

# The importance of financial planning advice during challenging times

Presenters:

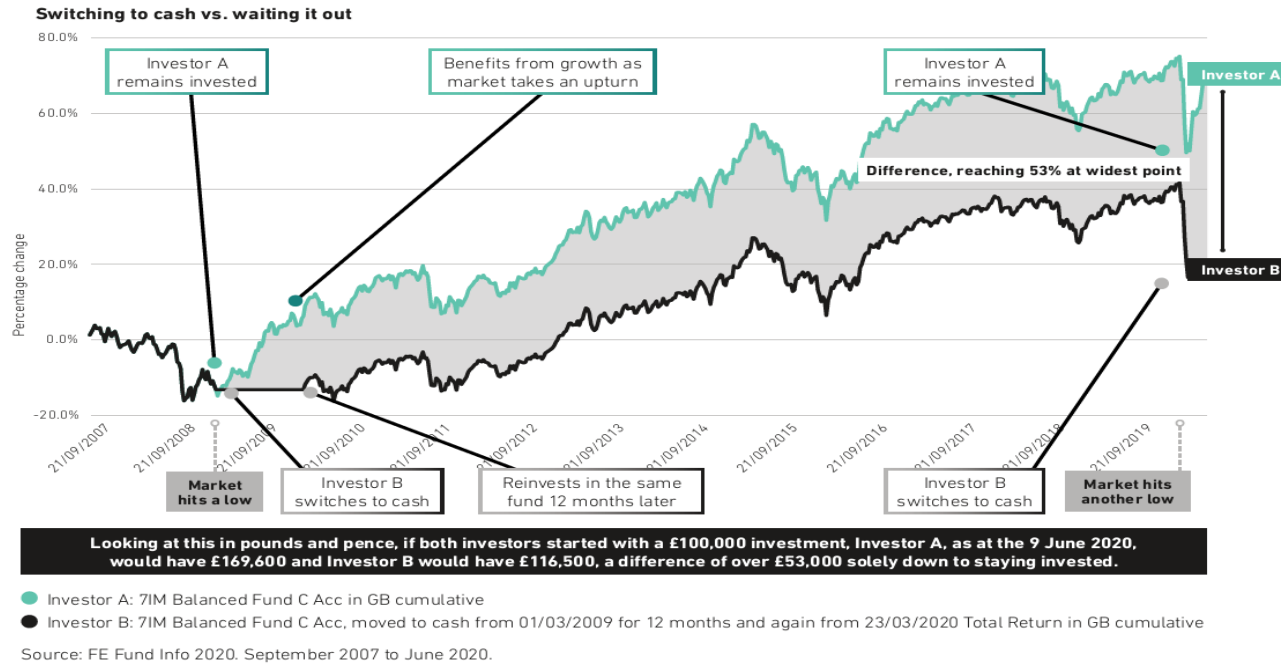
David Hume  
Steve Wood  
Paul Beck

## Increased Market Volatility

- We are all human and the recent high levels of volatility and the significant market falls led to some panic among some of our clients.
- We appreciate market volatility can be nerve-wracking, especially when large crashes occur and we actively approached our clients to provide some reassurance.
- A smaller number of our clients felt this was a rare opportunity to invest at a low following the correction, however, most investors were more concerned about steadying the boat and minimising their losses.
- Timing the market is hard. No one has all the answers when it comes to the current crisis with so many unknowns. But we do know what has happened in the past.

# DON'T PANIC

## Time in the market rather than market timing



# IMPORTANCE OF DIVERSIFICATION

The table on this page sets out the performance of different investment sectors over the last 5 year. Source: Morningstar

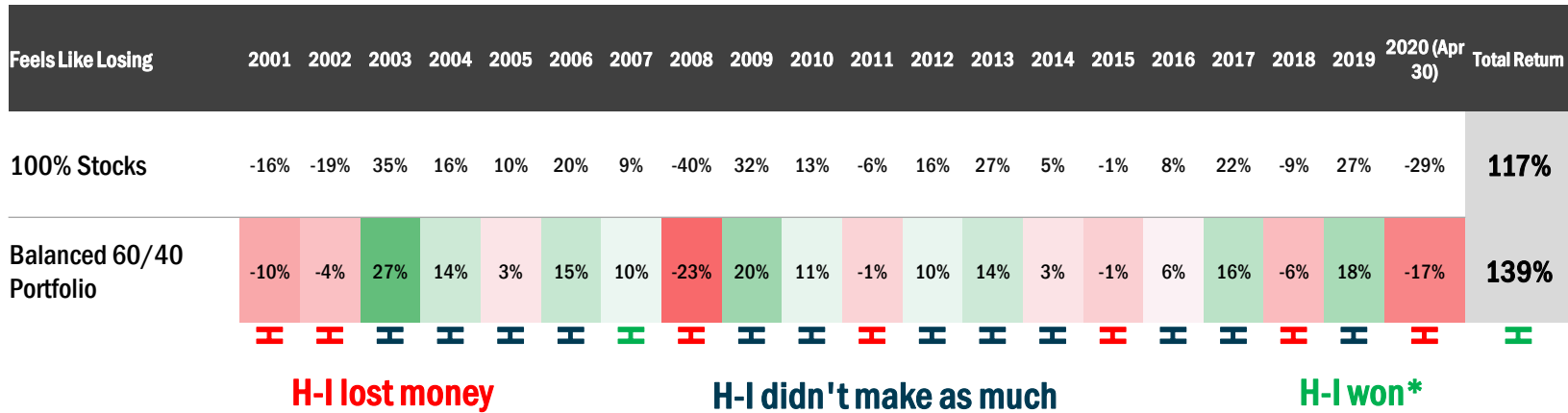
2015	2016	2017	2018	2019	Year to date	Q1 2020
Japanese Equities 12.1	UK Index-linked Gilts 24.3	Asia Ex Japan Equities 41.7	UK Direct Property 2.9	US Equities 30.7	UK Gilts 6.3	UK Gilts 6.3
Europe ex UK Equities 10.7	UK Equities 16.8	Emerging Market Equities 37.3	Global Treasury Bonds 1.1	Europe ex UK Equities 27.1	Global Treasury Bonds 3.2	Global Treasury Bonds 3.2
UK Direct Property 7.6	UK Corporate Bonds 12.3	Japanese Equities 22.2	UK Gilts 0.6	UK Equities 19.2	UK Index- linked Gilts 1.6	UK Index- linked Gilts 1.6
UK High Yield Bonds 5.4	US Equities 11.6	US Equities 20.9	UK Index-linked Gilts -0.3	Emerging Market Equities 18.4	UK Direct Property -1.6	UK Direct Property -1.6
Global Treasury Bonds 1.8	Emerging Market Equities 11.2	UK Equities 13.1	UK High Yield Bonds -1.6	Asia Ex Japan Equities 18.2	Global Corporate Bonds -4.5	Global Corporate Bonds -4.5
UK Equities 1.0	UK High Yield Bonds 10.5	Europe ex UK Equities 11.4	UK Corporate Bonds -2.2	Japanese Equities 18.1	UK Corporate Bonds -5.3	UK Corporate Bonds -5.3
UK Corporate Bonds 0.7	UK Gilts 10.1	UK High Yield Bonds 7.8	Global Corporate Bonds -2.7	UK High Yield Bonds 13.4	UK High Yield Bonds -13.6	UK High Yield Bonds -13.6
UK Gilts 0.6	Global Corporate Bonds 5.8	UK Direct Property 7.6	US Equities -5.7	UK Corporate Bonds 11.0	Japanese Equities -17.5	Japanese Equities -17.5
Global Corporate Bonds 0.1	Asia Ex Japan Equities 5.4	UK Corporate Bonds 4.9	UK Equities -9.5	Global Corporate Bonds 10.6	Asia Ex Japan Equities -18.4	Asia Ex Japan Equities -18.4
US Equities -0.9	Global Treasury Bonds 3.6	Global Corporate Bonds 4.6	Europe ex UK Equities -10.9	UK Gilts 6.9	US Equities -20.2	US Equities -20.2
UK Index-linked Gilts -1.0	Europe ex UK Equities 2.4	UK Index-linked Gilts 2.3	Asia Ex Japan Equities -14.4	UK Index-linked Gilts 6.4	Europe ex UK Equities -21.0	Europe ex UK Equities -21.0
Asia Ex Japan Equities -9.2	Japanese Equities 0.3	UK Gilts 1.8	Emerging Market Equities -14.6	Global Treasury Bonds 5.5	Emerging Market Equities -23.6	Emerging Market Equities -23.6
Emerging Market Equities -14.9	UK Direct Property -2.0	Global Treasury Bonds 1.1	Japanese Equities -16.0	UK Direct Property -0.8	UK Equities -25.1	UK Equities -25.1

Notes: All Indices in base currency. Indices used: BBgBarc Gbl Agg Corp TR Hdg GBP, BBgBarc Global Treasury TR Hdg GBP, FTSE Act UK Cnvt Gilts All Stocks TR GBP, FTSE Act UK Index-link Gilts AS TR GBP, ICE Bofa Sterling HY TR GBP, FTSE AIIsh TR GBP, IA UK Direct Property, MSCI EM NR USD, MSCI Europe Ex UK NR EUR, S&P 500 TR USD, TOPIX TR JPY, BBgBarc Sterling Agg Corp TR GBP

Please note that any past performance mentioned in this document is not a guide to future performance and may not be repeated. Information is provided for illustrative purposes only and should not be considered as a recommendation to buy or sell.

# IMPORTANCE OF DIVERSIFICATION

## Risk and return go hand in hand?



\*Note, the past 20 years are unlikely to be repeated (with stocks underperforming bonds), but it is helpful showcasing the behavioural side of multi-asset investing. There has also been a big rebound in equities since 30 April 2020.

Source: Note: An investment cannot be made directly in an index. The data assumes reinvestment of all income and does not account for taxes or transaction costs. Morningstar Investment Management calculation to April 30<sup>th</sup>, 2020. Calculated using the Morningstar Global Markets Index (60%), the Morningstar Global Treasury Index (40%), and compared to the 30-Day US Treasury Bill

# TIME FOR SELF REFLECTION

## Use this time to review and plan with your families

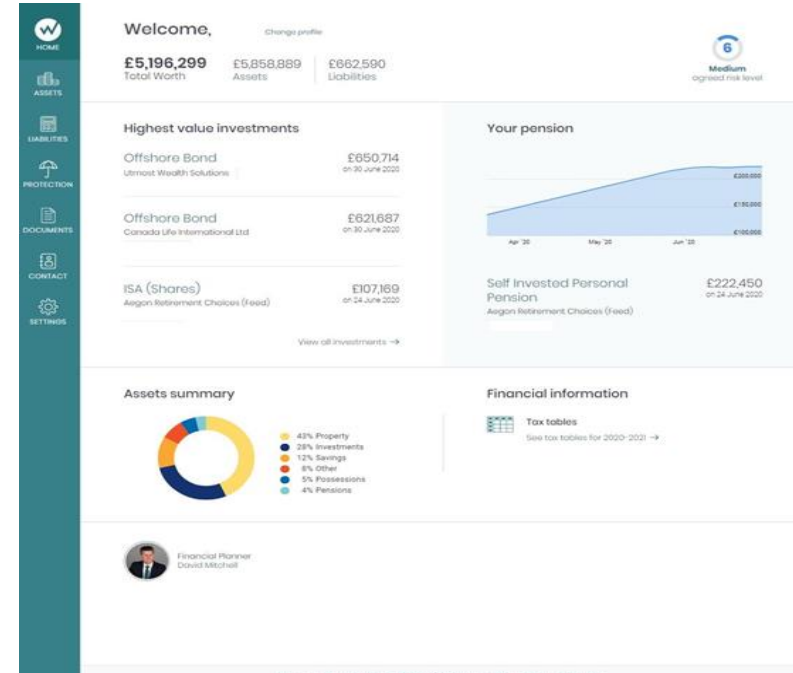
- The pandemic has led to clients considering what would happen if it was me.
- Clients have reviewed their existing wealth assets, policies and levels of protection.
- They have investigated if nomination forms in place and still reflect their wishes.
- Have they arranged and reviewed their Wills and considered lasting power of attorneys?
- From discussions with our clients we have prevented frauds taking place and we encourage you to be extra careful of scams which have risen in number.
- It is important to collate your assets and policies in one place often this has been in a spreadsheet or word document. We have had a lot of interest in our new online client portal.

# OUR CLIENT PORTAL

## Everything in one place for your convenience

Our secure client portal includes a number of useful features such as:

- A snapshot of your current assets and liabilities
- Copies of our latest correspondence such as letters, fact sheets and financial planning reviews
- Latest valuations with live price feeds where available
- A secure way to upload and download documents containing sensitive information
- One central place to upload and store your important documents
- A “Go Green” option allowing you to switch to paperless communication



## Black swan events and their impact

Clients are re-evaluating their personal and financial objectives.

Cash-flow planning is central to giving back control over current and future decisions e.g. regarding the timing of retirement, gifting etc.

Stress-test the planning.

Pay as little tax as possible when investing and when spending your monies.



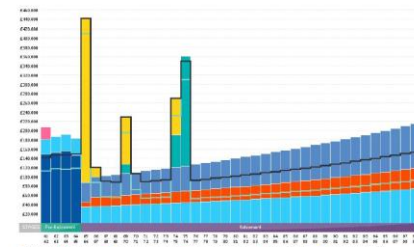
## Take control

We use powerful and flexible cash-flow modelling software that helps us to:

- Assess your current financial situation
- Build custom 'what-if' scenarios/simulations to illustrate various options – e.g. early retirement
- Understand what action may be taken now to meet your future goals
- Highlight shortfalls and risks to your financial security
- Present complex information in a visual and easy to understand format



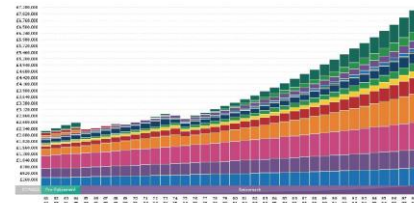
### Cash Flow Details



These results are based on a number of assumptions regarding the client and investment returns, and are, therefore, subject to a number of risks and uncertainties that could cause actual results to differ materially from the assumptions. This represents only one of many possible outcomes. Past performance of investments is no guarantee of future results. Nothing contained herein should be construed as an offer to sell or as an offer to buy securities. Copyright © 2007-2017 Impact, Inc.



### Assets Detailed



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## Independence

Creating independent wealth outside of a business provides more choice/flexibility in the future.

Extract profits in conjunction with tax advice

Fund tax efficient investments e.g. pensions/ISAs etc.

Independent taxation – use tax allowances and exemptions.

# ADVANTAGES OF USING YOUR ALLOWANCES EARLY

Use it or lose it

‘Time in the market’ trumps market timing

Drip feeding your money into the markets may benefit from ‘pound cost averaging’

Asset prices are lower than they were

Tax and regulatory change – a squeeze coming?

Consider crystallising losses to set against other gains

Using other assets when in retirement to provide an income

Crystallising pensions when values are lower

Companies need to consider how their employee benefits packages can provide mutual support through this difficult period.....

Private medical insurance

Employee assistance programmes

Income protection/sick pay insurance

Group life assurance/critical illness insurance

Business protection

Salary sacrifice

Access to treatment through private facilities

Additional benefits

eg; Virtual GP Services, Lifestyle Management Tools

Private facilities supporting NHS

-Access to treatment may be delayed!

Ongoing Claimants should be unaffected but check

# EMPLOYEE ASSISTANCE PROGRAMMES (EAP)

24/7 Helplines

Telephone/video counselling with accredited professionals

On-line access

Can assist with many life challenges

# INCOME PROTECTION/ SICK PAY INSURANCE

Covid-19 long term effects could be far reaching and increase prolonged employee absence?

Protects employee from financial loss if unable to work

Protects employer from funding an employee's salary in the event of long term absence

Other benefits - early intervention and rehabilitation services including EAP and virtual GP services.



Lump sum payment

Review nomination of beneficiaries

Bereavement counselling services available

Covid-19 not specifically covered as critical illness, although related illnesses might be

Succession and business continuity planning essential

Assess reliance on key individuals

Impact on business if key individuals are unable to work or die

Business protection plan will help company with ongoing cashflow concerns, pay off debtors or deal with transfer of shareholdings

# SALARY SACRIFICE

Pension contributions

Cycle to work

Ultra-low emission vehicles

Car parking

Childcare vouchers

# IMPORTANT INFORMATION

The information contained within this document is based on our understanding of present law and HM Revenue and Customs practice, which may be subject to change. The value of any tax benefits depends on individual circumstances.

This document is for information only and does not constitute personal financial advice. A recommendation to invest should not be made on the basis of this document alone. Target returns and past performance should not be considered a guide to future performance. The value of an investment can fall as well as rise. If investments are encashed in the early years an investor may get back less than the amount originally invested. In some cases you could lose all of your investment.

Tax planning is not regulated by the Financial Conduct Authority.

Moore Kingston Smith Financial Advisers Ltd

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Moore Kingston Smith

Devonshire House

60 Goswell Road

London

EC1M 7AD

t: +44 (0)20 7566 4000

f: +44 (0)20 7566 4010

[www.mooreks.co.uk](http://www.mooreks.co.uk)



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