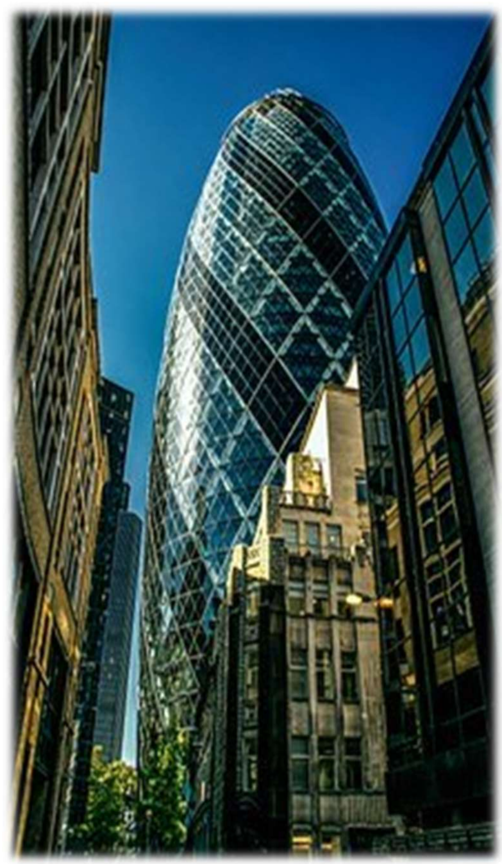


ISSUE 4 | MARCH 2020

Financial *focus*

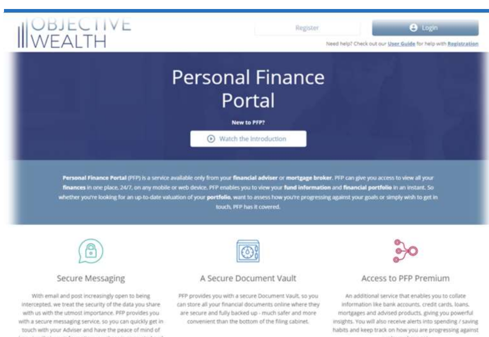
OBJECTIVE WEALTH



Tax Year End

As a client of ours, you will have received a reminder last month that the end of the tax year is looming and as of today 11th March we are just over 3 weeks away. As you will appreciate, this is a very busy time for us, however we are here to make sure that you gain tax relief on your pensions and investments where possible. You will be more familiar with the rush to use your unused ISA allowance before 5th April, however I would like to remind you that there is likely to be an opportunity for you to gain tax relief on pension contributions. Even if you do not have any taxable earnings you may contribute £3,600 gross to a pension meaning that net of tax relief, you will only pay £2,880 and HMRC will provide your pension fund with £720 in tax relief. Making a pension contribution as a lump sum will also provide the possibility of regaining Child benefit if you earn over £50,000, regaining your personal allowance if you earn over £100,000 and of course gaining tax relief at your highest marginal rate. Clearly, we are here to ensure that all of the complexities surrounding pension contributions, so please get in touch.

John Wheatley



PORTAL IMPROVEMENTS

In the last quarter, we have really tried to make improvements to our online portal to benefit your experience as a client. As well as being able to access valuations, secure messaging and documents, you will now be able to sign documents online negating some of the need for paper-based signing. In addition, along with the newsletters, we will send you updates such as the recent one regarding the impact on the markets caused by Coronavirus. Finally, we are looking introduce a task tab you will be able to see on the portal which will update you with what we are working on for you. If you have any suggestions for improvements, we would love to hear them.

Time in the Market is Better than Timing the Market

What is already known is already 'priced in' so it is impossible to predict the future

With the onset of Coronavirus hitting the markets hard in the last week, we think it is quite topical to talk about when you should and shouldn't be invested in the markets. It is very easy for an investor to be in a safe haven such as cash at times of market volatility. What is not so easy is to decide at what point to come back into the markets. Logic dictates that you should buy at the lowest price and sell at the highest but how easy is this in reality? It is only in hindsight we can see when the market bottoms out, so we believe time in the market is a better approach rather than trying to time the markets. Investors trying to time the markets are often left on the sidelines trying to figure out the best time to buy. If prices rise, the most common feeling for this type of investor is a regret of not making a decision earlier. In addition, if markets begin to fall again, they still remain hesitant.

> 'The price at which you bought the share was not important. How long you held it was what mattered'. Peter Lynch – Ex Fund Manager at Fidelity Investments

Eggs in One Basket

Part your financial plan is to have your portfolios well diversified in order to spread your risk. In **Table 1** you can see the very worst falls on the World Index since World War I. You can also see that if you were invested in one particular geographical location, you could be far worse off in these bad times. As a UK investor, it would be easy to just invest in UK stocks and shares, but this will automatically make your portfolio higher risk than an equivalent portfolio of a similar disposition but with stocks and shares from around the world. The fact is markets will go down but tough times never last in the markets.

Don't Miss Out

Returns from a well-diversified portfolio are actually relatively easy to predict over a twenty-year period. A typical bear market lasts between one and two years. Therefore, if you are looking at investing over two or three years, you might as well flip a coin to decide whether your portfolio does well or not. This is more akin to gambling. Warren Buffett's view on how long you should hold a stock is 'Our favourite holding period is forever'.

In **Table 2**, Vanguard did some research on missing the best 10 days of the FTSE All-Share Index between 1986 and 2016. The results on how much investors missed out on is staggering. Investors choosing the time to enter back into the markets will undoubtedly miss these best days as they are impossible to predict.

Our message to our clients is that it is better to be invested and commit to your long-term plan rather than to try and time the markets. Markets are too difficult to predict, and we don't know what is around the corner. Therefore, time in the market is better than trying to time the markets. **MJ**

Table 1

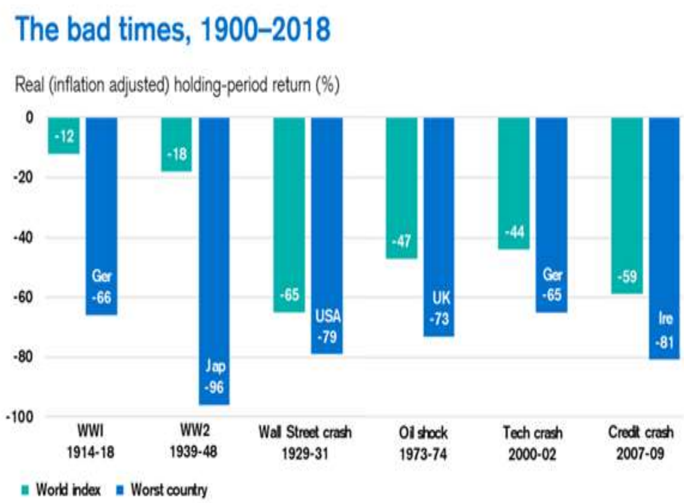
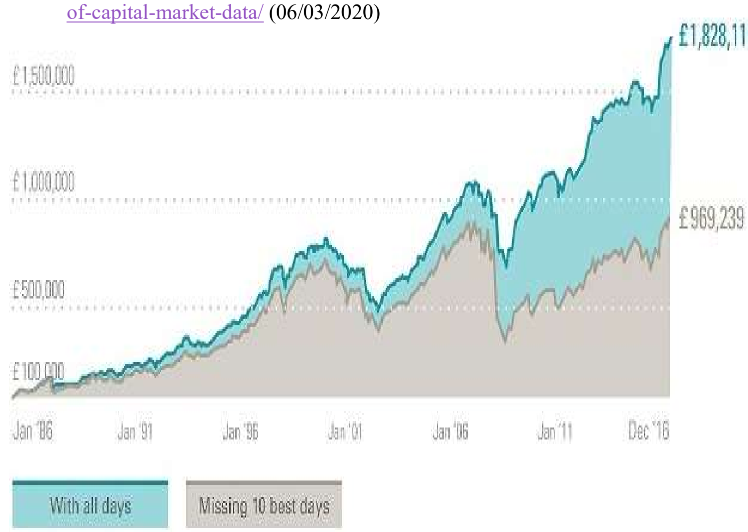


Table 2

Source: https://www.timelineapp.co/blog/lessons-from-119-years-of-capital-market-data/ (06/03/2020)



Source: https://www.vanguardinvestor.co.uk/articles/latest-thoughts/investing-success/time-in-the-markets (06/03/2020)