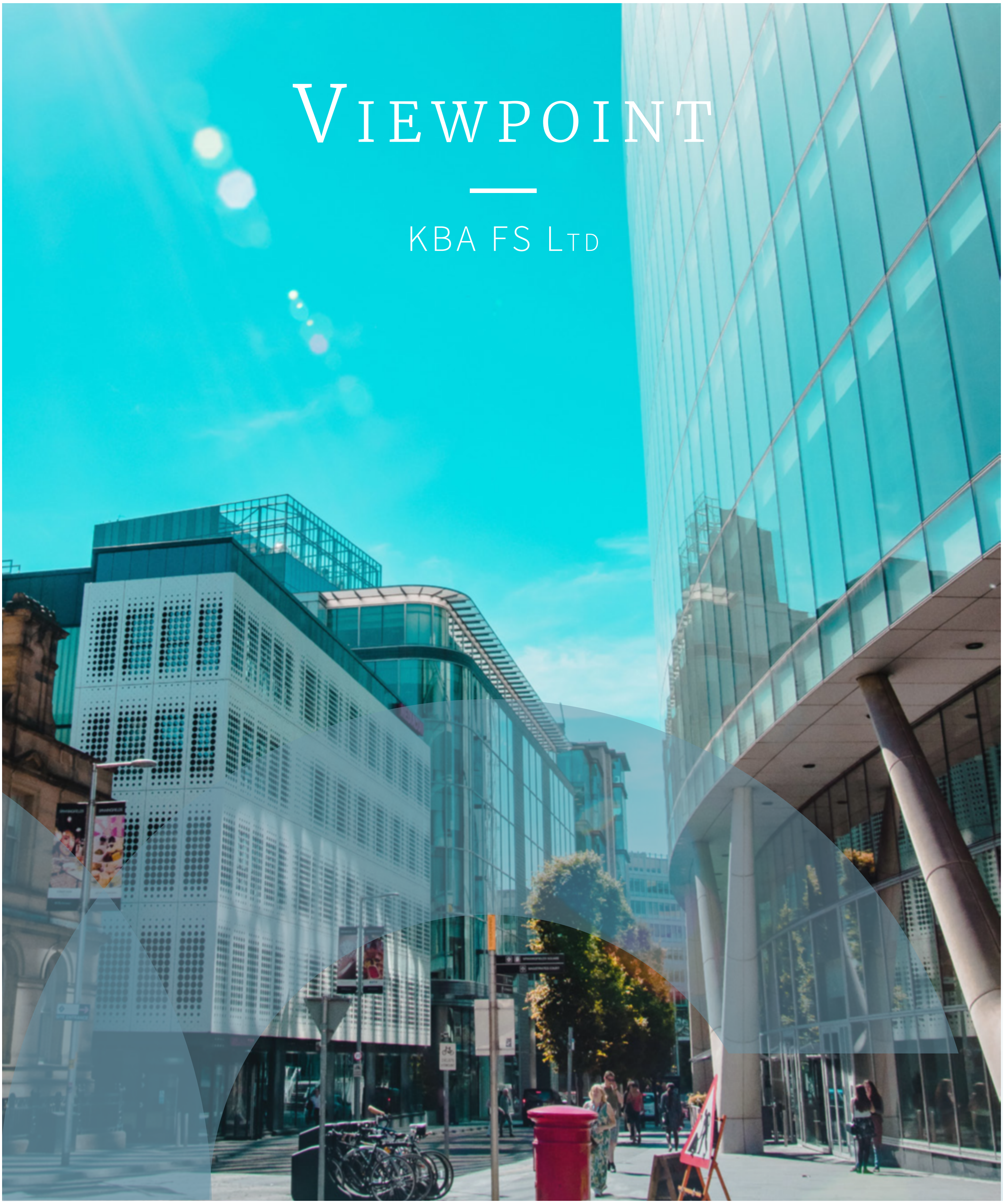
Viewpoint

KBA FS Ltd



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Turning Complexity Into Simplicity

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us

Welcome to our NEW quarterly newsletter that brings together all the news around what's been happening at KBA, in the Investment world and also some helpful articles for your financial planning.

So, following on from the Q1 newsletter where we had just entered lockdown, 3 months later it appears that things are easing. I have no doubt we are all hoping that a second spike doesn't come, and we can continue to navigate out of this crisis and back to whatever normal will now look like.

What's been going on in the World of KBA since our last newsletter?

WELCOME TO TWO NEW TEAM MEMBERS

In true KBA style, whilst the rest of the country is utilising 'furlough' and laying people off, KBA bucked the trend and recruited two new team members on the administration side of the business.

Lauren Foden joined us in April on the Yorkshire Building Society Agency side of the business, looking after our lovely customers at our new Nantwich office and Jane Catterall joined us at the Leigh office only a number a weeks ago to help support the ever-growing Mortgage and Protection side of the business. Both ladies have made a great start and we are excited about having you onboard.

Team Member Profile

As we have had a tremendous growth in the last few years including growing the team from 6 to 20 staff, we have decided to do a feature each quarter to introduce a team member.

Please bear in mind our website is still being updated (we are growing quicker than they can keep up!).

For those of you that don't know Tom, let's introduce him…

Hi Tom, what's your role at KBA?
Financial Planner

What made you want to be a Financial Planner?
I had been to some amazing presentations from other Financial Planner's whilst at university and that really sparked my interest in the industry, I had some great mentorship and support in finding the right starting role in the industry and my enthusiasm for being a Financial Planner has just snowballed from there whilst I've been completing my diploma.

Why did you choose KBA to be your home?
I had always said that I never wanted to work for a big corporate company throughout university, I wanted to work for a small company where your input and presence is valued a lot more and KBA fit that perfectly. I have been thrown in at the deep end from day 1 and I have grown and developed so much in the 3 years I have been at KBA. The culture, the team, and the support available to progress is amazing and I could not think of working anywhere else.

Where did you work previously?
I started working life 10 years ago at 16 as a Heating and Ventilation apprentice, leaving that after 3 years to reassess what I wanted to do and moved on to complete an Access to Higher Education Course at Lancaster & Morecambe College whilst working in a factory that made industrial roller shutters. After moving to Manchester in 2014 to start my degree in Accounting and Finance I worked in a café in Manchester Piccadilly Train Station until I secured a role at KBA as part of my degree in 2017.

Is there any message you would like to give to our lovely clients and associates?
As a newly qualified Financial Planner I want to say I am looking forward to working closely with everyone to create better outcomes and futures for all our current clients, associates, and future potential clients.

A 'Black Swan' Causes Havoc In The First Half Of The Year

As we emerge from lockdown, it may seem hard to recall what life was like before many of us heard about a coronavirus for the first time. The pandemic and the disruption it has caused have dominated the headlines since, but they aren't the only factors to have influenced the markets over the last six months. With that in mind, here's our review of the first half of the year.

At the beginning of January, we published our vision for the year ahead. Other than Brexit uncertainty, the outlook was generally optimistic with interest rates set to remain at record lows and government spending expected to rise in the UK and Europe.

The year got off to an ominous start as the assassination of Iranian general Qasem Soleimani by the US threatened instability in the Middle East. Thankfully, hostilities didn't escalate further, and the markets switched their attention to the signing of the first phase of a trade deal between the US and China. Trade tensions had hovered over the markets throughout 2019, so they welcomed the thawing of relations.

The danger with trying to predict the future is every so often, along comes an event so improbable that it could be compared to a black swan. According to Nassim Nicholas Taleb, the author and former trader who coined the term around the time of the 2008 financial crisis, a black swan event 'lies outside the realm of regular expectations'. I think

it's fair to say this definition succinctly sums up the pandemic which caught the world by surprise earlier this year.

2020/21
tax year know your numbers

Whilst we would all probably agree that paying tax goes towards providing the important services we all rely on, no one needs to end up paying more than their fair share. Each year, the government announces the tax allowances and exemptions that we are entitled to and it makes sense to maximise their use in meeting our individual financial goals.

Here are a few figures worth knowing:

Personal taxation

At the Budget, the Chancellor's main change to personal taxation was an increase in the National Insurance threshold to **£9,500**, which will save most workers around £100 each year. The Personal Allowance was frozen at **£12,500**, while the £50,000 higher-rate threshold remains unchanged in parts of the UK where Income Tax is not devolved.

Pensions

One of the key attractions of paying into a pension is the tax relief available, 20% for basic rate taxpayers, 40% for higher rate and 45% for additional rate taxpayers. The Annual Allowance for pensions in the 2020/21 tax year remains at **£40,000**.

From 6 April the Annual Allowance will begin to taper for those who have an income above **£240,000** – the £200,000 allowance plus the £40,000 you can save into a pension. It means that for every £2 of adjusted income that goes over £240,000, the Annual Allowance for that year reduces by £1. The minimum Annual Allowance reduced from £10,000 to £**4,000**, affecting those with an income over £300,000.

The Lifetime Allowance – the maximum amount you can have in a pension over a lifetime – increased on 6 April to **£1,073,100**. Increases to State Pensions since 6 April see the new single-tier State Pension rising to **£175.20** and the older basic State Pension increasing to **£134.25** per week.

Savings landscape

A major announcement for savers at the Budget was a substantial increase in the JISA (Junior Individual Savings Account) allowance and Child Trust Fund annual subscription limit from £4,368 to £9,000. The ISA (Individual Savings Account) allowance, including the Lifetime ISA allowance if used, was left unchanged at £20,000. ISAs represent a tax-efficient way of saving or investing and the JISA is a great way of building up funds for your child.

IHT thresholds

For individuals, the current IHT nil-rate threshold is **£325,000**, and **£650,000** for a married couple or civil partners. Beyond these thresholds, IHT is usually payable at a rate of **40%**. The main residence nil-rate band, which applies if you want to pass your main residence to a direct descendant, increased to **£175,000** on 6 April.

Planning pays

Tax planning involves taking sensible steps to reduce the amount of tax you pay. Whilst tax-efficiency can play a vital part in successful saving and investing, it's important not to make it the sole driver of your savings or investment decisions, or to steer you away from achieving your core goals.

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.

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

OW2772 Exp. 05/04/2021

Providing a retirement windfall for your child

Planning ahead and starting early can really help when it comes to building up a financial future for the children in your life. The Junior ISA (JISA) is a popular choice for many, but one often overlooked investment option is the ability to open a pension for your child, to help set them up for retirement.

Increasingly popular choice

Although retirement is a very long way off or your child, putting some money aside now means they can be one step ahead when they come to plan their retirement. Any parent or legal guardian can set up a pension, which will automatically transfer to your child once they reach the age of 18, at which time they can continue to contribute or leave the savings invested. Under current rules (which may be subject to change in the future) they can access the pension from age 55.

A valid option, worth considering

In addition to your own pension contribution allowances, people often don't realise that they can also put money into someone else's savings. If the recipient is a non-taxpayer, as most children are, they are still entitled to tax relief on any contributions made. Pension rules allow anyone to pay contributions on behalf of a child, so other family members such as grandparents can get in on the act too.

HMRC data indicates over 60,000 families have opened pension plans for their children. As personal pensions come with no minimum age restriction, many people opt to open one when their child is born.

Know the numbers

Current pension rules allow you to put up to £2,880 a tax year into a pension for a child. Tax relief of 20% means that this is then topped up to £3,600. No further Income Tax or Capital Gains Tax will be payable on the investments held in the personal pension, until your child starts taking benefits, (which currently cannot be before age 55). If you start pension contributions once a child is born and used the full allowance, the contributions would cost just under £52,000 over 18 years, and this, under current rules would be topped up by around £13,000 in tax relief.

Assuming growth in investments over the period, when the child reaches age 55 currently, they would have a sizable pension pot to draw upon, the spending power of which will of course depend on the passage of inflation over the intervening years.

Getting the balance right

Aside from retirement provision, you also need to consider providing financial assistance for more pressing priorities, such as university fees or money for a house deposit, or a wedding perhaps. Any pension savings won't be available to help children with these financial priorities earlier in their adult lives. So, ideally a pension for your child should be regarded as part of a wider plan, rather than the only investment embarked upon.

Start a pension for your child today

With the full State Pension currently £168.60 a week, this is certainly not enough on its own to provide a comfortable retirement, so why not set the wheels in motion to provide a retirement windfall for your child? It's also a great way to introduce your child to the concept of long-term saving. Families thinking about how to save and invest most efficiently during 2020 shouldn't overlook pensions for children. Even if the full allowance isn't contributed, any money saved could still provide a valuable nest egg at retirement.

If you would like to know more about investing for children, please get in touch.

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OW2479 Exp. 05/04/2021

Investing for the long term – lessons from the past

The emergence of COVID-19 brought a rapid end to the drawn-out recovery of major stock markets from the share price lows associated with the financial crisis a decade ago. When the scale of the threat to lives and livelihoods became apparent, market analysts and investors reassessed the global economic outlook and corporate prospects; they didn't like what they saw and a wave of selling followed, with inevitable consequences. Most share prices, and thus stock indices, were impacted.

Market analysts and investors aren't infallible, but when something like COVID-19 strikes they get nervous because closed borders, flight bans and lockdowns can pose a threat even to large companies, especially in exposed sectors. Axed dividends and distressed rights issues are anathema to the jittery; and the largest blue-chip companies aren't immune. Little wonder then that the 100 shares comprising the UK's blue-chip share index, the FTSE 100, rapidly lost about one-third of their combined value before regaining some composure.

Lessons from history

Created in 1984 with a starting level of 1,000 points to provide a wider index of leading shares quoted in London, the FTSE 100 largely superseded the narrower Financial Times 30-share index launched in 1935. As a barometer of economic outlook and corporate prospects, the FTSE 100 has gauged a few storms over the past 36 years. A chart of its progress reveals a plethora of spikes and dips, the starkest of which can be associated with key events in recent financial history.

Chart: **FTSE 100 from inception to March 2020**
https://tradingeconomics.com/united-kingdom/stock-market
Not the first FTSE 100 dip

After its launch on 3 January 1984, the FT's new share index only slipped very briefly below 1,000 points that year. It then made progress, sometimes faltering, to hit 2,000 points by March 1987, by then buoyed by the effect of the previous October's 'Big Bang' modernisation of the London Stock Exchange's trading structure. Six months of further upticks followed and the index broke through 2,350 in early October 1987. It would be two years before that level was attained again.

On 19 October 1987, the Monday after The Great Storm ravaged Southern England, global stock markets suffered a crash so severe that the day became known as Black Monday. A tsunami of selling, much of it blamed on new-fangled computer-program trading, rapidly took the FTSE 100 down to around 1,600, starting with an 11% drop on the Monday and 12% the next day.

The ascent of the 1990s

Share-price recovery was slow, hampered by a short UK recession in 1991-92 caused in part by high interest rates and an over-valued pound associated with efforts to keep sterling within Europe's exchange rate mechanism. After Chancellor Norman Lamont took sterling out of the ERM in September 1992, having spent billions and upped base rate to 15% trying to stay in, the index gained about 14% in six months.

As 1994 dawned, a decade on from its launch, the FTSE 100 stood at around 3,400; although then, as now, changes had been made to its constituent shares as companies' respective market capitalisations waxed and waned. Concerns about the economy and tax plans dampened sentiment and the index fell below 3,000 during the first half of 1994 before starting a five-year ascent to break the 6,000 barrier in the summer of 1998. After a 500% rise in 14 years, what came next for the FTSE 100?

A 1,000-point drop

High interest rates and other threats to UK economic growth and even talk of an impending recession brought a 1,000-point drop in the FTSE 100 in the autumn of 1998, almost all of it recovered by the year-end. General bullishness continued through 1999, which ended with the index nudging 7,000. As the year 2000 unfolded, a combination of overvaluation, epitomised by the rapidly inflating 'dotcom bubble', and a global economic slowdown brought further investor jitters.

The bull market had marched the FTSE 100 up the hill; the ensuing three-year bear market marched it back down again to around 3,600 in the spring of 2003. The index would take another five years to climb back above 6,500, where it was delicately poised for the next big shock: the 2008 collapse of US investment bank Lehman Brothers and the cascade of failures prompting what became known simply as 'the global financial crisis'. By March 2009, the index was down around 3,500 again.

Long term trend

It was a long haul back from there for the FTSE 100 but, after gyrations associated with various stages of the Brexit process, the start of 2020 saw it comfortably above 7,000. News of a new virus outbreak in an unfamiliar Chinese city seemed at first like a distant threat. As the outbreak turned into a pandemic, global markets faltered again and the FTSE 100 headed below 5,000 before recovering some of the loss. COVID-19 has brought a reset of the blue-chip barometer, the FTSE 100 index.

Despite a variety of market shocks and rebounds, the index still has a long term growth trend. It is important to remember that some market volatility is inevitable; markets will always move up and down. As an investor, putting any short-term market volatility into historical context is useful.

Financial advice and regular reviews are essential to help position your portfolio in line with your objectives and attitude to risk, and to develop a well-defined investment plan, tailored to your objectives and risk profile.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

OW2654 Exp. 27/04/21

Mortgage Payment Holidays

The Chancellor's announcement back in March, offering 3-month mortgage payment holidays for homeowners experiencing financial difficulties due to COVID-19, came as welcome news to many people. Mortgage lenders agreed with the Treasury that any customers who are in 'difficulty' will be eligible.

Initial uptake

Recent data has revealed over 1.2 million mortgage payment holidays have been offered to customers impacted by COVID-19. Around one in nine mortgages in the UK are now subject to a payment holiday. In the two weeks to 8 April, the number of mortgage payment holidays more than tripled, growing from 392,130 to 1,240,680, with an average of around 61,000 payment holidays granted each day.

1.2 million

Mortgage payment holidays offered

61,000

Payment holidays granted each day.

How does it work?

Homeowners who are concerned about being able to pay their mortgage should contact their lender. If you progress to applying for a mortgage payment holiday, you will have to self-certify that your income has been affected – no documentation is required. If you're a landlord, you will need to self-certify that your tenant's income has been affected. With many lenders, you can make an online application, your lender should not charge a fee to process your application.

Credit agencies have agreed an emergency payment freeze due to the pandemic, to ensure current credit scores are protected for the duration of an agreed payment holiday.

Lots to consider

The key benefit of a payment holiday is that it provides short-term relief, alleviating some financial pressure. Faced with a temporary drop in income, it can be a reasonable option, depending on individual circumstances.

Taking a payment holiday will not reduce the capital you still owe, nor will interest stop accruing. That means it will cost more to clear your debt once payments resume, so your monthly payments will be higher as a result of taking the holiday.

Need to knows

Banks were under no obligation to have payment holiday processes in place prior to the outbreak. Now most will offer them, although not to everybody. Based on your original mortgage application your lender will know what your job and salary are, and may reject you if you are still earning.

You must not stop making mortgage payments without speaking to your lender. If you do this, you will go into arrears, creating a black mark on your credit file which could prevent you borrowing in the future.

Don't rush in

If you are worried about making your mortgage payments, it is crucial that you speak to your lender. A payment holiday may not be suitable for everyone. Some brokers have reported that people have panicked and arranged a payment holiday too early. If, for example, your partner is still receiving an income and your usual outgoings are down, it makes sense to defer the payment holiday until a time when you might really need it.

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

OW2754 Exp. 01/09/2020

Protect yourself and your family in 2020

While most of us don't go through life expecting something bad to happen, the truth is that we never know what's around the corner. Why not make 2020 the year you put plans in place to safeguard yourself, your family and your home, so that you know you're protected against life's unexpected events?

When to take out protection cover

Most people look into buying a Life Insurance, Critical Illness or Income Protection policy following a significant life event: buying a home, getting married or having children.

Before taking out a policy, however, be sure to check if any protection cover is included in your workplace benefits, as your employer may already be providing cover.

Review your policies regularly

If you don't review and update your policies on a regular basis, you could find yourself underinsured. If you upsize and your mortgage increases, for example, your current policy might not pay out enough to cover your new monthly repayment. In fact, a huge 73% of people aren't sure they have the right level of protection cover. By ensuring you regularly review your cover, you can make sure you're not in this situation.

Reduce stress, both now and in the future

Do you worry about your income and how you and your family would cope if anything happened to you? Are you ever concerned that you might struggle to keep a roof over your head? One way to rid yourself of these niggling worries is to take out protection cover. With only 44% of 18 to 35-year-olds saying they could cope for more than three months on their savings if they lost their income due to illness or injury, it's more essential than ever to plan for these eventualities.

It's not just about life insurance

Protection cover isn't just there to pay out to your family when you die. You can also take out serious or critical illness cover, as well as policies that pay out if you get injured or made redundant. With rent or a mortgage, household bills and other expenses, imagine how much stress could be alleviated if you have a steady income from an insurance policy while you're unable to work.

It won't happen to me...

This is an assumption many of us are guilty of making; however, latest government figures for 2018 show that one in twenty-five employed people had a spell of long-term sickness absence. It might not happen to you – but if it does, having cover could make the world of difference.

Working from home – are you covered?

Due to the lockdown, many firms have closed workplaces, meaning that millions of people across the UK have been temporarily required to work from home.

Should I inform my insurer that I am working from home?

The Association of British Insurers (ABI) has issued reassurance that, if you are an office-based worker and you are working from home because of government advice or because you are self-isolating, your home insurance cover will not be affected.

The ABI has stated: ‘You do not need to contact your insurer to update your documents or extend your cover’

Will my work laptop be covered by my home insurance?

If you’re using company property such as a laptop or mobile, you should check with your employer whether they have the correct insurance policy in place to cover these items outside of the usual place of work should any damage, loss or theft occur.

Such equipment is not usually covered by a standard household insurance policy, but it is worth checking your insurance policy document to check.

I need to see business clients at my home – will this affect my insurance?

If you are receiving visitors to your home on business matters, you should check this with your insurer as having additional people coming to your house could be an insurance risk and affect your insurance premium. There may also be restrictions in the cover provided, such as theft and loss of money being excluded, unless there is evidence of forcible and violent entry to the property.

What if I have an accident whilst working from home?

Your home environment is under your own control so there is a significant duty upon you to look after your own safety. If you were to suffer an accident whilst working at home, your employer would generally only be responsible if it was due to their negligence, meaning that they had failed to take reasonable care for your safety and the accident was due to that negligence.

If you have a protection policy such as Accident and Sickness or Income Protection, and you have an accident or suffer an illness that prevents you from working, you may be able to make a claim.

I need to make a claim on my insurance – will this be difficult at the moment?

ABI home insurers have implemented business continuity plans and are continuing to handle claims and support customers, as well as prioritising those in vulnerable circumstances.

Do you have the right cover in place?

If you are unsure whether you have the right insurance cover in place, contact us for advice on your own individual circumstances.

As with all insurance policies, conditions and exclusions will apply

OW2767 Exp. 03/06/2021

Lasting Powers of Attorney (LPA)

You may have already arranged a Will* to deal with matters in the event of your death, but have you considered what would happen if you became unable to handle your affairs while still alive?

Peace of mind

Have you considered how a physical or mental illness could affect your ability to manage your personal affairs? If the prospect of this worries you, you should consider setting up an LPA. This is a legal document which allows you to appoint one or more people to either help you make legal decisions, or to make them entirely on your behalf.

Knowing that your financial affairs will be looked after by people you trust can give you valuable peace of mind.

Power of Attorney (POA)

There are a number of different types of POA available depending on your requirements:

1. Ordinary POA
2. Lasting POA
3. Enduring POA (replaced by LPAs on 1 October 2007, but still valid if you signed one before this date)

An Ordinary POA can be used while you still have the mental capacity to make your own decisions, but you require temporary assistance. For example, if you are hospitalised or on holiday and you want to empower someone to make financial transactions on your behalf.

LPAs explained

An LPA is required if you want to give someone the legal authority to make decisions on your behalf in the event you lose mental capacity. The word ‘lasting’ refers to the fact that the power remains in place after the donor loses mental capacity. There are two types of LPA:

1. Health and Welfare LPA - your attorneys will be able to act on your behalf if you become completely unable to make decisions regarding your own wellbeing. For example, if your circumstances mean you require full time care, medical treatment or help with your daily routine, they will step in and act in your interests.
2. Property and Financial Affairs LPA - your attorneys can make decisions concerning your bank accounts, paying bills or even selling your home if required. Unlike the Health and Welfare LPA, this version can be used as soon as it is registered, but only with your permission - i.e. you are still fit to make other decisions on your affairs.

Choosing your attorneys

When deciding who you would like as your attorneys, there are a few things to consider:

- How well do you know them?
- How well do they look after their own affairs?
- Do you trust them to make decisions that are best for you?
- Will they be comfortable making these decisions?

If you choose more than one attorney, you will also need to decide whether they will make decisions separately or together. Replacement attorneys are a good idea in case your chosen attorneys become unable to carry out the role for whatever reason.

Contact us

If you would like any assistance in deciding whether an LPA would be suitable for you, or any help setting up an LPA, please get in touch.

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OW2764 Exp. 02/06/2021