Future Directions Newsletter 9 – June 2022

Welcome to our latest newsletter.

As before, we have put together a few articles that we hope you may find useful, as well as some internal news.

We hope that you have had a good start to 2022 and are looking forward to enjoying the summer.

From all at Future Directions

Internal News: A New Joiner

As Dawn continues to reduce her working hours, (she is now no longer working on a Monday or a Friday), to help both Dawn and Megan deal with the mortgage applications and relevant paperwork, we have taken on Fran Weeks as a part time mortgage administrator.

Fran is Dawn's daughter and has been running her own Photography business for many years (we recently roped her into taking some new photos for our website which we hope to upload soon, as the old ones were a fair few years out of date!)

As Dawn has worked from home since lockdown, Fran is able to learn alongside Dawn in her home office, while coming into the office on other days as well , to get to know everyone else and the office working environment. We welcome Fran to Future Directions.

Wider News: Rising Interest Rates and Mortgages

With the Bank of England having raised its base rate to 1% on 4th May, there are expectations of future rises to combat current inflation.

Banks and Building Societies have therefore been responding by raising their own rates of lending, both for mortgage and for other forms of credit, such as personal loans and credit cards.

If you are coming to the end of your mortgage rate, or are on a variable mortgage rate, then you may wish to consider a fixed rate to lock in the interest rate on your mortgage for a fixed period of time to give yourself some degree of stability of your mortgage payments for the period of the fixed rate chosen. Please contact us if you would like some specific advice in this area.

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

Article: Coping with Market Volatility

Experienced investors understand that different asset classes and industry sectors are liable to turn against then from time to time. When it comes to equity markets, there is no such thing as certainty, particularly in the short term. Notwithstanding periods of decline, history shows that equities have provided higher returns than cash or bonds over the long term. Nevertheless, over shorter periods, equity investments can be risky and prices can be volatile. It is important, therefore, to remember that an equity investment is not a short-term investment, and investors should ideally only consider an equity investment if they can allow at least five years for their portfolio to develop and grow.

If you are far-sighted and have a degree of nerve, a fall in the stock market can actually create opportunities. Market downturns can be wide-ranging and indiscriminate, driving down the share prices of high-quality companies alongside their lower-quality peers, and giving canny investors the opportunity to add to their portfolios at bargain prices. This is one of the reasons we tend to favour actively invested funds within portfolios we recommend, as an active fund manger can use market volatility as an opportunity to invest in quality companies at a lower price.

Understandably, when faced with a downturn, many investors tend to panic. They see only the short-term loss on their portfolio's balance sheet and forget their original reasons for investing. Sadly, this is the worst thing they can do – and it is why proper planning at the outset of any investment is worth every minute spent. Nothing in a portfolio is more valuable than the time you spend achieving balance and diversification and cementing your long-term objectives.

Article: 2022/23 ISA Limits

Individual Savings Accounts (ISAs) are tax-efficient vehicles that allow you to save and invest without having to pay income tax or capital gains tax. They can be a good way for people to start saving or to add to their existing portfolio of savings and investments. The ISA allowance for the 2022/23 tax year stands at £20,000, of which £4,000 can be saved into a Lifetime ISA for those under the age of 40.

You can also open a Junior ISA (JISA) for a child under the age of 18; the JISA allowance for the 2022/23 tax year is £9,000.

ISAs are provided by banks, building societies, asset managers, insurance companies, and the state-owned National Savings & Investments (NS&I).

You can invest your entire ISA allowance into cash, stocks and shares, or any combination of the two. Moreover, you can transfer your ISAs between providers as often as they like (subject to your providers' rules). Even if you cannot afford to take advantage of the full annual ISA allowance, it is still worth saving what you can via a regular savings plan, which can start from as little as £50 a month. Do not forget one of the golden rules of ISA investing – if you do not use it, you lose it – so make the most of each year's tax-free ISA allowance. Please note that levels and bases of, and reliefs from, taxation are subject to change.

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