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RT FINANCIAL PLANNERS LTD

NEWSLETTER – JANUARY 2020

In this issue

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The Outlook For 2020

We have just seen another positive year for markets, and the question is whether this can continue in 2020. The answer is not as simple as we would hope but there are three circumstances that may be positive for markets this year; fiscal stimulus, low oil prices and trade deal optimism.

Throughout 2019, economic data continued to be weak and central banks remained supportive through easing rates and injecting liquidity into markets. This accommodative stance is set to continue through 2020 to prepare for any possible risk of a slowdown. Governments across the world are also looking to boost GDP through fiscal stimulus.

In the UK, Boris Johnson and his Chancellor, Sajid Javid, have pledged big increases in spending for the next fiscal year with a focus on infrastructure. In the US, Donald Trump is also cutting tax rates and in Europe, the European Commission's Europe 2020 strategy outlines targeted reductions in tax to promote employment, as well as reforms to tax policy to promote growth in areas such as housing, environmental and research and development.

We also believe that the US-China 'phase one' trade deal will be positive for markets as it seems the world's two largest economies are closer to striking a deal. So far, the US have backtracked on tariff hikes on Chinese consumer goods and reduced tariffs on Chinese imports. On the other side of the trade talks, the US have indicated that China will purchase an additional $200bn of US imports, which comes at a good time for China as soaring domestic food prices are putting upwards pressure on inflation.

Oil prices were tested once again in January upon news of the US killing Iranian Commander, Qasem Soleimani. Oil prices jumped 3.5% in early trading but quite quickly dropped from these highs reached at that time. Despite tensions around Iran, GDP in emerging economies which are net importers of oil, such as India and China, will be supported as oil prices continue to remain low. Further to this, oil prices directly affect the price of goods and therefore lower oil prices will be supportive of improved economic conditions globally, as lower oil prices will reduce input costs for businesses.

So we believe there are reasons to remain positive on markets as policy makers look to support the economy through fiscal stimulus, low oil prices providing better business conditions and the signing of the phase one US-China trade deal, which may help the return of business confidence globally.

2020 Outlook (continued)

Another key question is whether or not we are likely to see a global recession in 2020. On balance we think it is unlikely, even though we may well see some parts of the world experience a recession.

Here in the UK, greater political stability is expected to boost investor demand for UK equities. The recent General Election result should heal the paralysis at Westminster. Although we are likely to see continued short term volatility, a long-term recovery in the value of Sterling should benefit unloved domestic stocks, which are sensitive to fluctuations in the currency. We hope that the benefit of improved sentiment should be lasting as investors seek ways to put their cash reserves to work in the real domestic economy.

It looks as if Europe has the weakest cyclical dynamics and currently runs the highest recession risks among major economies. Given its high exposures to global trade risk, Brexit uncertainty and already negative interest rates, there is limited room to offset economic shocks.

On the opposite side, the US has been the most resilient among major economies. However, we are starting to see evidence that the global slowdown is affecting their economy in a similar manner to what we saw between 2015 and 2016, when the rest of the world led the slowdown and the US followed. Given its lower exposure to trade risk, and higher exposure to domestic demand, the risk of a US recession in 2020 looks fairly unlikely at this stage.

As for emerging markets, after the steady deceleration of the past two years, we are seeing tentative signs of stabilization in China, led by improving orders in the industrial sectors.

A distinguishing feature of this business cycle is the lack of inflationary pressures which has allowed central banks to proactively ease policy with a combination of interest rate cuts and quantitative easing. The large decline in global bond yields has also provided meaningful support to equity markets, despite strong deceleration in earnings growth. Following an analysis of global market sentiment, Invesco have stated that they believe that monetary policy has contributed to the stabilization in global risk appetite. Which, according to their research, tends to lead inflection points in the global business cycle by a few months, providing us today with some indication that global growth may stabilize in the next few quarters.

Overall, we still feel that equities are the most sensible asset for inclusion in long term portfolios, but importantly diversification within the portfolios remains key.

Technology in Financial Services

Technology has been evolving at warp speed and shows no signs of slowing. It is almost incomprehensible that we can now hold the equivalent computing power of the 1969 NASA moon landings in our smartphones.

The financial services industry is one of the many benefactors of technological innovation. Information that once would have taken months to compile a few decades ago can now be generated at the click of a button. This has led to greater availability of adviser solutions and services on the market whilst also providing functionality that saves time, cost, improved analysis and increased accuracy.

At RT Financial Planners we embrace technological changes and utilise it to the benefit of our clients. An example being the use and integration of our 'back-office' software called Intelligent Office (iO). It provides us with an integrated technology, or 'platform', to help maintain efficient processes, make the best use of adviser time and expertise while also improving client outcomes and storage of data. The deeper the integration, the greater the benefit can be. Bringing together disparate advice technology systems, product providers and platforms in a unified system is where advice technology systems are heading and advisers are recognising the value this brings and the benefits to clients.

While we embrace these changes, we also maintain that this should not be at the expense of the human touch element to advice. We continue to consider our relationships and interactions with clients of high importance and use these technologies to facilitate discussions around analysis, information and the overall advice journey.

One area where we have seen considerable improvement is the amount of integration between advice systems and product provider extranets and platforms. By demanding current data, plus increasing the value of transactional data, these systems have driven an increased provision of richer, transactional integrations with system houses, product providers and platforms. If we take this a step further, the latest drive is for full two-way sharing of data, which we are starting to see emerge now.

To this end iO have been developing and improving their Personal Finance Portal (PFP). The PFP shows a client friendly presentation of data that we hold for an individual. This includes securely stored personal information, portfolio valuations (where the plan provider is able to support this), assets, liabilities, documents and messaging functionality. Additionally any information that you update on the PFP will feed back to us in real-time enabling us to ensure that our advice remains up to date and bespoke to the specific needs of each individual.

We would encourage you to investigate the functionality available through iO, your adviser and our administration team will be pleased to help with this. There are apps available that can be downloaded that allow you to use the functionality detailed above. Holding full and accurate data allows more meaningful and fuller discussions regarding your objectives and overall situation with your adviser. All data we hold on file is very secure and is not passed on to any third parties, unless necessary for processing in keeping with GDPR requirements.

Reminders For The Tax Year End

Although it is only January, the end of the current financial year will creep up on us very quickly, so we would like to remind anyone who wishes to make the most of certain tax breaks to contact their adviser very soon if they haven't yet made arrangements.

Maximising current year's pension contributions and using any surplus allowances from previous years is essential for some people, as unused allowances from 2016/2017 will be lost altogether after April. With the severe restrictions in pension contributions for high earners this is a potentially valuable allowance that should not be wasted.

ISAs also need to be arranged before the end of the financial year if your current allowance isn't to be lost. Whether or not returns are low, this remains a very sensible way of taking £20,000 of capital per person out of the tax system.

Other tax breaks, such as VCT and EIS allowances and gifts for Inheritance Tax purposes, should also be considered and completed where applicable before April.

Why You Need to Check Your Tax Code Information

We recommend that all taxpayers should carefully check the accuracy of the savings and dividend income figures shown in their PAYE Notices of Coding and tax calculations received from HMRC. It has come to our attention that some taxpayers have been given PAYE codes for the current tax year, using tax calculations for previous tax years that have included out-of-date savings and/or dividend income figures. And it seems that the majority are paying too much tax as a result.

HMRC provides employees and pensioners with tax codes that have been adjusted based on estimates of other types of income. This means that most of these people don't need to complete tax returns. However, if HMRC does not replace the estimates for the actual figures after the end of the tax year, or if they simply carry forward an earlier year's figure to later years, the taxpayer can end up paying the wrong amount of tax. Taxpayers can currently claim refunds for any tax year from 2015/16 onwards (claims for tax year 2015/16 must be made by the end of this tax year).

Charity Donations Replaced Christmas Cards

You may also have noticed that we didn't send any Christmas cards in December and this is because we decided that instead of sending cards, we would donate to local charities, to reduce waste and help the environment. So we have donated £250 to the Gloucestershire Arthritis Trust and £250 to the Longfield Hospice.