



## NEW INVESTMENT HORIZONS



Dear One and All,

Ukrainian colours over Newquay

We hope this finds you well. In this edition of our regular newsletter we will:

- Update you on the repercussions of the Ukrainian Crisis.
- Provide you with a snapshot analysis of the current position of the various Asset Sectors that make up clients' portfolios.
- Spotlight the changes in the budget and the new Tax Regime.
- Give you some of the great outcomes in the Lifetime Mortgage Market.

What a year this has been! Another newsletter, another crisis, it is a good job I lost my hair some time ago! We are grateful for our clients perseverance in adapting to working with us more remotely by Zoom, although I do look forward to seeing more of you in person soon.

Personally I am most grateful to the Team at CF&IS, James, Amanda and Nikki have dug in and delivered on our promises even when we thought we couldn't. Thank you all!

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# The World Economy –What the future holds and has he wrecked it..

The probable answer is no, however, the World Economy recovering from the Covid 19 has taken a hit.

## Reasons for Caution

The illegal war that has rattled the world. The rapid sell off of world stock markets will become much worse if the war extends beyond Ukraine's borders. All bets are off if there is war between NATO and Russia, which we do not believe is likely. However the harsh united sanctions against Russia may lead Putin into committing greater acts of evil and escalate the conflict if his power is threatened. Inflation was growing through 2021 and the Ukraine crisis has made this worse, particularly in price increases of hydrocarbons, natural gas and petrol. This may cause inflation to stay higher for longer. This is to bring pain to many, particularly the poor, and could push economies into recession during 2023. Central Banks have taken the view that the spike in inflation is transitory and interest policy should remain loose. The events in Ukraine will mean that interest rates may go up higher for longer than previously anticipated.

## Reasons for Cheer

We are surprised by the heroism of the Ukrainian people, their president, and the efficiency of their army. The unexpected grip that western democracies have demonstrated has given Russia pause. Putin has miscalculated spectacularly and his tenancy is hopefully shortened by his folly. Despite the shenanigans of Mr Putin, we still feel positive about the world economy, into which you are ultimately invested. We have beaten the bug that held us down for the last 2 years. The supply chain problems that were the initial driver of inflation are being resolved. The financial stimulus monies given by governments in the teeth of the pandemic, added to the benign attitude of central bankers to see through the current high inflation and not too sharply raise interest rates and allow capital to remain plentiful and historically cheap.

As a global society, we must increase spending to at least \$4.13 trillion every year by 2030 to fund an energy transition sufficient to keep the planet below a temperature rise of 1.5 degrees Celsius, according to a 2021 report by environmental think tank Climate Policy Initiative. This has led to a sell-off of technology growth stocks and the rotation of the capital raised into less exciting value stocks, that will drive through the climate change investment. These companies are profitable, which provide a consistent dividend.

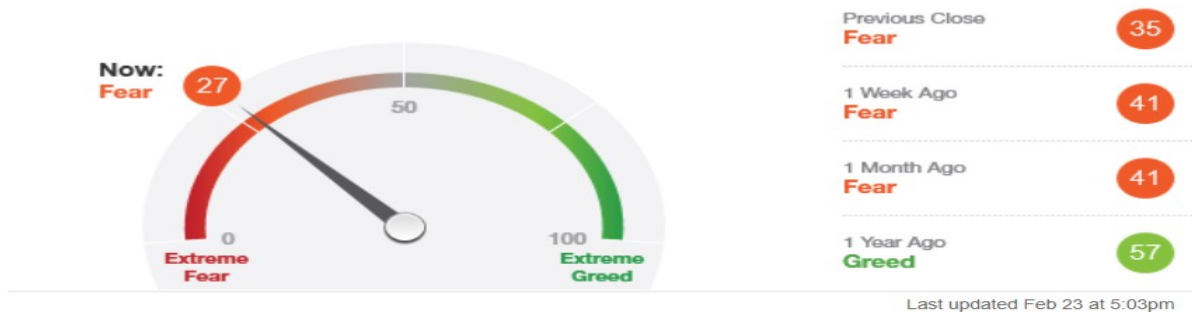
Putin will not wreck your financial plans. Since 2003 we have been diversifying our client investments over many asset classes this has given access to growth whilst protecting against shocks such as these. So despite the events in Ukraine, we still feel that 2022 will be a profitable year for your investments, albeit another volatile one.



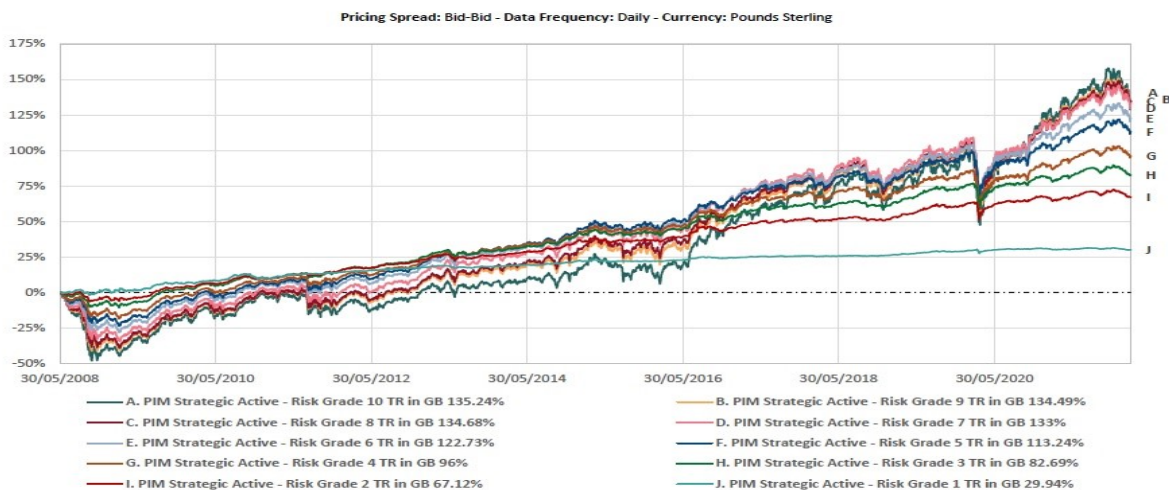


## Investing in volatile times

Brewin Dolphin Plc. Are our most favoured Bespoke Fund Managers, we are grateful for their thoughts. ***Brewin Market Commentary** Since the turn of the year, global investment markets have had a very difficult period. The CNN Fear & Greed Index has moved. This index looks at a number of metrics to gauge sentiment across different market sectors to provide a simple visual measure of whether markets are feeling optimistic or pessimistic.*

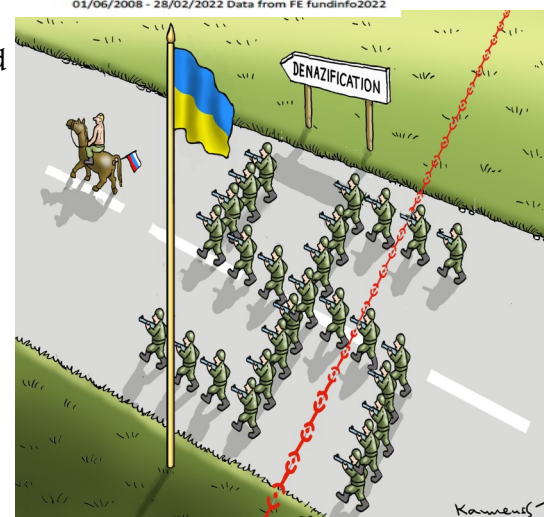


The chart below illustrates a Multi Asset DFM Model Portfolio from our most favoured MPS provider Parmenion Capital Partners. It includes the 2008 Great Recession and the Covid Collapse and demonstrates how those who are prepared to have their capital to suffer downward volatility most during difficult periods are rewarded for the risk.



As Investment Advisers we have been through many a crisis and our mantra to our clients, when times have been tough, has been to trust your Asset Allocation and go with it. Those that have, have been rewarded for their courage. This Russian crisis is no different to those that have gone before.

- 1) The first is the initial shock when the crisis starts.
- 2) Then the resolution to the underlying problem, e.g. a vaccine or end of Putin. This phase can take a while.
- 3) Then the recovery as normality or a new normal is resolved.
- 4) Then the scramble to buy assets oversold in phase 1. It is time in the market, not market timing that brings reward.







## World Asset Allocation Review Sector Returns



**UK CASH** - Our least favoured long term asset class, Best rate Yorkshire BS easy access 0.82% Average inflation rate 7.4% = A Guaranteed loss of 6.58%. We do not anticipate this changing anytime for next year.



**UK FIXED INTEREST** - For those who wish safer returns UK Government Gilt are seen as the logical choice although returns are still lower than inflation. Corporate Bonds we see as higher risk for the return than International Bonds although this is buy and hold.



**INTERNATIONAL FIXED INTEREST** - Government Bonds, Corporate Bonds, Emerging Market Bonds, as companies have to pay more to the funds they need so the potential returns to investors will increase. We see Emerging Market Bonds offering the best returns for those with an average or above risk.



**UK EQUITIES** - UK Plc is now back high in the sights of Global Asset Managers. Despite the challenges the UK faces UK Equities have done remarkably well this year. It is likely that this performance will continue as overseas investors see the UK as a safe home, unless your Russian.



**USA EQUITIES** - The US economy has been given huge stimulus by President Biden and there is more to come with the new infrastructure package. This has led to a rotation away from growth to value stocks.



**ASIAN EQUITIES** - The Chinese economy has slowed and its property market is still in crisis. The high levels of corruptions and the machinations of the Chinese leadership makes us nervous. Safer opportunities exist in India and wider Asia.



**EUROPE EQUITIES** - Europe remains one of the best performing asset classes. Greater cohesion within the Eurozone is yet to be seen. The long term effects of BREXIT and sustainability of the Euro remains a lingering question over this sector, however they have some of the best companies in the world.



**JAPAN EQUITIES** - The Nikkei index breached the 30,000 level in February 2021. This was overblown and it has since shrunk back, but Japan should be a part of nearly everyone's portfolio, if just to invest in robots.



**GLOBAL EMERGING MARKETS (GEM)** - Those who seek investment for higher long term growth, inclusion of this sector is essential. Russia naturally is excluded.



**COMMODITIES** - The World restarting of economic activity has caused large demand for raw materials and has increased prices. Putin's illegal adventure will mean a spike in prices, possibly to all time highs. High risk investments.



**PROPERTY FUNDS** - We typically recommend International Property across the world giving strong and stable returns. Predictions of the revolution in working practice with people working more flexibly from home, seems to have been overdone. Global property as a secure source of regular income it warrants inclusion in nearly all portfolios.





## CF&IS Wall of

## Numbers



### **£5.5 Trillion**

Capital expected to be passed to the next generation in the UK 2020~2047.

£7,100 average lump sum Drawdown withdrawal from Pensions meaning people are timing withdrawals to pay less tax.

39% of UK adults don't feel confident managing their money

£200 billion of savings have been built up during lockdown

69% of Advice firms have no IFAs aged 30 or under. CF&IS bucking the trend!

Financial Advice and Wealth Management sectors manage £1,214 Billion of client assets.

4.8 out of 5 CF&IS Ltd. Vouched for Customer Service Rating from 63 reviews.

5.08% Annualized 10 year growth in the guaranteed LV= Flexible

**£40,000.00** Is how

much those who receive Financial Advice, are on average, better off than their unadvised peers over a lifetime.

Guaranteed Bond





## TAX RELIEF HELP

### 2022 Spring Statement The

Chancellor Rishi Sunak stated inflation in 2022 is likely 7.40%. This will effect growth in the

UK and it will shrink to 1% in 2023. This is better than the recession we were expecting. Allowances have been fixed to 2026.

**Income Tax** ~ Utilise your Tax Free income - Personal Allowance £12,570 If you can pay yourself in Dividends - £2,000 tax free dividend allowance. Dividends above this level will be taxed at 7.5%. Starting rate on Income from savings 0% up to £5,000.00. 2024 Basic Rate Tax falls to 19%

**National Insurance**~ Thresholds increased £12,570. 1.25% additional Employer Employee Elderly Care levy

**Pension Tax Relief** ~ Obtain tax relief on contributions of up to £40,000.00 (Net contribution of £32,000.00) in this tax year. Carry forward previous 3 years and make a potential single contribution of £160,000.00. (if you have the earnings)

**Capital Gains Tax** ~ Utilise your Tax Free Gains - Personal CGT Allowance £12,300.00. Enterprise Investment Schemes can allow deferment of any CGT.

**Inheritance Tax** ~ Married couples, Combined Nil Rate Band and Residence Nil Rate Band meaning that you can leave an estate of up to £1,000,000.00 without incurring Inheritance Tax. 2022 HMRC Review of this tax completed no foreseeable changes

**Individual Savings Accounts ~ ISAs** Invest up to £20,000.00 every year.

### Enterprise Investment Schemes (EIS) or Venture Capital Trusts (VCT)

EIS You can claim income tax relief to the value of 30% of your EIS investment, Tax Free growth, Capital Gains deferral, outside your estate for Inheritance Tax after 2 year. VCT You can claim income tax relief to the value of 30% of your VCT investment, Tax Free Income, Tax Free Growth.

### Equip Your Home to Save Energy

Invest in energy saving materials, save 20% VAT. Solar panels, batteries, insulation, for funding consider Equity Release.

If you want to discuss any of these allowances or tax savings let us know, we will be happy to build a plan for you.





# Lifetime Mortgage & Property News

The average age of Lifetime Mortgage first applications is 70	In 2021 £2.30 Billion was released from UK homes through Lifetime Mortgages	The maximum Lifetime Mortgage Loan to Value for a single 70 year old is 54.50%	Best Lifetime Mortgage Rate Fixed for life is 3.12%
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## News from the coal face by James Williamson

Lifetime mortgages aren't necessarily for life. With modern products being so flexible we have been able to achieve some great results in a variety of varying circumstances.

### Case study 1:

Mr X's son was struggling with a variety of unsecured credit commitments, a less than favourable interest rate on his mortgage and an ex partner who he was tied to via this property/mortgage.

Mr X was able to mop up all of the sons finances via a lifetime mortgage which not only released his son from the shackles of all the mounting credit commitments, it also allowed him to have complete freedom from his ex partner and gave his credit score a massive boost.

Mr X's son was then able to refinance his main residence on a decent high street mortgage to pay Mr X back. This really demonstrates how flexible these products can be.

### Case study 2:

Mr Y wanted to purchase a property in Spain so he could go and spend time with family who live there. Due to low cash reserves this was only possible by releasing capital from his main residence. He was able to release enough funds at a low rate of interest to purchase the property and therefore spend more time with his family in the sun.

### Case study 3:

Mr & Mrs Z have been struggling with high mortgage repayments and a modest income. Using a lifetime mortgage they have been able to take control of their monthly outgoings at a similar interest rate to their high street mortgage that they previously had. This has given them the flexibility to pay as much or as little off as they want meaning they aren't committed to the high monthly cost of their fixed repayment mortgage. They are still able to pay the balance off each month, just at a slightly lower amount which they are more comfortable with. They did not want to downsize as they love their house and regularly have family to stay. This solution has allowed them to continue living the life they want to.







For the 3rd year running Cornwall Finance & Investment Services Ltd, has been included in the Times Newspaper list of the UK's top 1000 IFAs, by customer satisfaction. Please view our rating on [www.vouchedfor.co.uk](http://www.vouchedfor.co.uk) the "Trip Adviser" for Financial Professionals. Thank you.



## Is Cornwall Finance & Investment Services Ltd. Good Value for Your Money Management?

We think, Yes! In research conducted by Money Marketing, the following National IFA firms were asked about their maximum ongoing annual charge for funds under management.

Chase de Vere 1%, Bankhall 1%, Equilibrium 1.50%.

For 13 years Cornwall Finance & Investment Services annual management charge has been only 0.50%, we have chosen to maintain this for the next year.

The pandemic has shown the effectiveness of virtual meetings. If you need to see us or cannot meet virtually, we will still travel to you or you are welcome to our offices. However if it is only a check-up or for us to answer your questions, then virtual will be our default mode of meeting you.

We wish you a happy, peaceful Spring and Summer we look forward to speaking to all of you soon.

If you wish to discuss anything in this news letter please call us on 01637 839098.

Best Regards

Mark Ridgment

And all the team at Cornwall Finance& Investment Services.

