COURTNEY HAVERS LLP
Independent Financial Advisers

Unit 5A Valley Industries, Cuckoo Lane, Tonbridge, Kent. TN11 0AG
T: 01892 544 233 F: 01892 542 046 E: advice@courtneyhavers.co.uk
www.courtneyhavers.co.uk

Your Money Summer 2021

Inside this issue

In the news
Younger investors and social media
Taking emotion (and colour!) away from investment decisions
Keep one step ahead
Your personal goals matter more than Keeping up with the Joneses
Long COVID – a problem for your pension pot?

Multi-jobbers – take heed!

Workers with more than one job, earning lower salaries, are at risk of a poorer retirement, as they miss out on employer pension contributions, a new study has found[1].

Under the auto enrolment scheme, employers are required to set up a pension and make contributions on their employees' behalf, unless an employee decides to opt out. Employees need to earn at least £10,000 a year to be automatically enrolled. This is where the issue faced by multi-jobbers becomes clear, as no matter how much someone earns in total, they are excluded from auto enrolment where the individual job pays less than £10,000 p.a. This has been estimated to affect more than four million people in the UK.

Threshold confusion

Many workers are unaware that providing they have qualifying earnings above £6,240, they can choose to opt into their company's pension scheme, with the employer legally required to contribute at a rate of 3% of their salary. Those earning under £6,240 can still opt into their company pension, but their employer is not required to contribute.

Worryingly, the study found that around one in 20 multi-jobbers, with at least one job paying under the £10,000 threshold, say they have been refused entry into a company pension by their bosses.

[1]Scottish Widows, 2021

A Great British summer to enjoy

Although we can never rely on the British weather providing the goods, there does seem to be a growing optimism that this will turn out to be a Great British summer. Many of us have booked staycations and there is a full programme of sporting events, including Wimbledon, the Olympics, British Open, test cricket and the British Grand Prix. For music lovers, there is a welcome return to festivals and The Proms.

Financial confidence on the rise

Recent weeks have also witnessed a notable rise in financial optimism amongst UK consumers, buoyed by the continuing success of the NHS vaccination programme, though variants of concern have cast a shadow. While some people have seen their jobs and finances severely damaged by the pandemic, the labour market has remained remarkably resilient with the help of the furlough scheme and there are clear signs of a potentially strong economic rebound on the horizon.

Spending spree?

Many people have witnessed a substantial reduction in their outgoings since the start of the pandemic, with spending on childcare, commuting, and entertainment falling considerably for the typical household. As a result, a significant number of consumers are sitting on relatively large amounts of money, and while some are likely to continue saving, others will undoubtedly be looking to make up for lost time, by increasing spending on shopping trips, eating out and holidays.

The age difference

Unsurprisingly, the experiences and challenges faced by younger and older members of society have differed greatly during the pandemic. While the health crisis certainly put the over-80s most at risk, the financial fallout has hit the younger generation the hardest. For instance, research[2] shows 18 to 24-year-olds are more likely to say they are struggling financially and to express concerns about money. In contrast, those in retirement are the most likely to feel financially secure.

Your financial wellbeing

Whatever impact the pandemic has had on your finances, we are here to help. We can help keep your financial affairs in good order, giving you even more time to enjoy the Great British summer!

[2]LV=, 2021

The value of investments and income from them may go down. You may not get back the original amount invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

Be wary of that holiday selfie

Now that many of us are able to make travel plans, remember to think twice before posting a holiday selfie on social media. Your insurer may consider this as telling people that you are away from home, leaving your property unoccupied and as a result, potentially invalidating or compromising your insurance cover. Unfortunately, more and more criminals are using social media posts to identify when a property might be empty.

Sustainable funds – a new record

Data from industry tracker Morningstar shows that 2021 started with continued European interest in sustainable funds, attracting all-time high inflows of €120bn in Q1, 18% higher than the previous quarter. Climate funds proved to be top of the preferred list, with six of them featuring in the top 10. The number of sustainable funds available continues to grow; 111 new sustainable funds launched in Q1.

Jabbed population are financially optimistic

Those who have already received their COVID-19 vaccination are reported to be more optimistic about their finances than those who are yet to have their jab[3]. As well as giving people a feeling that the worst of the pandemic may be over, the jab also seems to be providing people with financial optimism about both investing and their own financial position. Nearly half (48%) of those who have had the vaccine believe now is a good time to invest, compared to 39% who have not yet received the jab.

[3]Aegon, 2021

Younger investors and social media

The Financial Conduct Authority (FCA) is concerned about how much influence social media could be having on younger investors, who could unknowingly be taking on significant financial risks.

According to the FCA, this younger, more diverse group of investors is highly reliant on social media platforms such as Instagram, YouTube, and TikTok for investment tips and advice, but they tend to lack the knowledge and understanding required to make informed choices.

A mismatch of confidence and resilience

The FCA expressed concerns that these investors are confidently investing in riskier products despite a '*striking*' lack of awareness of any associated risk. Shockingly, 45% did not associate '*losing some money*' as a potential risk.

This group also shows low levels of financial resilience, with the findings showing that a significant loss could have a fundamental impact on the lifestyles of 59% of inexperienced investors.

Five questions to ask yourself

A digital disruption campaign has been launched by the FCA to raise awareness of the risks, prompting people to ask themselves five questions:

1. Am I comfortable with the level of risk?
2. Do I fully understand the investment being offered to me?
3. Am I protected if things go wrong?
4. Are my investments regulated?
5. Should I get financial advice?

Take care of your financial future

Its pays to take advice - we can help develop an investment plan suited to your long-term goals and risk profile.

The value of investments and income from them may go down. You may not get back the original amount invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

Taking emotion (and colour!) away from investment decisions

It is fascinating to consider the psychology of investing. There are many behavioural traps that investors could find themselves falling into during times of market volatility, when knee jerk reactions can take hold.

One example being '*the anchoring trap*', which is where investors rely too much on their perceptions of an investment, which could be totally incorrect, rather than being flexible in their thinking and responsive to new data.

Separating emotions from market reaction and investment selection is a whole different challenge. It can be hard to manage our impulses when we see markets fluctuate and we can easily underestimate the risks associated with investments. These are just a couple of reasons why investors sometimes make poor decisions based on emotion, which can result in financial loss.

Red flag to a bull

Another added complication has been highlighted by an interesting new study[4]

which shows that if financial information is presented in red, it tends to make people more pessimistic about the market than presenting the same facts in blue or black. It seems that using the colour red to represent financial data, influences individuals' risk preferences, expectations of future stock returns and trading decisions. Such effects are not present in those who are colour blind and are muted in China, where red represents prosperity.

Assistant Professor of Finance at the University of Kansas, William Bazley, who undertook the research, commented on the findings, *"The use of colour could lead to investors avoiding the platform or delaying important financial decisions, which could have deleterious long-term consequences. In Western cultures, conditioning of red colour and experiences start in early schooling as students receive feedback regarding academic errors in red. Red is associated with alarms and stop signs that convey danger and command enhanced attention."*

Good behaviour

The good news is that having your finances and portfolio managed for you is one effective way you can avoid these potential behavioural pitfalls. You can rely on us to make informed, consistent investment decisions, not based on emotion but on a robust, objective and disciplined process. We take the time to understand your objectives, apply a rigorous process and advise you on the strategies and products most appropriate for you.

[4]The University of Kansas, 2021

Keep one step ahead

Nearly a third of homeowners (31%) have said they would only consider purchasing protection insurance if they fell ill[5] – which defeats the point as it's already too late by then.

Other triggers for taking out protection include having an accident (24%) or a change in employment status (25%). A further 22% say there is no circumstance that would make them consider purchasing a protection product.

Other reasons given include:

- Not thinking they need it (28%)
- Believing it to be too expensive (25%)
- Not being able to afford it (22%).

No regrets

Unfortunately, once people experience a change in their circumstances, it is often too late to protect themselves. Protection policies rarely offer backdated cover, meaning that homeowners could find themselves in unnecessary financial difficulty as they try to meet their mortgage, bills and other essential payments.

Many of those questioned said they wish they had better understood the true value of protection, with one in seven people (14%) regretting not having financial protection in place that would have supported their mortgage payments in the past.

Get ahead

We can help explain the implications of having no protection insurance for you and your family, and advise you on suitable and cost-effective products to protect you financially – before it's too late.

[5]MetLife, 2021

A word of advice...

Addressing the raft of amateur investors who started trading during the pandemic, renowned investor and US business tycoon Warren Buffett said at an annual shareholder meeting in May, *"I do not think the average person can pick stocks."* This is not the first time he has imparted pearls of wisdom over the years! *"Rule No. 1: Never lose money. Rule No. 2: Never forget rule No.1"* and *"If you aren't thinking about owning a stock for 10 years, don't even think about owning it for 10 minutes."*

The value of investments and income from them may go down. You may not get back the original amount invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

Your personal goals matter more than Keeping up with the Joneses

Did you know that this expression about the envy of others dates all the way back to 1913, when a New York Globe comic strip '*Keeping Up With the Joneses*' first appeared and created an enduring, meaningful expression?

Even further back, envy was evident in biblical times; the Tenth Commandment is proof of that – '*Thou shalt not covet thy neighbour's house… nor any thing that is thy neighbour's.*' A TV cartoon about the neighbouring Flintstone and Rubble families is less convincing evidence of materialism in the Stone Age!

A friendly approach

More relevant to the present day can be seen from two centuries ago, when the British class system meant that much of the population led impoverished lives, with harsh industrial working conditions, poor housing and little opportunity for social mobility. That was when mutual organisations became established as co-operatives, or friendly societies, to begin improving ordinary families' lives.

In 1820s Lancashire, a group of workers formed a sickness and benefits society that later became Shepherds Friendly Society, today a provider of long-term insurance and investment products. As a mutual, owned by its members, a much-modernised Shepherds Friendly still champions the principles of its founding members, broadly advocating thrift and a caring, sharing community.

Before the Pandemic, Shepherd's Friendly ran a survey themed '*Keeping up with the Joneses: Does it make us happy?* Among the 2,000 respondents, 52% admitted comparing their finances to those of family and friends; 30% had been tempted to buy something because people they knew had done so; 9% had bought something unaffordable just to impress others.

More reassuringly, '*achieving personal goals*' was a top-scoring response to a question about feeling successful, whereas the bottom-scorer was '*owning expensive items*'. Consider what will bring you the most happiness – maybe focusing on your own finances and being realistic about what you can really afford, without damaging your long-term financial outlook, will be the right route – rather than excessive expenditure beyond your means.

Long COVID – a problem for your pension pot?

The pandemic has affected almost everyone in numerous different ways, whether that is financially, medically, or socially; its death toll has been appalling and overshadows everything. Fortunately, the vast majority have come through the pandemic, but the speed of recovery has been variable.

Medically, many patients have recovered well, but some have prolonged symptoms which have been diagnosed as '*long COVID*'. A corresponding picture emerges with people's finances, as many people have lost earnings or even their jobs, but economic recovery could help restore their financial health. A minority, however, may suffer the financial equivalent of long COVID.

Insurer and pension provider Legal & General (L&G) has monitored the financial effects of COVID-19 throughout the pandemic, particularly the long-term impact on the prospective pension income of workers over 50 who are closest to retirement. In the early months of the crisis, the picture wasn't too disturbing; last August, only 2% of this group envisaged cutting their pension contributions.

What are the numbers?

Fast-forward eight months to April this year and the L&G research revealed that some 12% of workers over 50 were paying less into their pension pots because COVID-19 had disrupted their finances. This led L&G's number-crunchers to work out just how severe the impact could be on the retirements of those one-in-eight (about 1.7 million) 50-plus workforce members.

The message from L&G's figures is simple, '*A 50-year-old opting out of a workplace pension could be £50,000 worse off by the State Pension age of 67 if they never opted back in and continued working full time throughout.*' So, if you have cut back on your pension contributions during the pandemic, you should consider restarting them as soon as you can.

The value of investments and income from them may go down. You may not get back the original amount invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only.

Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor. Information is based on our understanding of taxation legislation and regulations. Tax treatment is based on individual circumstances and may be subject to change in the future.

No part of this document may be reproduced in any manner without prior permission.
Courtney Havers LLP is authorised and regulated by the Financial Conduct Authority.