

**Technical Update No. 12**

**21<sup>st</sup> June 2018**

## **Saver / Investor**

### **Ethical investing – greater transparency needed**

The eco-drive that has taken hold in middle class heartlands has a hint of permanence about it, suggesting widespread changes to the ways we live and consume are afoot. Financially, the implications are significant. The rise in popularity in green stocks is part of a wider interest in responsible business - investors are conscious to seek opportunities in sustainability-oriented and/or fair trade companies and the demand for such conscious investing has risen considerably over the last couple of years. Whilst sustainable investing has come a long way, though, it is just as guilty of using too much jargon as the wider investment industry. The emergence of acronyms like ESG, SRI and SDGs alongside seemingly interchangeable labels like 'sustainable', 'responsible' and 'impact' investing can only create confusion and won't help engagement. Plenty of opportunity exists but clearer communication will be an essential pre-cursor to the breakthrough most expect.

## **All**

### **Slow growth doesn't hurt employment but an interest rate hike is made more likely**

The slowest economic growth in more than five years has failed to dent Britain's jobs market, with the latest official figures showing a record employment rate in the first three months of 2018. The Office for National Statistics said there were 32.34 million people in work in the first quarter of the year, an increase of 197,000 on the previous quarter and up by 396,000 on the first three months of 2017. Although initial estimates suggest the economy grew by just 0.1% in the first quarter of 2018 – its weakest since 2012 – the UK's employment rate rose by 0.4 points to 75.6% in the latest quarter, the highest since modern records began in 1971. It is also noteworthy that the majority of jobs created were full-time posts. Economists, though, believe that the strong labour market data makes an August interest rate increase from the Bank of England more likely.

## **Saver / Investor / Property Owner**

### **Getting the best return on Buy-to-Let**

The UK's property sector is in a state of evolution with Millennials, who are known for their need of freedom and limited desire to own financial assets such as homes, dominating the renting market. GoCompare has researched the best areas for renting out a house and ranked them by average property price and rental yields, population of under 35, number of properties available, number of letting/maintenance agencies, number of new housing developments, properties currently available for rent and rental price growth. Some key out-takes are:

- Stoke-on-Trent is the least expensive area to buy property with an average property price of £106k
- London is in first position with the highest price rent, at an average of £484k
- In terms of rental growth, Manchester takes the leading position on the ranking with a growth of a 5.76%

## **Saver / Investor**

### **Lifetime ISA – not as straightforward as it seems?**

The Telegraph takes a closer look at some wrinkles that suggest that the Lifetime ISA is perhaps not as simple as first imagined. At the most basic level, the LISA has introduced complexity with its rules around bonus claims and tax charges on withdrawals. The LISA bonuses and tax charges bring with them challenges, including those around transfers from other types of ISA. These are treated as payments that qualify for a bonus, and so are limited to a maximum of £4,000 in a tax year. The combination of this relatively low allowance with the fact that partial transfers of ISAs are not permitted in some circumstances has already caused some issues.

## **All**

### **Wealthy women and NextGen clients' needs are currently unmet**

Wealth managers with global retail asset management arms and investment banks are perceived as the worst at serving the needs of high-net-worth women, according to research by business consulting and technology provider Orbium. The survey found that 78% of executives feel the requirements of wealthy and ultra-high-net-worth women are not being addressed, while first generation entrepreneurs are faced with a dearth of appropriate services. This highlights a disconnect between wealth managers and next generation investors consistently picked up in research. As well as a technology lag, faced with the realities of climate change and bringing up children, wealthy millennial investors want to know their money is doing good rather than adding to the world's problems. Reflecting this sea-change more than 40% of wealth managers say they are focusing on environmental, social and governance (ESG) themes as a way of appealing to the next generation.

## All

### The death of cash?

More purchases were made by debit card than cash for the first time last year. Trade association UK Finance's analysis found there were 13.2 billion debit card payments in the UK last year, compared to 13.1 billion in cash. The rise of contactless payments is a key factor in increased debit card use and almost two-thirds (63%) of adults now use contactless cards, with the average shopper making nine contactless payments per month, up from five in 2016. By 2027, UK Finance expects adults to make 22 contactless payments per month.

## Estate Planner / Business Owner / Property Owner / Parent

### Inheritance Tax – firmly in HMRC sites

New statistics published by HMRC today show that the inheritance tax (IHT) gap has grown to £600 million in 2016/17, rising 50% from £400 million five years ago. This gap is likely to be a reflection of the growth in the amount of IHT owed. Despite netting a record £5.3 billion in inheritance tax last year, the taxman believes he is owed £600 million more. Commentators are fairly united in the view that if HMRC wants to close the tax gap, it is crucial that IHT rules are simplified so that fewer errors are made and IHT is collected correctly. At the moment we have asset-rich baby-boomers, asset-poor millennials and a ticking tax bomb. The Office of Tax Simplification is conducting a full review of IHT – with a radical re-think not impossible.

## All

### Ten things you should know about getting divorced

FT explores some of the lesser-known quirks that potential divorcees should be aware of:

1. Adultery doesn't mean you will get a bigger settlement
2. Adultery is only grounds for divorce where it is committed with a member of the opposite sex
3. There is no such thing as a 'quickie' divorce
4. It is possible to have a 'no fault' divorce
5. Getting divorced in England can benefit the financially weaker party
6. If an overseas divorce has left you high and dry, try again in England
7. You might not get a 'meal ticket for life'
8. Full disclosure means full disclosure
9. You cannot always separate assets you had before you were married
10. There is no formula for working out how assets are divided

## All

### UK economy fears

The UK economy is set to have its worst year since 2009, according to one report this week, while another claims that a no-deal Brexit would cost £1,000 per British household. The British Chambers of Commerce cut its 2018 growth forecast to 1.3% from 1.4%. It blamed uncertainty around a range of factors from the Brexit negotiations to Donald Trump's threats of a trade war. The news comes as consultancy Oliver Wyman published a report claiming that the cost of Brexit to households could be as high as £1,000 per year. In a scenario where the UK reverted to the World Trade Organisation most-favoured-nation import tariffs, experts expect the price of a typical weekly grocery shop to go up by £5.50

## Saver / Investor / Retired

### Retirees are holding on to wealth

Pensioners are seemingly hoarding wealth in retirement rather than indulging themselves, according to a report that suggests bequests will surge in the decades ahead as the baby boomer generation dies. The analysis is likely to provide more reassurance to those concerned that retirees will spend their defined contribution pension funds inappropriately quickly and then regret that decision. In fact the biggest concern about pension freedoms is far more about excessively cautious retirees spending too slowly than it is about reckless retirees blowing their pension savings on lavish living. The research also suggested financial wealth was on average drawn down - but only slowly. Observed behaviour suggests, on average, individuals will draw down just 31% of net financial wealth between the ages of 70 and 90. Even among individuals in the top half of the financial wealth distribution, net financial wealth looks to be drawn down by just 39%, on average. As such the message is clear that the vast majority of pensioners leave unspent wealth at the end of their lives.

## Saver / Investor / Property Owner

### Property asking prices rise

Property asking prices in the UK have reached a new high in the last month, according to a report released by property search portal Rightmove. According to the report, the average asking price has now hit £309,439 which is a marginal increase of 0.4% on May's figure of £308,075 and up by 1.7% on May 2017. However, the gulf in activity between the North and South continues, with top-line figures masking the complexity of what's really happening on a regional basis.

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If you have any questions related to this update or indeed anything else then please contact your adviser at Champain.

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