S JOHNSON WEALTH MANAGEMENT LLP

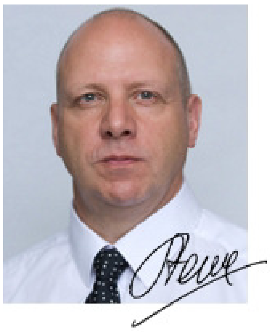
INVESTMENT SPECIALISTS

Risk & Return - Balanced Investing

Investment News

May, 2017

Introduction



Immortal and happy.

In this edition I look at living forever and how to afford it. I also consider investing in getting rid of your kids.

Market Commentary

Household savings rate are at the lowest level since records began. The Yorkshire Building Society introduces the lowest mortgage rate ever.

Getting Older

Women in the UK have an average life expectancy of 81, this having risen from 76 since 1990. Men are catching women up. Hopefully this trend will continue and I will never die.

Not knowing exactly when clients will die is challenging for us – if for example we know our client has another 10 years to go we can simply arrange for them to spend one tenth of their capital every year – and ready ourselves for a row with their kids.

If however clients continue to cling to life with increasing tenacity there is a danger of their money running out before they do.

Pensions of course provide some of the answers but unless you work for the Government or the Local Authority most of us do not enjoy guaranteed (massively expensive) index-linked pensions – in most cases inflation will erode what pension we receive unless we are prepared to take the risk of remaining invested. Reliance on the State is also risky – ageing societies have higher pensions costs but fewer workers to pay for pensions.

The classic way to obtain growth over the medium term and defeat inflation is real asset investment (see last newsletter). A good supplement to pensions is ISA’s. From this tax year it is possible to invest up to £20,000 per individual into ISA's and at this rate the money mounts up over the years – especially for couples. Many investments can be used for an exercise known as ‘Bed & ISA’ this is where the same investments are held but they are simply moved over from normal investments into ISA’s – this can be done cheaply or at no cost. Importantly ISA’s can target growth initially and pay income later – and of course any income is tax free.

Finally under this section there are new types of ISA – of which the Lifetime ISA (LISA) is relevant – here anyone under age 40 can save up to £4,000 per year and get 25% on top from HMG. Providing the scheme is used for first home purchase or left alone to age 60 the payout is free of tax and Government clawback. Not a huge amount initially but this will add up over the years.

SUMMARY

Generally pensions should be looked at first when planning for retirement income. However ISA’s come a pretty good second and the amounts allowed are generous allowing people to amass a tax-advantaged fund of £100,000 over five years, plus growth.

Review & New Service

Our offer of a free review of your existing investments or a strategy report for new investments is open; call me if you would like a chat.

And finally…

Please continue the feedback – telephone us or send an email. In the next edition I look at tax year planning – at the start of the year.

P.S.

External factors that can influence ones longevity include Mr Trump, North Korea and Mr Putin.

P.P.S.

The Yorkshire Building Society, Britain's second-biggest mutual lender, has unveiled a mortgage at 0.89 percent, the lowest rate ever offered.

Unfortunately the multiples of incomes that banks and building societies are prepared to offer do not allow many youngsters enough to get onto the housing ladder.

The result of all of this is that 'BOMAD' (Bank of Mom & Dad) is now the ninth largest UK mortgage lender having lent £6.5 billion so far this year, which puts it on par with the Yorkshire Building Society.

Some parents must be really desperate to get rid of their kids….

Steve

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[Send me your feedback on this newsletter]

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