BIRCHWOOD INVESTMENT MANAGEMENT LTD
NEWSLETTER

October 2019

It's plain sailing...

Starting a business in retirement - be a “Pension-preneur!”

Joining the ranks of the “silver start-ups” is becoming ever more appealing. Becoming your own boss, being in control and keeping mind, body and bank balance healthy, is being embraced by more and more people. With the retirement age due to rise to 75 in the near future, the idea of doing something you enjoy with less pressure outside of the corporate workplace, becomes an enticing and realistic prospect.

A study made of 2000 small businesses by Sandler Training, reveals the average age of an entrepreneur is 47 (46 for men and 48 for women). The number of entrepreneurs over 65 saw an increase from 159,000 to 467,000 between 2001 and 2016, and this trend looks to continue, not least because it’s harder than ever to build up enough pension savings in the traditional way of standard pension workplace contributions; plus some people wish to continue working in later life.

The opportunity to build a business may present itself sooner than retirement. Work can become harder to find approaching retirement age, so if you find yourself unemployed in your fifties or sixties, it could be your best move forward.

In many ways much will be on your side. You will have accrued decades of skills and experience, a network of ready contacts and clients and a reputation in the industry you have been well schooled in. A comforting fact is that 70% of businesses started by those in their 50’s succeed for at least 5 years, whereas only 28% of those led by younger individuals succeed equally as well.

The work-life balance is the aim here, choosing when to work and in which industry, ideally one whose boundaries and parameters you’re familiar with. You will have a reasonable sense of prospective targets and for many businesses started or sustained from your home, allows a greater sense of control over the important aspects of life - family, friends, hobbies and pursuits – with the ability to feel a realistic retirement is being created.

You may have some capital to invest in launching your business, and this will require some careful thought; you may have ex colleagues, friends, clients or networked contacts who have launched themselves, and can help you structure your business plan. As a mature individual you will know your talents and abilities and just as importantly your weaknesses. Simple things like technological advances and emerging trends need to be handled by the right people, with sensible budgeting and a realistic strategy being paramount.

The primary concern is always cost, money facilitates the mechanism, and bringing in the right people to advise on crucial financial decisions will be the wisest start you can make.

Independent financial advisers (independent means they are not limited to providing only certain brands or products) have the skills and experience in tailoring a financial plan for you and your business, which overseen by experts working alongside you, can aid you in building the successful and fruitful enterprise you have always dreamed was possible.

Millennials' approach towards saving

In 2017 a report by the Institute for Public Policy Research found that the poorest half of the country had an average household wealth of about £3,200 in net finances, property and pensions. The report also revealed that fewer than half of millennials were expected to own their own home by the age of 45 and debt amongst this group was going up.

A further study conducted by the Financial Conduct Authority found that 25-34 year-olds had above average debts and one fifth had no savings at all whilst a third had less than £1,000.

Rarely was the subject of savings, investments, or pensions discussed among young adults. Living life, building a career, buying a car, a house and travelling around the world were much more appealing. However, as time goes by one might start to feel pangs of guilt about the money that could have been saved instead of spending it.

So, two years on are things changing? Slowly but surely, however the Millennial approach to savings and investments varies greatly compared to that of their parents and grandparents. They see technology as a fundamental part of the process of investing with 67 per cent expecting computer-generated recommendations as a basic component. They want an investment portal with adviser access, whereas only 25 per cent of Generation Xers and baby boomers prefer direct contact with advisers for their long-term investment planning.

The Millennial expects digital first, instant and accessible, and this extends to financial services and investing experiences. This means that to make investing easier and less time consuming, more apps and automated services such as save-as-you-spend and invest-as-you-spend cards are being offered by some banks and financial institutions. One to one meetings or phone calls with a financial adviser is not for them as it takes up too much of their time. They appear to believe that this approach to investing is for more complicated situations than theirs and it's for people with wealth, tax and estate planning issues.

This is probably true to start with when the Millennial is living life for the 'now', but inevitably there comes a time when some people will need to take a closer look at their financial situation. Their savings may have been simple and straightforward to start with but with career changes, buying a home, starting a family, inheritance and caring for elderly parents, their financial situation may become more complex.

Millennials may start their savings experience as a way of funding their lifestyle but investing for the longer term revolves around their aspirations and goals for the future so that they can continue to have the lifestyle they desire. It is vital to define objectives and determine what they are aiming for prior to taking any investment decision. If they reach a point where their finances have become more complex, this is probably when they need to look for specialist advice to ensure they can eventually achieve their long term financial goals.

Dying without a will: what does this mean?

Recent research has shown, almost two thirds of adults have not made a Will, which means their possessions, including property, money and even their dependent children could end up with someone they wouldn't choose, according to the report. A survey of 2,000 people by MacMillan Cancer Support, revealed that among the over 55's, 42% don't have a Will.

The Poll found that 1.5 million people unwittingly made their Will void by getting married, as marriage automatically invalidates any previous Will. Other situations can also occur ie if there has been a breakup of a relationship, or a partner in a new relationship has not been included. Many people intend to update their Will to include children, or grandchildren but haven't got around to doing it. If you have a Will you should review it approximately every five years, or if a major event in your life has occurred.

However, if a person dies without leaving a Will, or if a Will is found to be invalid, they are said to have died intestate. This would mean their assets must be distributed according to the rules of intestacy. Only married or civil partners and certain close relatives can inherit under these rules but anyone else who is not a specified class of relative or is an unmarried partner cannot inherit.

Things can be more complicated if there is a simultaneous death, which is known as the 'commorientes' rule. There have been many unusual cases over the years and recently, what lawyers described as "extraordinary", was the case of two stepsisters' potential £300,000 inheritance when both their parents died. The problems could easily have been avoided had there been properly drafted Wills.

The daughter of a pensioner who died three years ago was successful in winning an inheritance dispute with her stepsister, due to a little-known legal provision.

The mother was 69 when she and her husband of 79, died of hypothermia at their home in 2016. The couple each had a daughter from previous marriages and the dispute arose over which of the two stepsisters should inherit the couple's estate and home.

The Father had a daughter, who insisted that her step-mum probably died first, which would mean her dad briefly inherited his wife's share of the house when she died, and then passed it to his daughter when he died.

On the other hand, the Mother's daughter, claims the order of deaths cannot be determined and that the "legal presumption" is that her stepdad - the older of the couple - died first, meaning she and her brother, should inherit the estate.

The Judge in this case said that despite forensic evidence, he could not be certain which of the couple died first and therefore ruled that Section 184 of the Law of Property Act 1925 applied, meaning the Mother's daughter and son now stands to receive the entire £300,000 estate.

What must have been a very upsetting case could have been avoided easily if the couple had properly drafted Wills.

A Will could have covered both sides of the family benefitting on second death in any event, and Will preparation is particularly important in the case of mixed families.

Market Report

October 2019

Global Review

Volatility across global equity markets ramped up in the third quarter as investors struggled to balance dovish rhetoric from central banks with the ongoing trade dispute between the US and China.

As economic data continued to soften over the summer, comments from the US Federal Reserve and European Central Bank supported the idea that further monetary easing was increasingly likely and this was duly delivered in response to a surprise tweet by President Trump imposing further tariffs on Chinese goods.

Financial markets had made strong gains, with the US S&P 500 hitting the 3000-point mark for the first time, after the US and China agreed a suspension of further trade tariffs in May.

However, lacklustre economic data, particularly in Germany and China, increased recessionary fears and prompted a number of central banks across the globe to follow the Fed and ECB in cutting interest rates.

UK

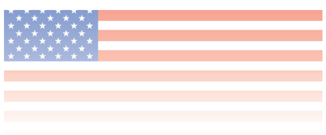
A ballot of Conservative party members elected Boris Johnson as Prime Minister in July following the resignation of Theresa May.

In an effort to deliver Brexit on the 31 October, Johnson secured a suspension of parliament before this was unanimously ruled unlawful by the Supreme Court. With a bill in place requiring an extension of Article 50 if a Brexit deal is not in place by 19 October and Johnson not receiving enough support for a snap general election, the prospect of the UK leaving the EU in the near future is remote. Brexit uncertainty continues to weigh heavily on economic activity.

UK GDP contracted in the second quarter for the first time since 2012, leaving the annual growth figure well below the Bank of England's forecasts.

The Bank has very little room to manoeuvre on policy with base rates currently at 0.75% but the pressure for action will increase the longer a resolution to Brexit takes.

US



The expectations of an interest rate cut increased sharply in July following US Federal Reserve chair Jerome Powell's statement that the Bank was prepared to 'act as appropriate' to mitigate the impact of trade disputes on the economy.

This pushed equity markets in the US to new all-time highs but the Committee delayed the cut until August, the first fall in the cost of borrowing since 2008, before lowering rates again at its September meeting.

The US economy slowed during the second quarter, mirroring a trend that has been witnessed across the G7, with the current trade tensions taking the blame. GDP grew at an annual rate of 2.1%, ahead of expectations but lower than the 3.1% growth recorded in the first three months.

This prompted not only the Federal Reserve to cut interest rates, but also persuaded the Trump administration to delay some of the planned tariffs on Chinese imports.

Europe

Mario Draghi, during his penultimate meeting as president of the ECB, announced a comprehensive package of monetary policy easing including the reinstatement of its asset-purchase programme.

The central bank plans to buy €20bn of new securities per month for an indefinite period, adding to the €2.6tn already injected into the economy.

There was however strong opposition from many of the core EU economic powers with the effectiveness of further quantitative easing called into question.

Draghi's confirmation of further quantitative easing came with a plea for greater fiscal action and the proposal of a central EU budget.

Financial markets had already priced in significant stimulus measures given the trend of slowing global economic activity driven by the ongoing trade disputes.

The euro zone's GDP grew by 0.2% in the second quarter, slowing from the 0.4% recorded in the first three months of the year.

Most significantly, the German economy, responsible for over 20% of EU GDP, contracted by 0.1%.

Japan

The rate of economic expansion in Japan has also slowed. The quarter-on-quarter gain of 0.1% in the three months through June was ahead of downbeat expectations based on seven straight months of falling exports with the ongoing trade disputes again blamed.

However, consumer spending has continued to support growth but is expected to weaken with the introduction of the consumption tax hike in October.

Asia

The Indian equity market received a boost after corporate income tax was slashed from 30% to 22%, bringing rates in line with the rest of Asia.

This is an estimated $20bn benefit for domestic companies and should attract foreign investment.

The Reserve Bank of India also cut borrowing rates for the fifth time this year with the aim of boosting demand amid the current slowdown.

The central bank has reduced its growth outlook for 2019-20 to 6.1% from 6.9% but committed to further monetary easing as inflation remains below target.

Trade tensions intensified after the US Treasury accused China of currency manipulation following a sharp fall in the value of the yuan versus the dollar.

The US has promised to engage with the International Monetary Fund to eliminate unfair competition as a weaker currency makes Chinese goods more competitive.

The fall in the yuan came days after President Trump imposed further tariffs on Chinese imports with developments prompting Beijing to fully suspend the purchase of all US agricultural goods.

Caring for Elderly Parents

As advances in medical treatments continue apace, expected lifespans are increasing too. Sadly, for many, this means living with chronic illness for longer which can put a strain on the family unit as children turn into carers.

It can therefore be vital that professional advice is sought to ensure that one's parents' welfare and finances are being properly managed and ensure that should they become unable to deal with these matters independently, the children can step into their shoes. It is strongly recommended to discuss these topics with parents and ideally, with a solicitor and financial planner, long before any signs of mental frailty are evident.

Being involved with the management of one's parents' affairs, alongside a financial planner, can save substantial sums in Inheritance Tax if appropriate planning is put in place. It can also mitigate the payment of long-term care costs, if they are needed.

Subject to parental agreement, the children should have drawn up Lasting Powers of Attorney. These will only be effective if the parent has "capacity" at the time, i.e. the ability and understanding to make this decision. A lasting power of attorney (LPA) is a legal document whereby the parent (the donor) appoints one or more people (known as 'attorneys') to stand in their stead and make decisions on their behalf, should they lose mental capacity.

There are 2 types of LPA:

- health and welfare – this covers their daily routine, medical care decisions, moving into a care home, life-sustaining treatment, etc.
- property and financial affairs – this includes managing their bank accounts, paying bills, collecting pensions, selling the home and the ongoing management of any investments either by them directly or their appointed financial adviser, etc.

One can choose to make one type or both. A solicitor will provide the appropriate professional guidance and advice; this is not something to be taken lightly and needs careful consideration.

When parents become unwell and care is needed which cannot be met by children, there are a number of organisations that offer free help and advice. The parent's GP is often a good resource, particularly as they should be familiar with the patient and the medical history, diagnosis and prognosis. Experienced professionals can be engaged to meet with parents and children to discuss the best course of action, thus helping to ensure that a parent remains safe and well.

In some instances, "care at home" may only be a temporary measure and the long-term solution is a move into a care home. This is a major decision. It is highly recommended that the children obtain support and guidance from specialist organisations, of which, thankfully, there are many; Age Concern, the Alzheimer's Society and Dementia UK to name but three. Private care homes are expensive, typically upwards of £1,000 per week in Greater London and if dementia care is required, considerably more.

Planning for and discussing such eventualities when one's parents are fit and well may seem rather morose and it is understandable to put off these conversations for another day, however avoiding these subjects can be costly, frustrating and distressing in the future. Without timely action, decisions about a loved-one's welfare can be taken out of one's hands and the day-to-day dealing with finances and investments is entirely curtailed, without recourse, to the courts. This can prove very costly indeed.

Why we need private dental insurance

The best way to reduce dental costs is to take good care of your teeth but, according to the Oral Health Foundation, one in three people have NEVER flossed their teeth and one in four do not brush twice a day. Twice yearly visits to a dentist, along with good oral hygiene can prevent the development of many illnesses.

For basic care, NHS dentists can be the best option. However, if your teeth need attention from past neglect and you want to explore private dental treatment, dental insurance could lower the costs.

You'll need to consider the following factors and which insurance provider is the most appropriate fit for you:

- **You STILL have to pay if you use the NHS** NHS dentists are not free, unlike NHS doctors. It is cheaper than a private dentist, but there may be limits on the treatments that can be offered.
- **Your NHS dentist may ALSO be your private dentist** Most dentists perform a mixture of private and NHS treatment, and by choosing to go private you will bypass NHS waiting lists. However, as prices for private dentistry are set by the dental practice, they can vary across the country. Ideally obtain quotes from a few different dentists to make sure you are getting a competitive price for the required treatment.
- **Choosing the right policy** Dental insurance cover ranges from routine to emergency dental treatment, selected cosmetic work and some policies also include worldwide cover. The price of insurance varies per company and will depend on the different benefit levels of cover available. It is therefore important to read and understand the "small print".
- **What is typically covered?** 1. The cost of standard NHS and private treatments such as check-ups, X-rays and hygienist visits.
2. Fillings, root canal, extractions, periodontal treatment, implants, crowns, bridgework, dentures and orthodontic treatments.
3. Accident and emergency treatment and worldwide cover.
- **What is not covered?** Pre-existing conditions are not always covered by some insurers and the exclusions on treatments can vary. It is essential to check. Please also note that some insurers, who offer plans for individuals, will request that you've had a check-up within the last 12 months.

If you are interested in dental insurance, a specialist company who are a leading dental insurance broker "Get Dental Plans Ltd", can help you make sense of the market with a range of dental plans for both companies and individuals. Get Dental Plans are one of NLP Financial Management's partners, extending the services we are able to offer our clients for an even greater holistic approach to your financial and life planning.

For more information, please contact:
Paul Lewis
T: 0800 0857 123
E: paul@getdentalplans.co.uk

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Birchwood Investment Management Ltd, 8 Prospect Place • Welwyn • Hertfordshire AL6 9EN • UK
Tel: 01438 840 888 (Welwyn) • 0161 932 1038 (Manchester) • **Fax:** 01438 840 097 • **Email:** info@birchwoodinvestment.com