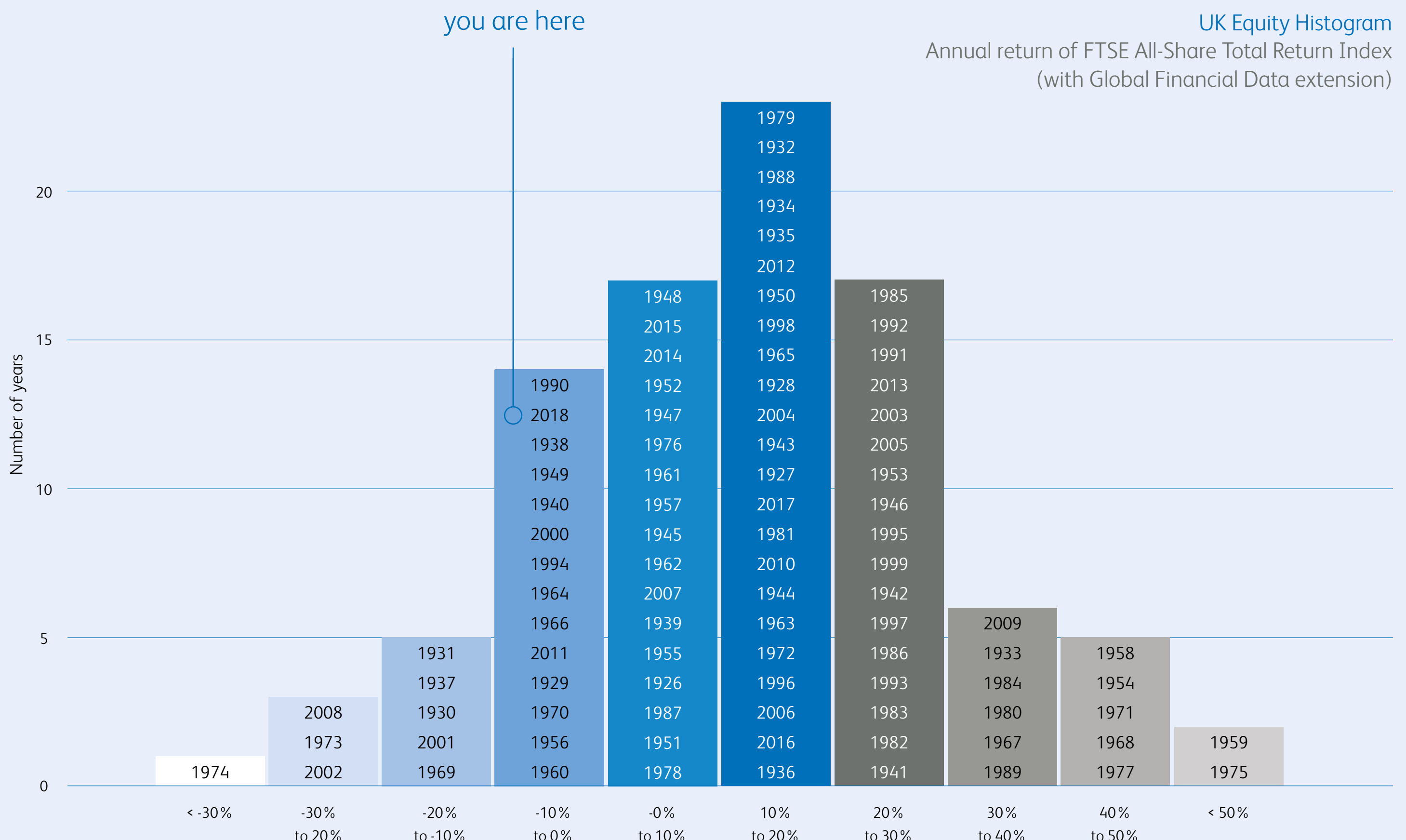
Most of these 23 years of negative return saw the equity market falling by no more than 20%. There were a few years where there were losses of more than this but, importantly, there were far more years with gains of more than 20% a year. So, the odds of an exceptionally good return are far higher than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

Author: 2plan wealth management Ltd



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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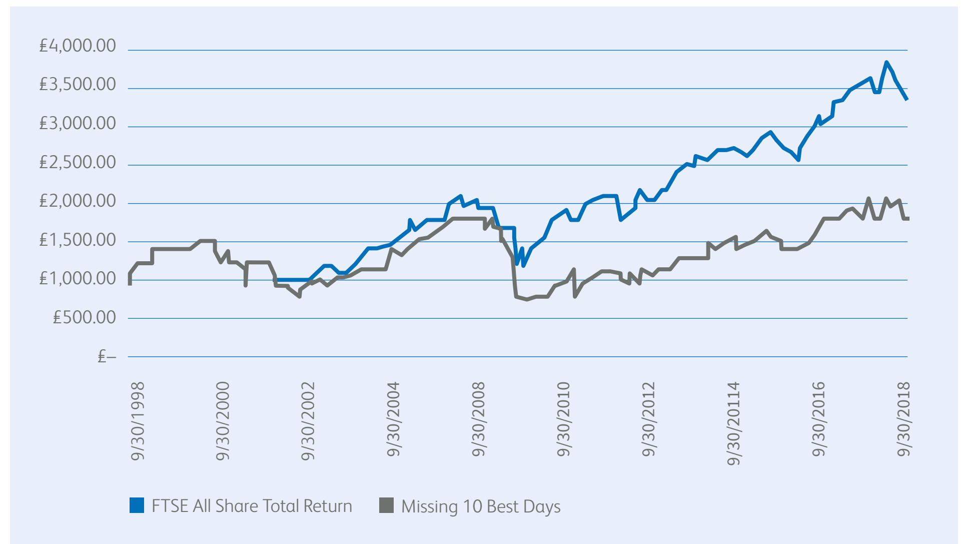
Time in the market vs timing the market

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% 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 grey 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% lower.

A long-term perspective

2plan advisers and clients have access to the Omnis range of funds. The Omnis investment team strongly recommends taking a long-term approach to investing. Both the Graphene 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, Omnis also ensure their 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.

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

Author: 2plan wealth management Ltd

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