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Taking the long view

For the best part of 10 years, global markets have enjoyed a period of steady growth. 2018, however, saw markets 'wake up' to increased uncertainty on a number of key political and economic events.

Fuelled by the sustained efforts of central banks to maintain low interest rates and introduce measures such as quantitative easing (QE) to boost the economy, the decade following the 2007-08 financial crisis saw comparatively low market volatility and sustained economic growth.

More recently, however, we've seen volatility creeping back, thanks to the uncertainty created by global political tensions – notably between the US and China, a change of course by central banks to reverse their economic support measures following the financial crisis, and, closer to home, Brexit.

This uncertainty hit market sentiment and company earnings expectations and as a result, the UK equity market fell by 9.5% in 2018 and most stock markets experienced a negative return. In this environment, it's natural to feel unsettled - whether you're investing for your future or relying on the return from your investments for income now. But, when you consider how markets perform over the longer-term it becomes clear that the increased volatility in 2018 is not unusual. Taking the UK equity market as an example, looking back over almost a hundred years to 1926, the market ended with a negative return in around one in four calendar years. (This is also broadly true for US and global stock markets.)

Most of these 23 years of negative return saw the equity market falling by no more than 20%. There were a few years where there were losses of more than this but, importantly, there were far more years with gains of more than 20% a year. So, the odds of an exceptionally good return are far higher than the odds of an exceptionally poor return in any one year.

With this historical context in mind, what should we make of the markets in 2018? Well, simply put, every so often markets will fall. But while past performance is no guide to the future, historically, there have been far more good years than bad.

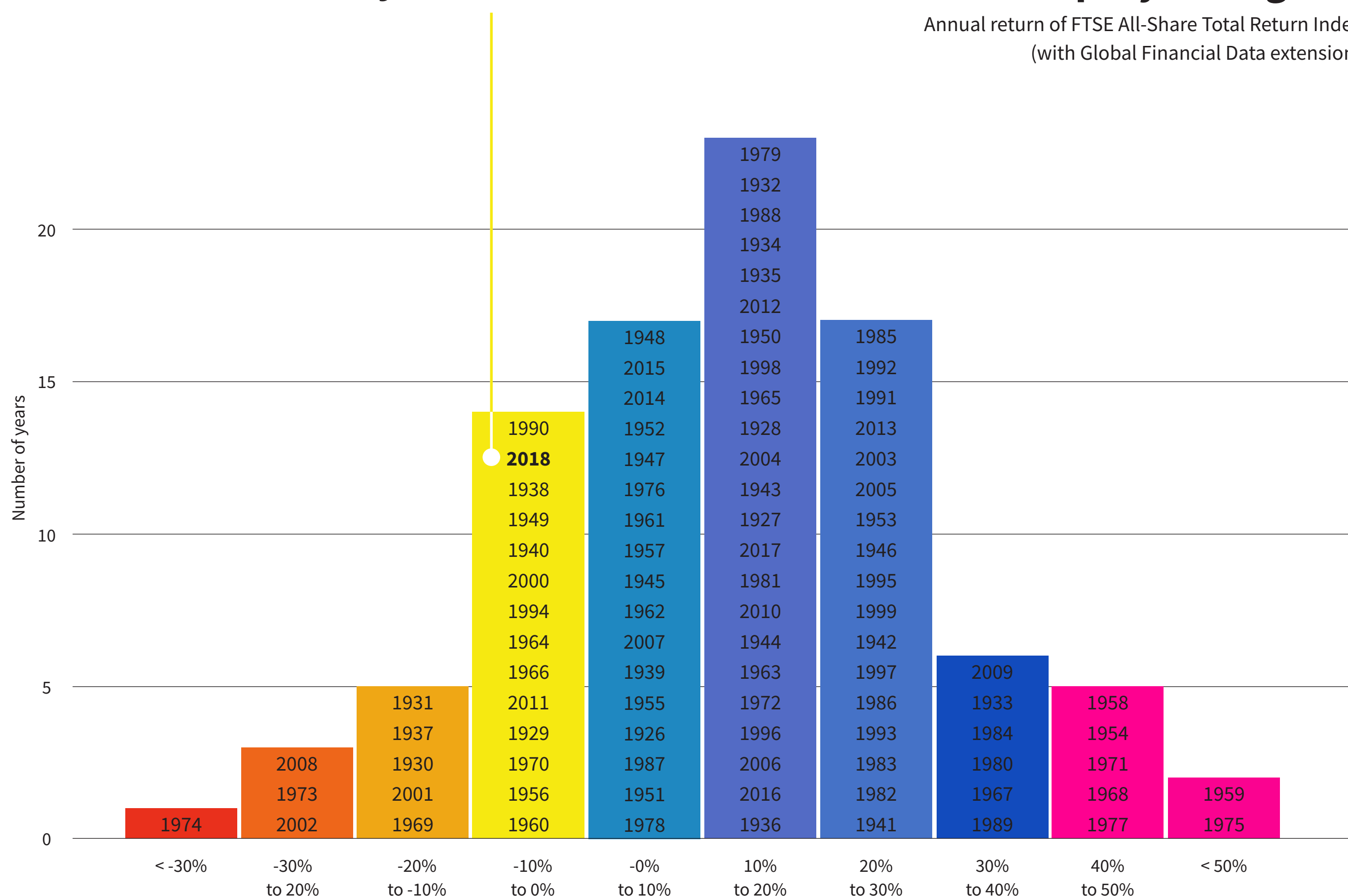
And, importantly, unlike the speculators who sell out in panic during these declines, the patience of those who remain invested is often rewarded with a return greater than the decline.

The price for seeking the growth that investing in markets can deliver is that sometimes the waters can become a little choppy. But, by staying invested, ensuring your investments are spread across a diverse range of assets and regions of the world and balanced to match your personal attitude to investment risk, we believe you stand the best chance to reach the goals you've set for your money.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Past performance is not a reliable indicator of future performance and should not be relied upon.

UK Equity Histogram



Source: Timelineapp Tech Limited. Based on historical monthly returns from 1926 to 2017. For illustrative purposes only. FTSE All-Share Return Total Return Index (with GFD extension) as produced by Global Financial Data. Past performance is no guarantee of future returns.

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All about ISAs

In the 2019/20 tax year, you can save up to £20,000 tax-free in an Individual Savings Account (ISA), and when it comes to your ISA investment, you have a number of options.

Investors comfortable with the slightly higher risk Peer to Peer lending can also now invest in an Innovative Finance ISA, and those aged 18 to 40 can open a Lifetime ISA.

Although you can't hold an ISA for anyone else, parents or guardians can open a Junior ISA and manage the account; but the money belongs to the child.

Put simply, an ISA is a tax wrapper for your money. There are two main types available depending on the level of risk you're prepared to take:

— Cash ISA
— Stocks and shares ISA

Withdrawing money

You can withdraw money from your ISA at any time without losing the tax benefits, but your ISA provider may have restrictions or ask you to pay a charge. It's worth contacting them to find out before you withdraw any money.

If you have a 'Flexible' ISA, you can withdraw cash and replace it in the same tax year without reducing your current year's allowance. For example

— The 2019/20 allowance is £20,000
— You pay in £10,000 and withdraw £5,000
— If your ISA is flexible, you'll have a remaining allowance of £15,000
— If your ISA is not flexible, you'll have a remaining allowance of £10,000

Transferring your ISA

All ISA providers allow you to transfer your money to a different provider (or to a different ISA with the same provider). By transferring, rather than selling or reinvesting, you keep future tax benefits.

Here are the rules:
— You can transfer from one provider to another
— You can transfer money from one type of ISA to another ie, from a cash ISA to a stocks and shares ISA
— Money you have invested in an ISA in the current tax year must be transferred in full
— Money you have invested in previous years can be transferred in part or in full

You may not be able to transfer your ISA back to the original source.

If your investments are moved to us as cash, you'll be out of the market while your money is being transferred. You could miss out on growth/income if the market rises during this time.

Additional permitted subscription allowance (APS)

If you're married or in a civil partnership with someone who died on or after 3 December 2014 you can apply for APS, which means the surviving spouse or civil partner will have an increased ISA allowance:

If a person dies with £50,000 in an ISA;
— The remaining spouse can apply for APS
— In the 2019/20 tax year they would have an allowance of £70,000 instead of £20,000.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen. An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

OW1935 Exp. 03/04/20

How much can I pay into my pension?

A pension is a tax-efficient, long-term savings plan that you contribute to during your working life to provide an income when you stop work. You can benefit from tax relief on the contributions you pay in and your pension pot has the potential to grow.

At the moment you can save up to £40,000 every year into your pension. However, tax relief will only be given on 100% of your earnings or £40,000, whichever is the lower. This will differ if the reduced Money Purchase Allowance applies, or if your salary exceeds £150,000 (explained below).

What if...

...your "adjusted income" is over £150,000?
Broadly speaking, adjusted income is your total taxable income (including salary, dividends, rental income and savings interest) plus the value of any employer pension contributions. If this exceeds £150,000 your annual allowance could be lower than £40,000. Here's why:

For every £2 of adjusted income over £150,000, your annual allowance falls by £1. If your adjusted income is £210,000 or more, your annual allowance is fixed at £10,000.

...you want to contribute over £40,000 this tax year?
Some higher earners can contribute up to £160,000 by 'carrying forward' unused annual allowance from the previous three years. Please ask for our guide which helps explain the rules around Pension Carry Forward.

...you're a member of a defined benefit (final salary) pension scheme?
The benefits you're building up each year are assigned a monetary value. This value counts towards the annual allowance and could therefore restrict what you can contribute to another pension. You need to contact your pension administrator and ask for this value.

...you've already accessed your pension?
Since 6 April 2015, if you have accessed a pension or had flexible drawdown before, a reduced money purchase annual allowance may apply. This is £4,000 for the 2018/19 tax year. You cannot use Pension Carry Forward option to contribute more than the money purchase annual allowance.

This information is based on our current understanding of the rules for the 2018/19 tax year. HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen. 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

OW1912 31/10/19

2019 Key dates for your finances

01 April

National Living Wage *(for age 25+)* rises to £8.21.

National Minimum Wage rises to
£7.70 *(21 - 24-year olds)*,
£6.15 *(18 - 20-year olds)*,
£4.35 *(16 - 17-year olds)*, and
£3.90 *(apprentices under 19 or in the first year of their apprenticeship)*.

Council tax bills rise by an average of 4.5%.

Universal Credit for households with children and those with disabilities can earn is to go up £1,000.

05 April

End of the 2018/19 tax year.

06 April

Start of the 2019/20 tax year.

ISA allowance remains at £20,000.

Junior ISA allowance goes up to £4,368.

Minimum auto-enrolment contributions go up to 8% *(at least 3% from the employer and 5% from the employee)*.

State Pension rises by 2.6%. Recipients of the old State Pension will get an extra £3.25 a week, those with the new State Pension will get an extra £4.25.

Lifetime allowance for tax free pension saving rises to £1,055,000.

Personal allowance rises to £12,500.

Higher rate tax threshold goes up to £50,000.

Mortgage interest relief for landlords goes down to 25% Call us if this impacts you.

01 May

National Savings and Investments index-linked savings to CPI.

21 June

Go Home on Time Day: part of a national campaign to highlight the importance of having a good work-life balance. Leave on time and do something you love!

01 July

New rules mean mobile phone providers must make switching easier.

31 July

Tax credit renewal deadline for anyone who claims Working Tax Credit or Child Tax Credit.

29 August

Payment Protection Insurance (PPI) Deadline day – you have until 11.59pm to claim for mis-sold PPI.

31 October

Paper self-assessment deadline for your return to be with HMRC.

30 November

Help to Buy ISA closes to new savers.

Your financial plan could be impacted by these key dates. Talk to us for advice.

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

OW1909 Exp. 03/04/20

Confused about pension planning?

With more UK employees saving for their retirement than ever you could argue that Automatic Enrolment has been a success since its launch six years ago. However, research from the Office for National Statistics (ONS) has revealed that many people contributing to their workplace scheme don’t even realise they’re saving for retirement.

Auto enrolment emerged from the Pensions Commission back in 2005. It took effect in 2012, when it was made compulsory for employers to enrol their staff into a workplace pension scheme, and rolled out in phases. Figures suggest that just over nine million individuals are now newly saving or saving more for their retirement.

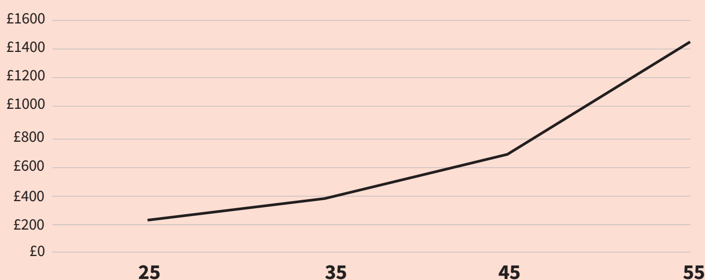
This is clearly a positive outcome of auto enrolment, but the ONS research has raised concerns that the 37% of those surveyed who didn’t realise they were contributing to their workplace pension scheme could opt out - a risk which might be greater when the minimum contribution level for employees increases from 3% to 5% in April 2019.

So, do you know if you are saving in to a workplace pension? Even if you are, are you saving enough? Industry estimates for a comfortable retirement tend to range between £23,000 and £27,000 a year. A 25 year old employee earning £30,000 a year would need to save just under £300 a month to achieve the lower figure and you can see what effect age has on the amount you need to save in the graph below.

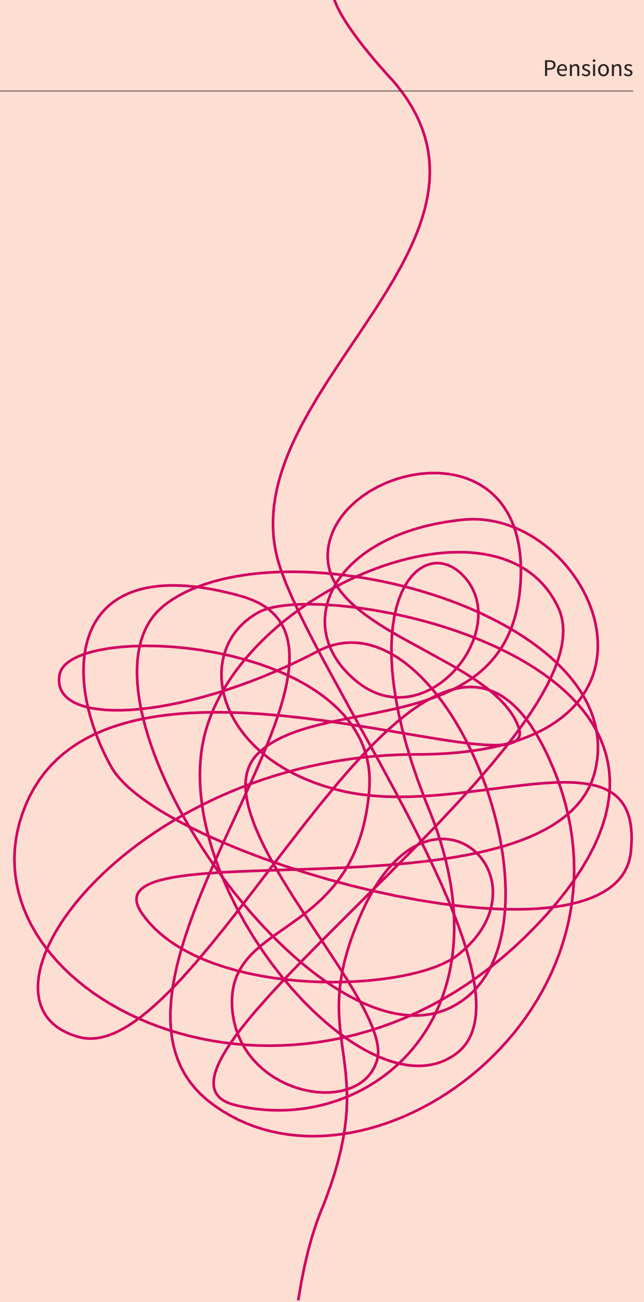
The simple fact is that the more you save and the earlier you start saving the better position you are likely to be in, subject to investment performance of course. The first thing to do if you’re concerned about your pension planning is get advice.

Please give us a call and we’ll help you get a clear picture and straightforward plan to put you on track.

What an individual would need to contribute each month to achieve an annual retirement income of £23,000



Age at which you start saving into a pension



According to the ONS

27% don't think they can afford to save for retirement

13% are put off because they think they don’t know enough about pensions

7% think it’s too early to start saving for retirement and 3% think it’s too late

Those aged between 16 and 24 feel the least equipped when it comes to making decisions about their pension.

OW1777 Exp. 13/12/2019

Why are equities volatile?

The more experienced investors among us will know that investing in equities involves a more volatile journey than some other asset classes, such as fixed income.

To find out more about the asset allocation within your portfolio, please get in touch.

Regardless of what asset class or portfolio you invest in, the value of your investment and any income from it can fall as well as rise. You could get back less than you invest.

This update reflects Omnis' view at the time of writing in April 2019 and is subject to change.

What causes this volatility?

When you invest in a bond, you are effectively lending money to the issuer, either a company or a government. In return, you receive a set interest payment and you should get back your principal investment (ie. the face value) once the bond matures (as long as the issuer does not default).

Investing in a share means you are buying a small piece of the underlying company. The value of your holding should be based on the future cashflows it earns. As such, the share price is subject to a range of positive and negative factors which may affect what those cashflows will be worth.

Investors are always looking to the prospects of a business, and the ability to value a company is not a precise science. Therefore, share prices react to new bits of information as they become available. Other sources of volatility include changes that may occur in their industry or the national and global economies in which they operate.

As companies grow the opportunity for equity investors is very attractive, but the periods of volatility are unavoidable.

Know your attitude to risk

The Omnis investment team builds portfolios in line with a client's attitude to risk. Our portfolios provide exposure to different asset classes (equities, bonds, alternatives and cash) that have been chosen based on their potential ability to beat inflation over time, but we can also blend them together to create particular characteristics over the longer term.

Portfolios with a higher allocation to equities experience greater volatility. However, you should get rewarded for the extra risk as shares typically generate superior returns compared to most other asset classes (if you stay invested of course). But if you struggle to withstand short-term drops in value, then your portfolio should be weighted towards cautious assets like bonds.

When you invest in the auto-rebalancing Openwork Graphene model portfolios or our actively-managed Omnis Managed Portfolio Service, you can choose a portfolio suited to your risk profile. The main difference is the allocation to equities - as the name suggests, Adventurous has the highest weighting while Cautious has the lowest.

Volatile {*adjective*}
liable to change rapidly and unpredictably, especially for the worse: *eg, the political situation was becoming more volatile.*

OW1916 Exp. 31/10/19

A global approach to asset allocation

Asset allocation is one of the key tools in our investment proposition to help strike the right balance between risk and reward in your portfolio. It applies to asset classes, such as equities, bonds and cash, and different global regions.

The actively-managed Omnis Managed Portfolio Service (OMPS) and our Graphene model portfolios are all globally diversified. While the largest allocation is to domestic assets, as you might expect from a UK-based service, they also hold investments in developed and emerging markets (EMs).

The thesis supporting the investment in developed markets (DMs) like the US, Europe and Japan is reasonably clear. Their economies are robust, and their stock markets boast some of the biggest publicly-listed companies in the world.

The argument in favour of EMs is based on what we believe are attractive prospects for the region due to its demographics. As we pointed out in one of our newsletter articles in late 2018, most of the global growth in the middle class for the foreseeable future will take place in EMs . An expanding middle class consumes more and generates greater domestic demand, leading to a stronger economy.

A bumpy journey

One reason investors sometimes shy away from EMs is because they are traditionally not as stable as developed markets. These concerns are reflected in the volatility of the region's stock markets. The MSCI Emerging Market Index (the benchmark for the Omnis EM Equity Fund) rallied at the start of 2018 before a strong US dollar, rising US interest rates and idiosyncratic incidents in Turkey and Argentina weighed on performance for the rest of the year. However, the outlook has improved lately as the Federal Reserve has softened its tone and is expected to pause interest rates in 2019, while China has launched stimulus measures to boost its economy. Other EMs, including India, are undertaking structural reforms which should improve sentiment further.

Effective diversification

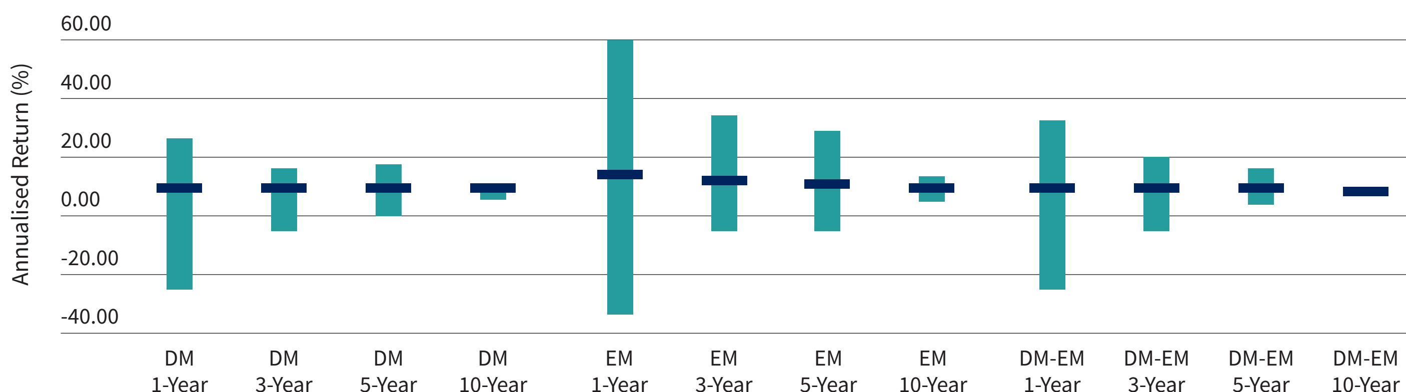
As you can see from the chart, long-term average returns from EMs tend to be higher than developed markets. That's why the allocation to the region in the Graphene and OMPS Adventurous and Balanced portfolios is relatively high compared to similar services available to UK investors (the OMPS Cautious portfolio occasionally adds a small overweight position).

We believe this will allow us to take advantage of what should turn out to be the region's superior growth rates. But as 2018 reminded us, you must be prepared to put up with short-term periods of volatility to secure those potentially attractive returns.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Past performance is not a reliable indicator of future performance and should not be relied upon.

Range of Developed & Emerging Equity Returns Over Different Holding Periods



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