Viewpoint

My journey as a first-time buyer

Being a First Time Buyer was daunting to start with, but once I got in touch with an Openwork Adviser, they settled all my nerves and made the process of buying a place to call home incredibly easy.

The big decision
Before I could look at houses and house prices, I needed to know what I could afford and how big or small my mortgage and the monthly payments would be. Due to my low income and the fact I am single, it was a struggle to find a suitable property within my budget, so I was recommended to look at the Help to Buy Shared Ownership scheme.

Shared Ownership allowed me to look at good quality pre-owned properties at a good price; I would own 40 per cent and a housing organisation would own the remaining 60 per cent. There were quite a few properties I liked and once I'd viewed them and found the one best suited for me, I sat back down with my adviser and we discussed putting through the mortgage application.

After some waiting, we had the good news that the application was approved. We started to liaise with the solicitors about purchasing the property. This part of the process was long and full of paperwork – a lot of which I didn't understand – but with the help of my adviser, I was able to complete it and get the purchase submitted.

The final step in the process was to receive the best news yet - confirmation of purchase. I was now the owner of a place I could call my own, all that was left to do was to collect the keys and move in.

Protecting my new home
When it came to protection, even though I have no dependants I wanted to make sure my income would be protected if for some reason I couldn't work. The last thing I would want to risk was the roof over my head that I had worked so hard to find! Discussing the different protection options available with my adviser was very helpful to understand which option would suit my needs and my budget. The policy I went for had the relevant benefits I need as well as being affordable each month.

Overall, I believe by using a financial adviser, I was able to relax knowing that someone was taking care of everything for me, if there were any issues they'd let me know straightaway. I think if I had gone through this alone I would have really struggled.

Why you should get mortgage advice

Taking out a mortgage could be one of the biggest financial decisions you'll need to make in life, so it's important to get it right.

You could 'go direct' to find the right mortgage for your circumstances – as long as you're prepared to spend time and effort scouring a very competitive market for the lender and deal you feel most comfortable with.

You'll also need to consider things like lender administration and booking fees, the length and type of mortgage you need, valuation costs and repayment methods, all of which can affect the total cost of your loan. And you'll need to take out insurance; for buildings and contents and to protect your mortgage payments if you have to stop work.

Lenders will, of course, be able to give you guidance on any mortgages they offer, but you won't necessarily know how their deals compare to other deals on the market.

Advice from your lender

Advice from us

Unlike lenders, we don't have a vested interest. In fact, as part of Openwork, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders, many of which aren't available on the high street.

What's more, we will take the time to get to know you, your circumstances, and your overall financial position. We'll also want to understand what type of mortgage you believe is right for you and talk you through the pros and cons of each option.

Using our expert knowledge and database of several thousand mortgages, we will find the ones most suitable for your needs.

We'll work with you to complete the relevant paperwork and liaise on your behalf with solicitors, valuers and surveyors. We can also talk you through the features and benefits of financial protection for your new property and we'll stay in touch throughout the process – and into the future.

If you'd like more information, or you need help planning your first, or next, property purchase, please get in touch.

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

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Are you at the end of your deal?

When your current mortgage deal comes to an end you might be tempted to do nothing and simply move on to your lender's Standard Variable Rate (SVR). However, by doing so you could risk your mortgage rate more than doubling.

According to Moneyfacts, fixed mortgage deals taken out two years ago attracted an average rate of 2.31 per cent, thanks to increased competition between lenders. Two years on and with average SVRs sitting at or around 4 per cent, the jump in mortgage payments at the end of your deal could mean your repayments increase by **£279.34** a month, or **£3,352.08** a year on average. That's a payment shock you'll want to avoid.

Remortgaging to a better deal
Finding a new mortgage deal is a lot easier than getting your first mortgage. You don't have the stress of finding a home, working with estate agents, negotiating contracts or worrying about onward chains.

When it comes to remortgaging you could choose to stay with your current lender, and they might offer you something tempting to stay with them, but you don't have to. Switching to a new lender may seem like hassle you don't need, but it's worth the effort as it could mean you get a better rate.

Whether you're staying with your current lender or moving to a new one, just as with your initial deal it can pay to get advice to help find the most suitable mortgage for your needs. That's where we come in.

The value of our advice
We'll look at your current deal and work out if there are any exit fees or early repayment charges. We'll discuss your needs and future plans; whether you want to pay off your mortgage early or you're looking for lower monthly repayments.

We'll check any changes in circumstances and how they impact your financial plans; have you started a new job or reduced your hours to care for a new baby?

What's more, We'll complete your mortgage application and take care of the legwork for you. As part of Openwork Ltd, one of the UK's largest financial adviser networks, we can access competitive rates from most of the UK's best-known lenders.

You may be able to save money if you switch to a new deal. Don't leave it too late and end up paying more than you have to. Contact us today to discuss your remortgage.

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

Look beyond the price of your protection policy

Most of us celebrate the start of life and pay tribute to the end of life, but are we placing enough importance on everything in between?

If we're lucky we'll enjoy certain life events like finding a lifelong partner, marriage / civil partnership, having children, enjoying a career and, ultimately, retiring. But how many of us take out financial protection in the event our plans go awry?

Clearly life isn't always plain sailing and we will face obstacles and challenges to overcome. When these challenges are more serious, for instance if accident, illness or death strike, protection insurance can help provide a safety net.

And when it comes to protection, we hold two firm beliefs:

1. It should form the foundation of most people's financial plan.
2. Cover should be reviewed regularly to make sure it continues to meet your needs.

The second principle is particularly important when you're at a particular 'life' stage. Whether that's buying a house, getting married, starting a family, setting up in business, or all the above, protection insurance will help to protect your loved ones and your financial responsibilities.

But it's important to look beyond the headlines when taking out protection as many providers will offer added-value benefits beyond an initial pay out, that can really help you adapt and cope to potentially life-changing circumstances.

These additional benefits could be anything from access to expert medical opinion, rehabilitation to get you back to work as quickly as possible, bereavement counselling, or even global treatment.

When using comparison sites and direct insurers, care should be taken to make sure their 'off-the-peg' solutions meet your specific needs. Using our expert product knowledge, we can help find the right solution with the right value-added benefits for you.

For more information or to discuss a protection shortfall, please get in touch.

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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.

The actual amount you can pay into your pension each tax year for tax relief purposes is the greater of:

A gross contribution of £3,600, or 100% of your earnings which is capped at £40,000.

Subject to certain conditions this is the annual allowance for most people.

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

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.*

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

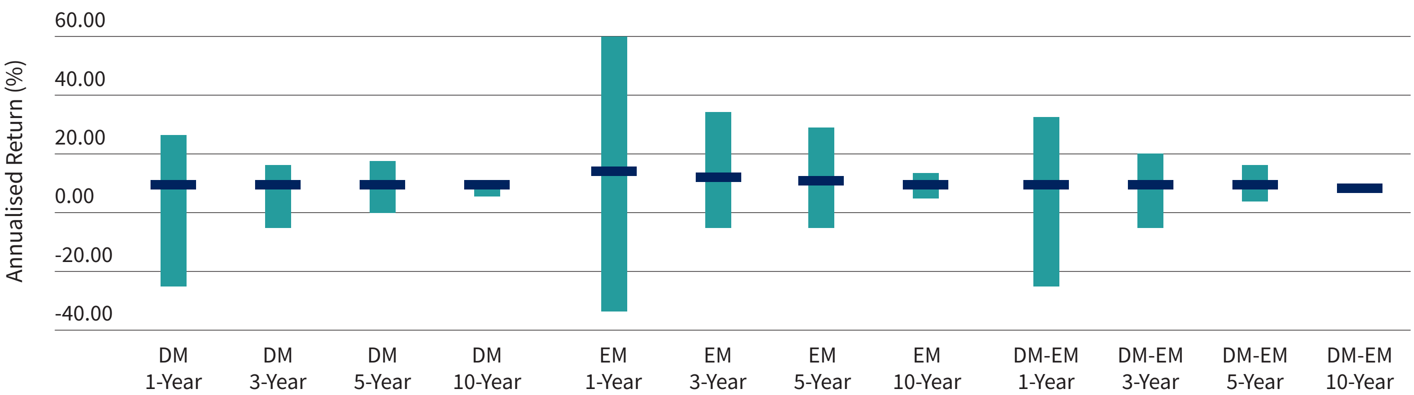
As you can see from the chart, long-term average returns from EMs tend to be higher than developed markets. That's why the allocation to the region in the Graphene and OMPS Adventurous and Balanced portfolios is relatively high compared to similar services available to UK investors (the OMPS Cautious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