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Technical Update No. 47 7th January 2020

Investor / Saver

The allure of gold funds – which way next?

Gold had a good year in 2019. In dollar terms, it was up in price 19%. Priced in pounds, it rose by 15%, finishing the year at a tad over £1,157 an ounce. It's the fourth consecutive year that gold prices in sterling terms have risen. Yet, according to investors and some financial experts, gold has further to go – much further, even. They believe 2020 should be another excellent year for an asset that many consider a safe haven – in both calm and stormy times. An asset that most experts insist should always be considered by investors looking to build a broadly diversified investment portfolio, sitting alongside other long-term investments such as equities, bonds and property. This is despite the fact that, unlike other assets, gold is non-income producing. It's all about the price with gold – it rises and you win, it falls and you lose. The latest poll conducted by precious metals dealer BullionVault suggests that confidence to deliver strong price gains this year remains sky high. Nearly four in five of BullionVault's clients believe that gold prices will rise by more than 10% in 2020. Of course, you would expect precious metals investors to talk up an asset they have a financial interest in. But BullionVault's clients are not exclusively gold investment fans. Indeed, they typically hold no more than 10% of their investments in gold. The consensus among commentators is that fear will drive the gold price even higher – resulting from potential geo-political and global economic risks such as rising tensions between the US and Iran.

All

Funeral costs rise

The cost of dying has reached record highs of almost £10,000, fuelled by an increase in elaborate send-offs. Disney-themed funerals where everyone dresses up as their favourite character, all-pink wedding-style ceremonies in a rejection of the traditional black garb, and a motor-cycle and sidecar in place of a hearse, are just some of the ways that families today are commemorating the lives of lost loved ones. It means funeral costs are now higher than they have ever been, having increased year on year for more than a decade.

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Investor / Saver / Retired

High risk mini bonds still being promoted

Investors are still being exposed to adverts for mini-bonds on Google, despite a one-year ban taking effect from the start of 2019. Reports over the weekend cited a number of examples of mini-bonds at the top of an online search for certain terms, such as "high-return investments" or "top Isa rates". This goes against the spirit of new rules that came into effect at the start of the year, which banned the marketing of mini-bonds to retail investors for one year. During this period the regulator will consider making the ban permanent. Ahead of the ban, in an interview with Reuters in late November, Andrew Bailey, chief executive of the Financial Conduct Authority, who will take on the role of governor of the Bank of England, called on internet firms including Google to help it stop mini-bonds being promoted to retail investors. Mini-bonds have come under increased scrutiny, following several high-profile scandals. One of the most prominent cases has been London Capital & Finance, which left almost 12,000 pensioners and first-time investors out of pocket following its collapse. Mini bonds are targeted at small investors, and they can be bought from as little as £1,000. The far larger corporate bond market is dominated by institutions and comes with much higher minimum investment requirements.

All

Clean energy funds to balance your portfolio

Renewable energy from sources like wind, waves and geothermal heat, has been the topic of great discussion over recent years. There has been an increase in pressure to reach 100% renewable energy as soon as possible. Some countries are targeting 2030, while many sceptics think it will take much longer than that. One thing is for sure, there is a lot of money going into climate change. That should excite those looking to invest in renewable energy. In recent years, there has been an uptick in renewable energy investments from manufactures and installers, which many think may spur the industry's growth rate. The potential for expansion or contraction only increases the reward opportunity as well. While investments in renewable energy continue to grow, there is still plenty of money pouring into fossil fuel projects. In a recent article, Fessler noted that the European Union has funnelled 13.4 billion pounds into fossil fuel projects over the last 5 years. JP Morgan Chase & Co. was also listed as the world's biggest funder of fossil fuels. the decline in unsubsidized costs to generate wind and solar power creates a significant impact. The reduction puts renewables on track to become cheaper than all but the most efficient gas plants by 2023.

Investor / Saver

Lifetime ISA warning

Lifetime ISAS (sometimes called LISAs) are a way in which many people will opt to save money - be that to buy their first property or for later in life. The total penalties savers have paid when withdrawing their money in a Lifetime ISA has been revealed by HM Revenue and Customs (HMRC). Savers who have a Lifetime ISA can get a 25% government bonus added to their savings in this type of account - up to a maximum bonus of £1,000 per year. The maximum amount which can be paid into the account is £4,000 each tax year - up until a person reaches the age of 50. But while the 25% bonus may attract some savers, there are some rules about withdrawing the savings. The money can be withdrawn from this type of ISA if a person is:

- Buying their first home
- Aged 60 or older
- Terminally ill, with less than 12 months to live.

However, a 25% charge must be paid if the saver withdraws cash or assets for any other reason. The withdrawal charge aims to recover the government bonus received, and applies an extra charge to the original savings. this means that if a person treats their Lifetime ISA as a short-term savings product, it may be that they get less back than they paid in. Data obtained by the Royal London in a Freedom of Information (FOI) request shows that HM Revenue and Customs (HMRC) have so far charged more than £9million in penalties for withdrawing money out of a Lifetime ISA.

All

Cost of living rises by £1,400

The chancellor Sajid Javid has announced the date of next UK budget, with a pledge to tackle the cost of living and tear up strict budget rules to hike borrowing for infrastructure spending. The 2020 budget will take place on 11 March after a planned budget last November was cancelled in the run-up to the election, HM Treasury confirmed in a press release on Tuesday. Business leaders said it was the new administration’s “first opportunity” to show it understood firms’ concerns amid continued political uncertainty over Brexit. Javid said the British public had “told us they want change,” in a signal of the government’s changing priorities since the Conservatives’ landslide election victory last month. Officials said Javid would use the budget to:

- Fulfil government pledges on tax to “help tackle the cost of living for hard-working people.”
- “Level up” across the country through “billions” in investment, rewriting previous administration’s spending rules and taking advantage of low interest rates to increase borrowing.
- “Build on” recent announcements to boost spending on public services and tackle the cost of living, including hospital investment, vocational training and a significant hike in the minimum wage.

Investor / Saver / Retired

Investing for 2020

Brexit is set to dominate UK market performance again in 2020. But the path forward appears clearer following the Tory election win, if not the full economic consequences of our departure from the European Union yet. Next year also brings a US presidential election, which is likely to be a source of volatility even if Donald Trump strives to keep the economy buoyant to boost his chances of returning to the White House. International investors remain lukewarm about UK markets, although indices made strong gains. Key themes from commentators are:

- The Conservatives' overwhelming election victory is a game changer for investors in domestic assets given it brings certainty on Brexit policy.
- The consensus among investing experts remains that the UK is unloved, cheap, and poised to rebound.
- The economy has notably slowed and this may not turn around as quickly as some might hope. There may be some pent-up investment demand but much of this may stay on the side-lines while trade deals are negotiated.
- Investors are most likely to increase investments in the UK, Asia and emerging markets, according to a survey by AJ Bell of 1,400 of its customers.
- A separate survey found renewable energy was the top choice of affluent investors seeking long-term returns, with nearly one in three favouring the sector in 2020.
- Technology, commercial property and gold were also popular selections for potential gains over the long term, while mining, retail, industrial and auto stocks languished at the bottom of the list compiled by ETF provider GraniteShares.

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Budget 2020 – what to expect

Chancellor Sajid Javid will seek to lock the government into its new pledge to "level up" economic performance in struggling towns in northern England and the Midlands in a tax-and-spend Budget on March 11. But Mr Javid will be boxed in by tight constraints on day-to-day public spending, with official forecasts likely to show little room for manoeuvre. The Budget money stems from the Conservatives' pledge to raise net capital spending from about 2% of gross domestic product to 3%, giving the chancellor some £100bn for investment over five years. But outside of infrastructure spending, most of the money needed to boost underperforming regions will need to be raised from additional tax revenues because Mr Javid faces tight public finances. Having already announced a loosening of his fiscal rules to take advantage of low interest rates for more investment, the Conservatives' manifesto promised to balance the current budget — so that tax revenues exceed day-to-day public spending — within three years. In December, the Office for Budget Responsibility signalled that after the spending increases announced by Mr Javid last September there would be only about a £5bn margin for error on hitting his goal of a balanced current budget in 2022-23 on the basis of its March forecasts. The government has pledged not to increase the rates of income tax, value added tax and national insurance, but would have many other routes to increase revenues in the Budget. Ministers have already indicated they are looking to reform entrepreneurs' relief in capital gains tax, which will cost the Treasury about £2bn during 2019-20.

All

Don't forget about pensions on divorce day!

With 6 January this year marking "Divorce Day", experts have warned about the financial cost of ignoring pensions as lawyers expect to see a spike in divorce enquiries. Family lawyers have dubbed the first Monday after the new year as Divorce Day as it typically marks the single busiest day of the year for divorce petitions as people seek a fresh start. But commentators suggest the topic of pensions might not come up as parting couples focus on other subjects such as the house or children. The exclusion of pensions from the discussion can lead to some parties in the divorce being left worse off financially in the long run. Research from Fidelity International's Women and Money campaign finds 33% of women who either start divorce proceedings or have divorce papers issued to them, could be left feeling financially vulnerable. In comparison, 19% of men said they would not be able to support themselves financially in the event of a relationship breakdown. Interactive Investor says pensions should not be left out of the conversation as they can be the biggest asset after the family home. It points out the Chartered Insurance Institute recently called for the government to allow people to use the pension advice allowance towards paying for financial advice on divorce.

Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts and reliefs from taxation are subject to change. The FCA does not regulate tax advice.

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