# moneyworks

**Summer**
2023

## Choosing the right investment approach

Investing for the long-term can deliver high rewards, but choosing the wrong fund can have financial implications.

### Making sense of your retirement finances

Research shows that many of us are confused and overwhelmed by the financial decisions about retirement. But it doesn't have to be this way.

### The changing mortgage landscape

Choice is back in the mortgage market, though you still need to tread carefully.

### The importance of a good mortgage deal

It's becoming more expensive to borrow money, and over a million homeowners are facing some tough decisions.

JB Wealth Management Ltd

# Welcome

A warm welcome to your latest edition of Moneyworks!

In our latest edition, we take stock of the current financial landscape and look at the big issues that are impacting investors and savers as we approach the halfway mark of 2023.

Research shows that many of us are confused and overwhelmed by the financial decisions we need to make about retirement[1]. In this issue we look at how, with the help of a financial adviser and some simple planning, you can look ahead to your retirement with less stress and more enjoyment.

Choosing the right investment approach has always been fraught with difficulties, we address the importance of picking the right fund and the value a financial adviser can have when it comes to making your money work as hard as possible.

With over 4,000 funds to choose from in the UK,[2] we look at the key issues worth considering when investing and the long-term implications your choices could have.

When it comes to mortgages, the story continues to lurch from good to better then back to worse. On the one hand, the outlook is much brighter with April figures showing the number of mortgage deals on offer at its highest level in a year,[3] whereas on the other hand it is now becoming increasingly expensive to borrow and over a million homeowners are facing some tough decisions as their current deals end. We examine the options available and why it is worth sitting down with an expert to guide you through the different deals available to ensure you get the best possible outcome over the coming years.

Finally, we address the issue of protection and why getting the right level of cover for you and your family is so important. According to to May 2023 research by Hargreaves Lansdown, just 44% of UK households have enough life cover to protect their families[4], and we highlight the importance of getting advice to ensure you and your loved ones have the most appropriate protection should the unthinkable happen.

We look forward to bringing you more news over the coming months and here's wishing you an enjoyable summer with a brighter outlook for you and your finances.

The **moneyworks** team

1 https://tinyurl.com/26vyx894 2 tinyurl.com/ywnykkwz
3 tinyurl.com/4taveyee 4 https://tinyurl.com/3hy68kwp

# Contents



**This newsletter is for information purposes only and does not constitute advice or a personalised recommendation.**



**Your home may be repossessed if you do not keep up repayments on your mortgage.**
**The Financial Conduct Authority does not regulate taxation advice.**

# The news in brief

A round up of the current financial stories

## Do you know how much is in your pension?

Whatever you aspire to do in your retirement, the strength of your finances will go a long way to determining your lifestyle. And that's why your pension could be the most important financial commitment you ever make.

Despite its huge significance, April 2023 research by Standard Life has found that three-quarters of working UK adults are unaware of much money they actually have in their pension. You would naturally expect people who are closer to retirement to have a better idea, but the survey also found that people aged 45-64 are the least likely age group to know how much their pot is worth (79% aren't sure).

Whilst 68% of men are uncertain how much is in their pension; this figure is dwarfed by 81% of women not knowing the value of their pot.

https://tinyurl.com/5cuhrbh2 (Pernsions Expert)

## Stamping down on scammers

It can happen to any of us. A phone call from someone claiming to be from an organisation we trust, or a text message from a person we think is a friend or family member. Only the person you're interacting with isn't actually who they say they are. And is, in fact, trying to scam you.

April 2023 research by UK Finance has found that around £177.6 million was lost to impersonation scams in 2022. In total there were 45,367 cases of these types of scams last year.

In general, just over half of us say that we always check whether any request for money or personal information is legitimate before proceeding. Fraudsters are hoping to exploit those of us who don't check carefully enough, with devastating consequences.

Recognising the problem of financial scams, the government is introducing a blanket ban on companies cold calling people about financial products.

https://tinyurl.com/mr3dc7vt (UK Finance)
https://tinyurl.com/ydbbvne5 (BBC)

## Bank of Mum and Dad set for a bumper year

It's no secret that it's difficult for would-be first-time buyers to get onto the property ladder. It's why, since the pandemic especially, the reliance on parents for financial support is growing.

According to March 2023 research by Savills, 170,000 first time buyers had family assistance when securing their mortgage in 2022 – that 46% of all mortgaged first-time buyers last year. Savills predicts the overall percentage of buyers getting help from the so-called Bank of Mum and Dad will leap to 63% in 2023.

Should this forecast prove accurate, it would mean only two in five first-time buyers are likely to get onto the property ladder without financial assistance from family.

In total, the Bank of Mum and Dad gifted and loaned £8.8 billion to their children in 2022 – a rise of almost £4 billion since the start of the pandemic.

https://tinyurl.com/yc94k7w9 (Financial Reporter)

# Making sense of your retirement finances

Research shows that many of us are confused and overwhelmed by the financial decisions about retirement. But it doesn't have to be this way.

What will your retirement look like? Not unreasonably, most of us picture a lifestyle full of free time, relaxation and the chance to focus on what really matters. But before you can reach such a tranquil moment in your life, there's a lot of decisions to make about your finances. And they can be challenging.

According to Standard Life's 'Retirement Voice' study, published in February 2023,[1] UK consumers are overwhelmed by the information around retirement and using their pension. 41% admit they have no idea what to do with the information they receive about their options.

It's all leading to a fall in overall confidence in making financial decisions (only 59% of us feel sure about what to, down from 63% last year).

**A lot to think about**

It's understandable why a lot of people feel this way. During our working career, the majority of us are earning a regular wage. It provides financial stability and certainty to plan your finances and live your life. In retirement, you'll only have the state pension as a guaranteed regular income. It's down to you to use your savings, investments and pensions to fund the rest of your financial needs.

Since 2015, the pension freedom rules have given defined contribution pension holders a lot more choice in how they use their pension for retirement, but that's also put a lot more onus to make careful decisions. How do you make sure you have enough money to last your retirement? Is it better to take out an annuity or drawdown – and what, for that matter, is an annuity/drawdown? Add in the tax considerations, and there's a lot of high-stake financial decisions to face when you come to retire.

There's more. The current cost-of-living crisis is impacting everyone's finances. And it highlights a valuable consideration around retirement. The fact is the price of goods and services is almost always rising. It is particularly dramatic at present. But even when inflation eases off, the cost of living is likely to continually rise over the course of your retirement. This is something you need to factor into your thinking. It's not just about what you can afford to do today, but over the long-term.

In short, there's a lot of reasons to be baffled and apprehensive about financial planning for your retirement.

**The perfect time to speak to an expert**

The key goal for everyone in retirement is to have a source of income that can support them – from the day-to-day spending needs like paying bills, through to the more aspirational goals like going on more regular holidays. Touch wood, your health will allow you to enjoy many years of retirement – but it's likely your circumstances will change over time. The best way to develop a financial strategy for your retirement is to consider not just what you need now, but what you may require in the future.

Everyone's retirement needs and aspirations will be individual to them, so it's no surprise that some of the information you might receive can still leave you feeling unsure what to do with your finances. It's one reason why a growing number of people are viewing financial advice as a useful source of support – Standard Life found 83% of UK consumers feel this way, up from 73% in 2023.

**Plan with confidence**

A financial adviser has the expertise and experience to be able to review your current financial arrangements, to analyse and recommend a strategy for funding your retirement, suitable to your needs.

- If you're a few years away from retiring, they can look at what your pension is on track to provide– and if you might want to consider paying in more while you can.
- And if you're about to retire, they can help you make careful decisions on using your pension in a tax-efficient way.

All in all, a financial adviser can remove some of the ambiguity about retiring and help you feel more confident, by building a plan that's right for you. With an adviser doing the hard work on your behalf, you can sit back and look forward to making the most of your well-deserved retirement.

**The value of your investment can go down as well as up and you may not get back the full amount invested. Investments do not include the same security of capital which is afforded with a deposit account.**

**A pension is a long-term investment. The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Pension income could also be affected by interest rates at the time benefits are taken.**

**Accessing pension benefits early may impact on levels of retirement income and your entitlement to certain means tested benefits.**

**Accessing pension benefits is not suitable for everyone. You should seek advice to understand your options at retirement.**

[1] https://tinyurl.com/46pmbky5 (Standard Life)
https://tinyurl.com/mrx7njjz (Professional Adviser)

# Choosing the right investment approach

Investing for the long-term can deliver high rewards, but choosing the wrong fund can have financial implications.

Choice is a good thing, but at times it can be fraught with difficulty. Take investing – in the UK alone, there are around 4,000 funds to choose from.[1] Each fund operates in distinct ways, including adopting different levels of risk. Some will offer good value for money, but others might leave you paying high charges that subsequently impact on your returns.

In February 2023, Interactive Investor unveiled a survey[2] of 1,000 UK adults with money invested outside a pension. Asked the most important factor when deciding whether to invest in a particular fund, 52% said fair costs/charges/fees is the top criteria. 39% cited the reputation of the fund provider as a crucial consideration, with 36% viewing the strength of the financial provider as a significant component of judging where to invest.

Typically, you pay a fee to invest in a fund. The provider issues this charge to help cover the costs of running a fund, including the marketing and distribution of it to other investors. In most cases, the charge is worked out as a percentage of your investment (for example 0.5% of what you've invested) and is deducted on a monthly or annual basis. This can reduce the potential growth of your investment.

**What difference can a higher charge make?**

Which? has produced some interesting research[3] on this, based on a £1,000 investment, and comparing a fictional fund costing 0.1% with one that costs 1.0%.

The difference in return was notable, based on a scenario of the investment growing 5% over a year. For the fund with a 0.1% charge, the £1,000 investment would be worth £1,603. On the 1% charge fund example, the £1,000 only grew to £1,473 – a difference of £130 (or 8% less of a return).

Imagine if you had £50,000 or £100,000 invested? The impact of higher charges would be even more considerable – and there is no guarantee a more expensive fund would perform better than a cheaper one.

A February 2023 report from Bestinvest[4] found that £19.1 billion of UK investors' money is sat in under-performing funds – a 78.5% rise from August 2022. That's a lot of money that isn't working hard enough for people's future, whilst probably attracting charges that are further reducing their value.

**Choosing with confidence**

Given investing is a long-term commitment, picking the wrong fund can have costly implications. That's why using the services of a financial adviser is strongly recommended.

If you have investments that you've not reviewed for a while, an adviser can assess their performance and prospects – including whether the charges you're paying are offering true value for money. This isn't always easy to do on your own. For example, it might appear your fund has performed well – but when benchmarked against other, comparable funds, you might have missed out on the level of returns you could have reasonably expected.

If your adviser believes your money could be working more effectively, they can research the market to find alternative options to consider.

Ultimately the benefit of speaking to an adviser is to make sure your circumstances and future needs are considered, including your personal feelings to risk and reward.

With a clear picture of your situation, an adviser can help you to build an investment strategy that's right for you so you can feel more confident you're on track to achieve your goals – and are getting greater value for money.

**The value of your investment can go down as well as up and you may not get back the full amount invested. Investments do not include the same security of capital which is afforded with a deposit account.**

[1] https://tinyurl.com/46pmbky5 (Theia)
[2] https://tinyurl.com/yucvaezu (Interactive Investor)
[3] https://tinyurl.com/yate4mcv (Which?)
[4] https://tinyurl.com/uheuyct (IFA Magazine)

# The changing mortgage landscape

Choice is back in the mortgage market, though you still need to tread carefully.

"Today's statement is about growth." It's fair to say those words from Kwasi Kwarteng, delivered during his infamous Mini Budget last September, did not age well.[1] The chancellor lasted 38 days,[2] as his Mini Budget sparked market turmoil. Nowhere more so than the mortgage industry.

As Kwarteng tried to ride the storm, mortgage lenders rushed to withdraw products from the market. Less than a week after the speech, more than 40% of all mortgage products had been pulled.[3] It left a lot of borrowers in the lurch – fewer options, and the prospect of significantly rising costs.

The good news is the turbulence of last autumn is now firmly behind us, and in April 2023 a further milestone in the recovery was realised, with the number of mortgage deals on offer reaching its highest level in nearly a year. According to Moneyfacts, 5,087 deals were available.[4]

A good time for borrowers with larger deposits

As Moneyfacts counted the number of products, they also unearthed encouraging news for people with large deposits, looking to buy their next home.

It found there were 702 deals available for people with a 40% deposit, and 806 for those with a 15% deposit. This is the highest number of options for those in the 40%/15% brackets since their records began in 2007.[5]

Of further encouragement for these borrowers is the rates on offer for these types of mortgages have actually fallen, despite the regular rises in Bank of England base rate. If you have a 40% deposit and wanted to arrange a two-year fix, the average rate available has fallen from 5.01% in March to 4.95% in April.[6] This was before the latest rate rise in May.

More choice highlights value of advice

Although the mortgage market looks healthier than last Autumn, a greater number of options increases the risk of choosing a bad deal. This is especially the case if you're on a fixed rate term that's due to come to an end, on a variable rate that is tied to interest rate movements, or looking to remortgage.

With borrowing costs on the rise, you could easily end up with a mortgage repayment rate that's higher than it needs to be, squeezing your household budgets at a time when the cost of living is still having a big impact.

There might also be fees involved with taking out a mortgage product, which reduces the overall value for a money a particular deal might appear to offer. And if – for example – you signed up to a longer-term fixed rate deal that doesn't suit your interests, you might be stuck paying higher repayments if and when rates go down.

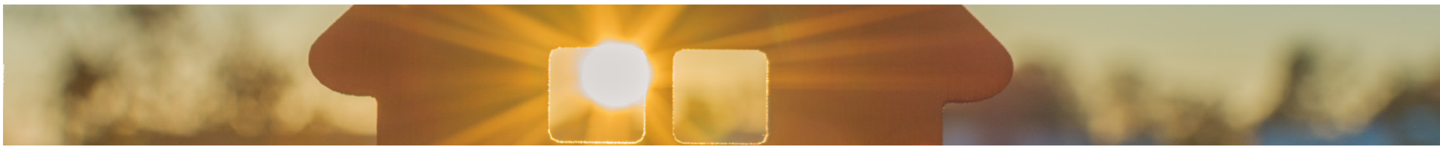
These are decisions that could cost you hundreds of pounds a month and it's why getting advice on your options is a worthwhile consideration.

A mortgage adviser can look at the mortgage options currently available to you, to find the most suitable deals for your personal circumstances.They can even access products not available to the general public.

In short, with over 5,000 products to choose from – they will do the hard work for you. That way, you can be confident of making an informed decision in this uncertain financial landscape.

**Your home may be repossessed if you do not keep up repayments on your mortgage.**

1 https://tinyurl.com/mrykwjd9 (GOV.uk)
2 https://tinyurl.com/4ezce6mu (Sky News)
3 https://tinyurl.com/mrxhr8h2 (The Guardian)
4 https://tinyurl.com/4bxt2wx5 (The Independent)
5 https://tinyurl.com/4bxt2wx5 (The Independent)
6 https://tinyurl.com/4bxt2wx5 (The Independent)



# The importance of a good mortgage deal

It's becoming more expensive to borrow money, and over a million homeowners are facing some tough decisions.

Another Bank of England base rate meeting, another interest rate rise. In early May, the MPC committee agreed to push rates to a 15-year high of 4.5%. The 12th consecutive time they've opted to increase base rate.[1]

That's bad news for homeowners who have a fixed rate mortgage due to expire shortly, or who are on a variable rate (where their repayments are linked to interest rate movements).

Research from the Office for National Statistics suggests 1.4 million households have fixed rate deals coming to an end in 2023.[2] 371,000 of these are due for renewal between April and June,[3] just as interest rates have reached their highest level since October 2008.[4]

It's estimated there's another 1.4 million borrowers on variable rate mortgages. Analysis published by the i newspaper suggests these people have seen their monthly payments increase by more than £7,000 a year since December 2021,[5] back when base rate was at 0.1%.

**A balancing act**

One of the key reasons why the Bank of England continues to edge up rates is an attempt to bring inflation down. And whilst the longer-term outlook suggests the rate which the cost of living is rising by is falling, right now it's not dropping as quickly as predicted. [6]

The Bank of England governor, Andrew Bailey, told the BBC that, "It's taking longer for food price [falls] to come through."[7] The Bank now says inflation will drop to 5% by the end of 2023 – previously it predicted inflation would fall to 4%.[8]

For borrowers, that raises a really key question – are there more hikes to come? Back in April, experts were predicting a May rate rise to 4.5% would be the last hike.[9] But that's no longer as certain, and Goldman Sachs has recently forecast base rate will actually peak at 5% later this year.[10]

That means there could be further hikes to come over the next few months – and mortgage costs climbing even further.

**So what can you do?**

If you have a fixed rate mortgage due to expire in the next few months, or are on a standard variable rate, there's a potentially tough dilemma coming up.

Do you opt to move onto/stay on a variable rate, with the aim of benefiting from interest rates falling in the future? Or do you move onto a fixed rate option, which may mean cheaper repayments now but could see you locked in a more expensive deal if rates do indeed fall?

Whilst recent events underline the risks of relying too much on long-term interest rate forecasts, experts do believe base rate will start to fall in 2024 and especially by 2025. ING, for example, project base rate will be 2.5% by the end of 2025.[11]

Against this backdrop, locking into a fixed rate deal – even for as short as two years – could see you miss out on better options when rates begin to fall.

There are no easy decisions.

**The value of an expert**

To give yourself the best chance of making the right choice, it's worth sitting down with an adviser to assess your options. They can help you to look at your financial situation and capacity, to see if you might be better fixing or being on a variable option.

For example, if you want the security of knowing exactly what you're paying for each month, a fixed rate deal might be a more suitable option for your personal circumstance. If you could afford to pay a little more, you might prefer to be on a variable rate, knowing you could absorb the added cost of further rate hikes.

Ultimately an adviser can give you personalised recommendations – and crucially research the market for the most suitable deals for you. As advisers often have access to special products from lenders which aren't available directly to the public, it can really pay off to ask them to find you a better option.

**Your home may be repossessed if you do not keep up repayments on your mortgage.**


1 https://tinyurl.com/49vtuxpw (Express)
2 https://tinyurl.com/6xbeh85v (Office for National Statistics)
3 https://tinyurl.com/46c6n9bj (Business Times)
4 https://tinyurl.com/mpmx5k7m (Bank of England)
5 https://tinyurl.com/mue48jwn (iNews)
6 https://tinyurl.com/ytbv5ua2 (BBC)
7 https://tinyurl.com/5xtubnmf (BBC)
8 https://tinyurl.com/ytbv5ua2 (BBC)
9 https://tinyurl.com/53shm3s2 (The Guardian)
10 https://tinyurl.com/mwuwm7cu (Rueters)
11 https://tinyurl.com/3ne44m47 (Capital.com)

# And finally...

## Is your family protected?

No one wants to think about the unthinkable – such as how your family would financially cope if a loved one was to pass away. But ignoring the question of 'what if?' could cause problems if the worst was to happen.

According to May 2023 research by Hargreaves Lansdown, just 44% of UK households have enough life cover to protect their families. Amongst households with a mortgage, the level of protection is even lower – only 36% would have enough life cover to cope.

Having life cover plans could prove absolutely essential. Typically, it would provide your loved ones with a cash lump sum in the event of your death, or if you are diagnosed with a critical illness.

Getting the right level of cover for your needs is important, and it's worth speaking to a financial adviser for help. An adviser can assess your financial plans and find the right option for your circumstances so you can get on with the things that really matter.

https://tinyurl.com/4vdcwxvz (Mortgage Strategy)

JB Wealth Management Ltd

Associate Firm Personal Finance Society

**JB Wealth Management Ltd**

41 The Broadway, Cheam Village, Surrey, SM3 8BL

020 8661 7222

jbwealth@jbwm.co.uk

www.jbwm.co.uk