Metritá
WEALTH MANAGEMENT

financial
Newsletter
Edition 33 – Winter 2019

What is the British Pound worth vs. Euro?

What is the British Pound worth vs. Dollar?

FTSE 100 Chart

KEY FACTS & FIGURES – The UK Economy		
BoE Base rate	0.75%	Nov 2019
Unemployment	3.80%	Nov 2019
Inflation (CPI)	1.50%	Nov 2019

Base rate

The Bank of England Base Rate remains unchanged at 0.75%.

UK economic outlook

- UK gross domestic product (GDP) in volume terms was estimated to have fallen by 0.2% in Quarter 2 (Apr to June) 2019, unrevised from the previous estimate.
- When compared with the same quarter a year ago, UK GDP increased by 1.3% to Quarter 2 2019; down from 2.1% to Quarter 1 (Jan to Mar) 2019.
- Services provided the only positive contribution to growth in the output approach to GDP, with growth slowing to 0.1% in the latest quarter.
- GDP was estimated to have increased by 1.4% between 2017 and 2018, unrevised from previous estimates; this was lower than the upwardly revised 1.9% growth seen between 2016 and 2017.

Inflation

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.5% in October 2019, down from 1.7% in September 2019.
- The largest downward contribution to change in the CPIH 12-month inflation rate, between September and October 2019, came from electricity, gas and other fuels as a result of changes to the energy price cap.
- Further downward contributions from furniture, household equipment and maintenance; and recreation and culture, were partially offset by rises in clothing and footwear prices.
- The Consumer Prices Index (CPI) 12-month inflation rate was 1.5% in October 2019, down from 1.7% in September 2019.

Unemployment

- The UK employment rate was estimated at 76.0%; 0.5 percentage points higher than a year earlier but 0.1 percentage points lower than last quarter.
- The UK unemployment rate was estimated at 3.8%; 0.2 percentage points lower than a year earlier and 0.1 percentage points lower than last quarter.
- The UK economic inactivity rate was estimated at 20.8%; 0.3 percentage points lower than a year earlier but 0.1 percentage points higher than last quarter.
- Estimated annual growth in average weekly earnings for employees in Great Britain was 3.6% for both total pay (including bonuses) and regular pay (excluding bonuses).
- In real terms (after adjusting for inflation), annual growth in total pay is estimated to be 1.8% and annual growth in regular pay is estimated to be 1.7%.

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Rate cuts – what's the big story

The US Federal Reserve (Fed) has cut interest rates for the third time in a decade. The European Central Bank (ECB) has followed suit, while the Bank of Japan (BoJ) is planning to cut soon. Why the headlines? It's about more than simply the money you can earn at the bank. We cast an eye over interest rates and why they matter to investors.

Why cut rates at all?

It's a response to forecasts of slower economic growth. Lower rates mean borrowing becomes cheaper. They encourage companies to raise money for investment projects. And consumers to borrow for their homes, or perhaps a dream holiday. That boosts economic confidence, potentially setting growth back on an upward trend.

Equity markets get a kick from lower rates

A sound economy should allow company profits to grow and investors to feel optimistic about future dividends. But this is not true for every sector. Banks, for example, can take a hit when rates are cut. Profits shrink if the gap between the interest rate on their borrowing and that on their lending is squeezed.

So what about the bond markets?

If a bond price goes up, its yield (or the income from the bond) goes down. They always move in opposite directions. If interest rates fall, bond yields tend to fall with them. Which mean the price of the bond rises! One wrinkle on valuations - rock bottom bond yields make sky high equity prices look justifiable. Potentially adding fuel to an already bullish market.

Just how low can rates go?

Tricky to say for the ECB and the BoJ. They are already in negative territory. The Fed has more scope to cut rates. But markets are already hoping for a whole sequence of Fed cuts, which could bring disappointment. And as rates sink the benefit of each cut diminishes. As the economist JM Keynes wrote, it's like 'pushing on a string' as it's an effort which is useless. It means that while a central bank can slow down an economy; too many, too large or ill-timed interest rate cuts in an attempt to revive an economy is not easy and efforts can often be futile.

Negative interest rates

Negative interest rates first hit the headlines in 2014 when the ECB introduced a deposit rate of -0.1% to stimulate the economy. They were designed to get banks lending – they will pay the central bank interest for holding money on deposit with them. The BoJ followed suit. These actions led to negative rates on European and Japanese government bonds. Over the years, the value of negative-yielding bonds has soared, going from zero to over $17 trillion.

Negative interest rates or paying banks for holding our funds goes against traditional thinking. However, five central banks that oversee a quarter of the world's economy have opted to impose negative rates on the commercial banks that use their services. The aim of this is to convince people to spend their money rather than save.

Newly appointed IMF chief Kristalina Georgegieva has launched an investigation on the pitfalls of negative interest rates. And what the distributional impact on low and negative rates are. Policy makers are testing the norms of economic life as they look for the key to stopping the global slowdown. And with mixed results so far, the question is are central banks running out of options?

Important information

The value of investments and any income from them can go down as well as up and is not guaranteed, and you could get back less than you originally invested. Past performance is not a guide to future performance.

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Accidental damage protects against life's little mishaps

Nobody knows what is around the corner. Accidents can and do happen and the most commonly reported household claim in 2018 was for Accidental Damage. It's therefore wise to check what is included in your insurance policy to help protect the valuable items in your home.

Standard contents insurance usually protects you if you have possessions stolen, destroyed or damaged. Accidental damage on the other hand, isn't typically included in contents insurance but may be an optional add-on to your standard policy. It covers you for unforeseen events that cause damage to your belongings.

We have all heard stories of red wine being spilt on new cream carpet and kids breaking TV screens with a games console controller gone awry. There are also those more 'comical stories' of toddlers painting the sofa with nappy rash cream, puppies rather enthusiastically playing with TV cables or mugs of tea being dropped in the bathroom and smashing the toilet. Insurance doesn't have to be for significant claims; it's also to protect against these types of life's little mishaps.

It's probably worth taking a few minutes to consider your day-to-day needs and it's definitely worth checking what your insurance policy covers as you may already have accidental damage in place. And if you don't, you might want to consider arranging accidental damage to ensure your valued belongings remain protected.

Author: 2plan

Five expensive and weird pet-related insurance claims

Tortoises torching homes

Clare was relaxing at home when she smelt smoke. She saw flames coming from another room and realised that her two tortoises had knocked over their heat lamp and started a blaze. Luckily her pets were unharmed and she had home and contents insurance to cover the damage.

Destructive dog

Lee was watching his daughter's puppy when the neighbour's cat strolled through the garden. The dog charged straight towards the cat and through the patio door. Lee had accidental damage cover which meant he could claim to replace the shattered glass.

Cat-astrophe

Faye returned home from work to find some of her favourite antique ornaments smashed on the floor. Sitting amid the chaos was her neighbour's cat who had climbed in through an open window. The cat, like many in Instagram videos, had knocked the items over. Faye's contents insurance was able to cover the cost of the broken ornaments so she could replace them.

Painting paws

Ian was doing some DIY and adding a coat of paint over some marked walls while his wife was out walking the dog. When they returned the dog excitedly ran through the house, through a paint tray and onwards through the lounge leaving 'painty' paw marks all over the carpets. After cleaning the dogs paws Ian was able to claim on his home insurance to have the carpet replaced.

Hungry husky

Lisa took her hearing aids out to clean them. She placed them on the coffee table whilst she went to collect clean water and a brush. When she was out of the room her dog was sniffing around the table and mistook the hearing aids for treats. Lisa had already planned ahead and made sure her hearing aids were covered under her home insurance and she was able to successfully make a claim.

Does diversification matter?

Don’t Put All your Eggs in One Basket

This idiom comes from an old proverb, most likely Spanish or Italian, and first found in print during the 17th century. It appears in Don Quixote by Miguel de Cervantes 1615 as “It is the part of a wise man to keep himself today for tomorrow, and not venture all his eggs in one basket.”

When it comes to building your investment portfolio, you might have been warned about putting all your eggs in one basket. It’s wise to spread your money across a range of different investments. That way, if the value of one of them falls, it should have a limited effect on the overall performance of your portfolio.

How to diversify your portfolio

In practical terms, diversity involves investing in different asset classes across various countries and regions.

The two main asset classes in most portfolios are shares and bonds, and these behave differently. When you invest in shares, you buy into a company’s ongoing operations. The value of shares fluctuates according to the fortunes of the company, so they are riskier than bonds. Of course, the returns can be greater too.

A bond is effectively a loan to the issuer in return for a fixed interest payment. A government bond, such as a gilt, is considered among the least risky investments, as the UK government is unlikely to default, although returns can be lower.

Most portfolios will also diversify holdings across developed countries, like the UK, the US and within Europe, and regions such as emerging markets (EMs). Developed countries typically have relatively stable economies and stock markets comprising large, well-established companies. EMs on the other hand, are growing faster so they offer greater potential rewards, however, they tend to be more unpredictable so they are regarded as higher risk.

How diversification works

During times of uncertainty, bonds usually rally as investors move their money out of shares and into safe-haven assets. When the outlook improves, shares rebound as investors switch back to taking greater risk in return for what they hope will be a higher reward.

As for geographical diversification, any number of economic or political factors can weigh on the financial markets in one country or region without necessarily spreading into others.

Assets and regions are not always uncorrelated in the short term. Most asset classes fell towards the end of 2018 due to concerns about global trade, slowing economic growth and the prospect of rising interest rates. They then rose in tandem at the start of 2019. As long as your portfolio is well diversified, it should weather market fluctuations.

The value of your investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Author: 2plan

How much is enough to retire?

It's a tough question to answer. None of us really know how long we'll live for or what spending demands will be placed upon us during retirement, which could last many decades. Then there's the unpredictability of financial markets, which will also partly determine how our savings will grow over the years.

With all that uncertainty, applying three retirement rules-of-thumb can help you understand how much you'll need to enjoy a retirement that meets your expectations. Of course, every person's situation is different, and lifestyles and aspirations will vary – which is why these are rules-of-thumb, rather than hard and fast fixes. Collectively though – and along with the sound advice you receive from your financial adviser – they may help you come to some conclusions about some challenging questions related to saving for retirement.

Rule 1: The power of 7

Our research has found that UK households who manage to save seven times their annual household income by the age of 68, should be able to retire and maintain a similar standard of living as in their working life. So, for example, if your annual household income at 68 is £60,000, a savings pot of £420,000 should enable you to maintain your lifestyle in retirement. This assumes that, whatever your household income is when you retire, you should be trying to replace around 35% of this from your savings following retirement. Also, that the household will include two working adults, both of whom are entitled to a full State Pension.

A goal of seven sounds challenging but the key is to start saving as early as possible. We think setting yourself a series of milestones along the way is the key. Our analysis suggests UK households should aim to have saved at least one times their annual income by age 30. This should have risen to at least two times their annual salary by age 40. So, a couple who have a combined annual income of £50,000 at age 40 should ideally have saved £100,000 towards their retirement by that time.

Amount to have saved by a certain age

Age	Income multiple
30	X 1
40	X 2
50	X 4
60	X 6
68	X 7

Rule 2: When 13 is a lucky number

Knowing how large your savings pot needs to be before you can retire is important, but to hit that target it's vital to know how much of your earnings you need to save at a much younger age.

Our research suggests that savers should be putting away at least 13% of their annual income before tax, each year, from age 25. For those in formal employment, at least 8% might be taken care of by saving into a workplace pension (the current minimum contribution into an automatic enrolment scheme). This leaves you with a 5% shortfall to make up yourself via another savings scheme, such as an ISA or personal pension – your financial adviser can give you some good advice on the options here.

But remember, the longer you wait before you start saving, the higher your contributions will have to be to hit your retirement target. If you delay until age 35, for example, our research shows your savings will have to increase to at least 18% of your annual income in order to retire at 68.

Savings rate at starting age in order to retire at 68

Starting age	Saving rate
25	13%
30	15%
35	18%

Rule 3: Limit yourself to a 5% withdrawal rate – and stay flexible

One of the biggest challenges people face when it comes to planning their retirement is determining how long their pension pot needs to last for – and how much to take each year once they do retire. Assuming a retirement age of 68 and a retirement timeline of 25, our calculations suggest an annual withdrawal rate of between 4.1% and 4.4% in the first year of retirement is sensible. Ideally, you shouldn't withdraw more than 5%. Exceeding this rate may increase the risk that your savings won't last long enough.

Of course, there are things you can't control regarding your retirement – like how long you'll live for, inflation, market returns – and things over which you have some control, like your chosen retirement age and lifestyle. These three rules are therefore just intended to help you think about how you save for retirement. Everyone is different and so it's important to talk to your financial adviser before you make any decisions regarding your own personal financial plan.

Source: Fidelity International, September 2019

Important information

When making decisions about investing, we recommend that you always consult your adviser. As you will be aware, they work with you to understand your needs, offering comprehensive expert advice to help you achieve your long-term goals. We only give information about our products and services and do not provide investment advice. The value of investments can go down as well as up, so you may not get back the amount you invest. Tax treatment depends on individual circumstances and all tax rules may change in the future. Withdrawals from a pension product will not normally be possible until you reach age 55.

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Author: Lesley Davidson
Associate Director, FundsNetwork Strategic Accounts

Investing for the next generation

In the early years this might translate into a surplus of toys or days out, but this stage eventually passes and thoughts turn towards the future transition from child to adulthood and beyond.

This longer-term perspective raises the question of how best to provide financial support through, what could be an expensive transition and inevitably this leads to a variety of issues:

- Are there particular needs which should be targeted or is it more important to have money available as and when your child needs it?
- Which investments would be appropriate?
- Is it possible to put some parental or other controls in place for when children can access the investment?
- Which are the most tax-efficient investments?

Investing for life's key events

For today's children, the path through the early years of adulthood might cost rather more than that of their parents - and grandparents:

Higher education may be seen to be more important for gaining a reasonable job, but it also comes at a much higher cost. Taking into account tuition fees, accommodation and living expenses, a three-year degree is likely to cost the poorest students more than £50,000 according to a 2017 Institute of Fiscal Studies report. Before 1998, there were only grants and loans as tuition fees did not begin until 2006. Your generation may have left university with a bank overdraft, but the sum owing probably pales into insignificance compared to the five figure debts faced by today's graduates.

Marriage is an increasingly costly staging post for those who choose it. According to the annual wedding survey by Bridebook.co.uk the average cost of a wedding in 2018 was just over £30,000! Despite the cost, two thirds of couples questioned in the survey admitted to either going over budget or having no budget at all.

Getting on the first rung of the property ladder is another growing cost for the next generation. According to research by Halifax, first time buyers are having to find record deposits, with the national average exceeding £33,000. It's no surprise people are having to leave it until later to buy their first home.

Once they have the degree, the job and the home (and the mountain of debt), there's another long-term financing requirement which today's children will encounter: retirement provision.

Take expert advice

Two principles that apply to many aspects of financial planning are particularly relevant when thinking about children:

1. The sooner you start the better, and the more scope there is for investments to grow (although there's still no guarantee that they will).
2. Take expert advice before making any decisions. The right investment set up in the wrong way can be worse than the wrong investment set up in the right way. DIY planning is not to be recommended, given the potential pitfalls.

If you want to help your child progress through this financial landscape, please get in touch.

The value of your investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Author: 2plan

What music do you want played at your funeral?

A quick look at the current top 10 funeral songs turns up some predictable results. 'My Way' by Frank Sinatra is favourite, followed by 'Time to Say Goodbye' in second place. Another more ironic choice is 'Always Look on the Bright Side of Life' from Monty Python's 'Life of Brian'.

Have you planned your song choice?

Do any of the above reflect your wishes? Or would you take a different approach? Would you want the attendees to truly celebrate your life and your sense of humour or would you rather make a poignant, emotional choice?

Whatever works for you, whether hymn or humour, you want your song choice to be one less thing for your loved ones to worry about.

It can be costly too

There's no soft way to approach this topic but it's best to tackle these difficult issues head on, like how we would cover the costs of our funeral. The average cost of a funeral is at an all-time high of £9,214. This is a 29% increase in just 10 years.

- £4,281 – the average cost of a basic funeral including the doctor, funeral director fees, the cremation or burial and the minister or celebrant
- £2,061 – the average amount spent on additional extras such as the memorial, death and funeral notices, flowers, order of service sheets, limousines, venue and the wake
- £2,872 – the average amount spent on hiring legal professionals to administer the estate

A Whole of Life Plan can help take away some of the financial worry for your loved ones. These plans are designed to pay out a specified sum when you pass away, or are diagnosed with a terminal illness. The amount paid depends on the sum assured and type of cover you choose when setting up your plan.

Author: 2plan

It is a tongue-in-cheek discussion most of us have had with family and friends. What songs would you have played at your funeral? After all, a funeral service and the music played should celebrate your life in the way you want.

Most popular funeral songs by genre

Hymns
Abide With Me
All Things Bright And Beautiful
The Lord Is My Shepherd

Rock
Stairway To Heaven Led Zeppelin
Bat Out Of Hell Meatloaf
Don't Want To Miss A Thing Aerosmith

Sport
Match Of The Day
Cricket Theme
You'll Never Walk Alone

Indie
Chasing Cars Snow Patrol
Wonderwall Oasis
Don't Look Back In Anger Oasis

TV
Only Fools And Horses
Last Of The Summer Wine
Coronation Street

RnB
I'll Be Missing You Puff Daddy
I Miss You Beyoncé
One Sweet Day Boyz II men

Protection insurance that stays up to date

We all know that feeling of seeing an advert offering new customers a much better deal than we're getting as an existing customer. It's an all too familiar scenario with car insurance, mobile phone contracts and TV subscriptions to name just a few.

And until now, a similar problem existed in the protection insurance market. Only new customers have ever benefited when providers have improved their critical illness definitions.

At Guardian, we do things differently. All our critical illness policies come with a unique cover upgrade promise.

If we improve our critical illness definitions and we can give you them for free, we'll check any claim you make against both the definitions you bought and the definitions for new customers. And we'll pay out if the claim is valid under either.

Occasionally, we may introduce changes that will come at a cost. If we do, we'll offer you the opportunity to pay to add these when we upgrade the condition. If you choose to upgrade, your policy will be upgraded to include that definition for future claims.

So, why do we need protection insurance?

From the moment we start walking and talking, we develop hopes and dreams.

We go to school, maybe university or college, then boom! – it's welcome to the world of work. We buy a house, banish our youthful ways (well, mostly) and settle down. We may have children too and build a nest egg for the future.

But what if life doesn't go to plan?

No one knows what's just around the corner. Protection insurance protects you, and those who depend on you, from the financial consequences of illness and death.

Depending on the cover you choose, protection insurance pays out a cash lump sum or a monthly income if you die or get critically ill. Making sure your loved ones are left with the family home and a comfortable lifestyle, rather than debts and financial worries.

Why Guardian?

A lack of trust in the protection insurance industry means too few people protect themselves and their families. Working with Financial Advisers, we mean to change that. Our ambition is for every family to have protection that they truly believe in.

Our brand promise is 'Life. Made Better.' – we aim to make life better for everyone. Your life will be made better for knowing that you, and your dependants, have cover specifically designed to never let you down.

Speak to your Financial Adviser

Not all protection policies are the same. Some offer significantly better cover than others. On top of that, you need to consider the type of cover you need, how much and how to get the most out of your budget. That's why it really does pay to talk to your Financial Adviser.

Author: Jacqui Gillies
Marketing Director, Guardian

How do we make life 'better'?

We understand that protection products can seem complicated, full of jargon and ambiguous. This makes customers feel that policies are designed to put the provider's interests before their own. We think you deserve better.

For us, 'better' isn't about changing one big thing, it's about changing lots of little things that collectively make a big difference. Alongside our unique cover upgrade promise, here's another example of how we're doing things differently:

We use crystal-clear policy wording

Typically, providers expect you to understand complex policy wording and medical terminology that makes it difficult to know what you're covered for. If you've had a heart attack, for example, you want to know you'll get a payout. You don't want to be told that your heart attack wasn't severe enough, so you can't make a claim!

Here are a few examples:

Heart attack

Typically, providers ask for detailed medical reports to assess if a heart attack is serious enough. At Guardian, confirmation from a UK Consultant is all we need.

Cancer

Most providers don't pay out on all malignant skin cancers. But surely all malignant skin cancers are critical? We think so. So, a Guardian policy pays out on all malignant skin cancers – no ifs, no buts. The amount we pay out is based on the current severity of the cancer.

Multiple sclerosis

Typically, providers want to see evidence that someone's suffering symptoms of multiple sclerosis at the time the claim is made. We think that's a little unfair when you consider symptoms can come and go. At Guardian, we pay out if a UK Consultant Neurologist says there 'has been' an impairment due to multiple sclerosis, even if the symptoms aren't apparent when they make a claim.

Where is the happiest place to live?

Regions in order of happiness

1 South West
2 Scotland
3 Yorkshire
4 North West
5 South East
6 Northern Ireland
7 East Midlands
8 East of England
9 North East
10 West Midlands
11 London
12 Wales

A new survey has revealed the South West is the happiest place to live in the UK, with Wales coming in as the least happiest.

The survey by Lloyds Bank and YouGov looked at factors such as: home ownership, salary, household size, knowing your neighbours, loneliness, crime rates, local services and unemployment to create a 'happiness barometer'.

The survey threw up some other interesting facts:

- Overall women are happier than men, but happiness for both dips to its lowest level for those aged between 25 and 34.
- People who own their own homes are happier than those who still have a mortgage to pay.
- Unsurprisingly, homeowners are happier than renters. Those who rent local authority homes are the least happy of all renters.
- Higher earnings can make you happier, but this peaks for those earning between £50,000 and £59,999. These earners were the happiest overall, and 12% happier than those earning over £100,000.

Overall, access to transport links and amenities, living close to family and friends, having a safe and clean neighbourhood and a sense of community makes people happier. Conversely, high levels of crime and anti-social behaviour, poor local services, transport and amenities and a feeling of loneliness make people less happy.

Author: 2plan

You're not average

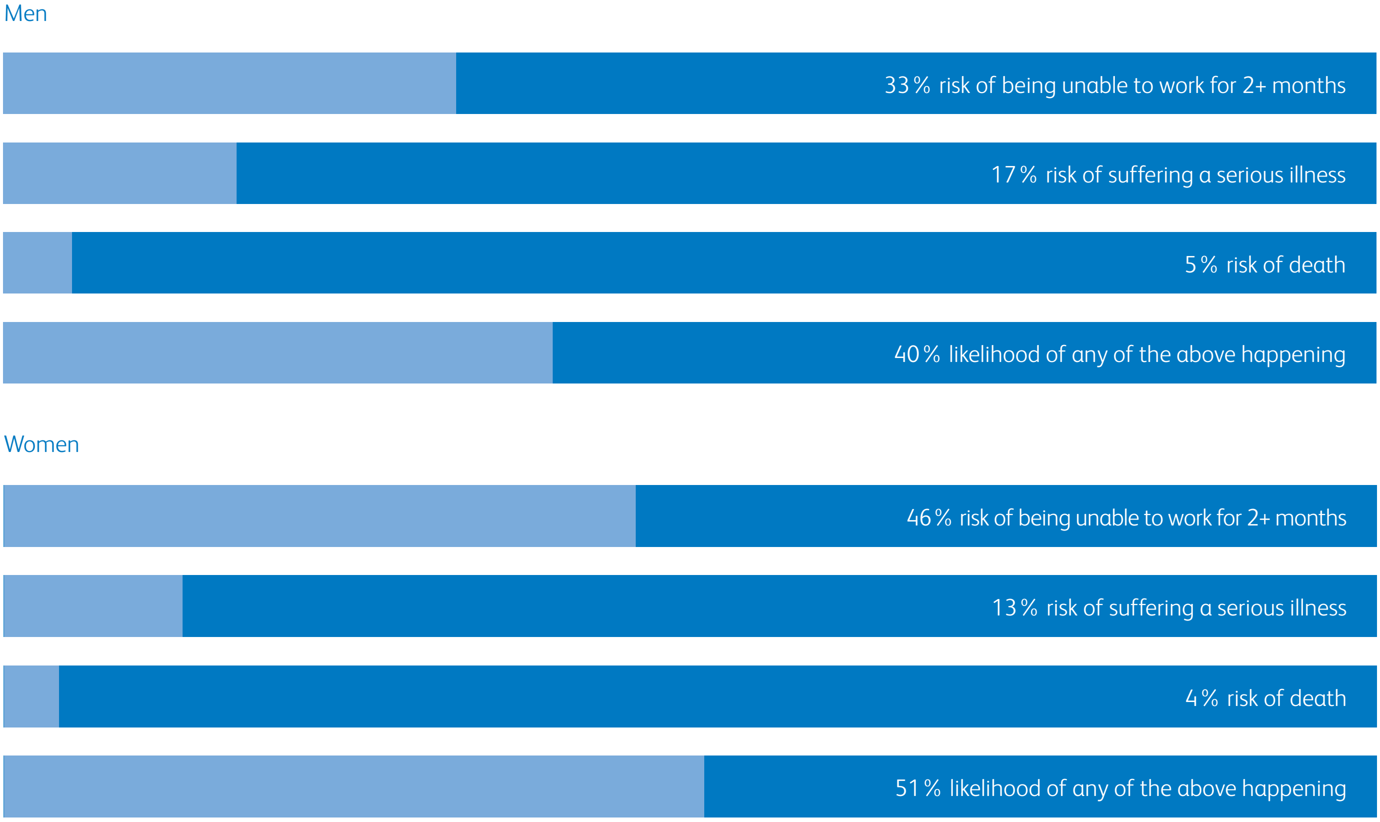
What does average look like?

Information released by the Office for National Statistics shows the average British man, Mr Average, is 38, will live to 85 and earns £31,103. The average British woman, Ms Average, is 40, will live to 88 and earns £25,308.

The LV= risk reality calculator gives you a rough idea of your risk of being unable to work for two months or more, suffering a serious illness, and death.

Running the details of Mr and Ms Average through the calculator uncovers some startling statistics of what life might look like for them before retirement at age 68.

What might be in store for you before the age of 68?
(Based on a non-smoker, according to population and industry statistics)



These statistics highlight the importance of all of us taking responsible steps to mitigate the financial impact these risks may have on you or your family. While we can't wrap ourselves up in cotton wool we could consider Income Protection, Critical Illness Cover and Life Insurance policies as part of a protection portfolio.

Income Protection

Income Protection pays out a regular monthly income to you, should you be unable to work due to an injury or illness.

Critical Illness Cover

Critical Illness Cover pays a one-off lump sum on diagnosis of any of the serious illnesses specified in the policy terms.

Life Insurance

Life Insurance can pay a one-off payment or a regular income to your partner or dependents when you die.

Author: 2plan

2020 economic outlook

Invesco's Chief Economist, John Greenwood, takes a look at the world's key economies, and provides his outlook for 2020. What might impact on our investment portfolios?

United States

During the first half of 2019, the US economy grew by just over 2.5% (adjusting for inflation), slightly ahead of typical estimates for the economy's potential growth rate of 1.9%. However, while consumer spending has been rising at a strong pace, business investment in physical assets (e.g. equipment or land) and exports have weakened. Household incomes have been supported by gradually increasing wages and high levels of employment, combined with ongoing improvements in consumer balance sheets, according to surveys by the New York Federal Reserve.

US businesses appear to have passed peak profitability in the current economic cycle. While profits have still been rising, profit margins have narrowed, and the strength of the US dollar has crimped overseas earnings.

Housing continues to make progress, aided by declines in mortgage rates. Housing is a lead indicator for numerous business sectors and is therefore encouraging for employment and for the purchases of a range of raw materials from timber to copper and steel.

All these indicators suggest that business is not in bad shape but has undoubtedly been derailed somewhat by the global slowdown in manufacturing. I expect US economic expansion to continue without overheating or being inflationary.

Eurozone

The decision by the European Central Bank (ECB) on 12 September — at Mario Draghi's last meeting as President of the Governing Council — to resume asset purchases (quantitative easing, QE) and to cut interest rates to -0.5%, was not welcomed by the heads of the German, Dutch, French, and Austrian central banks.

In my opinion, previous bouts of QE by the ECB have been a failure largely because they have been poorly designed. I believe that by acquiring securities from banks, as opposed to non-banks, the eurozone's growth in money supply is too slow. This in turn could lead to continued low inflation, negative interest rates and weak economic growth.

United Kingdom

The Brexit saga continues to dominate political debate in the UK while having negative effects on economic growth by maintaining a high level of "regime uncertainty" — a lack of clarity about the rules, regulations, tariffs, and competitive position of firms after the country transitions to its new relationship with the European Union.

The fluctuations in the Brexit debate continue to be reflected in two key areas: the foreign exchange market for sterling and the domestic investment scene. Elsewhere — such as in the labour market, in personal consumption spending, or in inflation trends — the UK economy has continued to perform much as it did before the referendum of June 2016.

Key takeaways

- The US economy is not in bad shape but has undoubtedly been derailed somewhat by the global slowdown in manufacturing.
- Brexit saga continues to dominate political debate in the UK, while the economy continues to perform much as it did before the referendum.
- It seems unlikely that there will be any sustained truce in the US trade war with China.

China

The trade dispute between the US and China is not showing any signs of easing up, with the effects on China's trade and GDP growth starting to have a significant impact. US imports from China have been falling significantly in recent months. By contrast, US demand for goods made elsewhere in Asia has been rising. Some of the smaller East Asian economies such as Taiwan, Korea and Vietnam are starting to see production and trade gains relative to China, as parts of the international supply chain shift towards those economies not yet targeted by the Trump measures.

Looking ahead, it seems unlikely that there will be any sustained truce in the trade war with China. Although the timing of the next US presidential election may encourage Trump's team to declare victory at some point in 2019-20 and end the trade war, I believe it is more likely that any suspension of US trade measures targeted at China will be temporary.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Important information

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I tracked every penny I spent for a year – here's what I learned

My three key takeaways from a year of keeping tabs on my spending...

I still get butterflies logging in to online banking. I'm not sure why – I know, ballpark, how my account is looking – but I can never quite shake the nerves.

It must be a learned behaviour: I'd spent years never truly knowing where my money was going (and going it was) so I was anxious whenever I checked my balance.

About a year ago I decided to do something about it. For three months I logged every transaction I made (no matter how small) and grouped them into categories. What could I learn from my spending habits?

And even though I'm (basically) a millennial and there's an app for this sort of thing, I did it all in a spreadsheet. Here are three things I learned in the last 12 months…

1: The extras cost more than you think

Life is expensive, right? Well I hadn't fully clocked. In my head, I would quickly total up our direct debits and spending on food (a guess), plus, say, £400 for extras each month and, hey, there was an amount left over. So where was it?

My juvenile mistake was underestimating how much these extras cost in total: a Saturday afternoon swim, a trip to soft play, new shoes for the girls, extra bread and milk, a birthday present for my sister, an MOT, parking, cash for this and that...

It turns out we were (are) spending between £600 and £700 per month 'living'. It wasn't even a small underestimation.

So the lesson was a simple one: we didn't know how much we were spending. Now we could see in black and white where our money was going. A pressure lifted.

2: I discovered where we were overspending and did something about it

For a long time, I hadn't bothered checking whether our TV and internet deal was still the right one for us. We'd been lured in with a great introductory offer which had run its course and were now paying full whack.

So I looked at what else was on the market, tweaked our package, haggled a bit, and saved us about £35 a month or, a better way to think of it, £420 a year.

I wondered what else I should check. Were we overpaying for our gas and electric, breakdown cover, or mobile phones? After a bit of research, I thought we probably were, so we changed those too. We also had a packaged bank account, but I won't go into that here.

All of this is straight out of the Martin Lewis playbook, I know, but it's been worthwhile, and we now feel like we're getting a bit more value for money.

3: Saving (and investing) is worth it

I'd always been interested in investing, but it felt like an alien world. And I mistakenly believed investing wasn't really worth it unless I had a decent amount to begin with. Like a jump-start.

But we wanted to start saving for the future. We weren't certain what for exactly – deposits for first homes and university fees were mentioned – but we felt it was worth starting, and soon, if we could afford it.

So we opened our first Stocks and Shares ISA and put in £20 per week. In ten years' time, our ISA is projected (repeat: projected) to stand at more than £16,000. If we upped our contribution to £30 per week, we're told it could reach almost £25,000 a decade from now. And if we stretched to £50 per week (we can't), we could be looking at about £41,000.

That's the tricky thing with investing: nobody knows for certain what will happen in the future. That's the 'risk' they talk about. It's possible to get back less than you put in, though that risk decreases the longer you invest. It's actually fun to see how market fluctuations affect our investment on a near daily basis. And if you're unsure or want to know more, you can speak to a professional financial adviser.

And so ends this quick snapshot of why I decided to scrutinise our spending. Using a spreadsheet might not have been wise, but understanding our spending habits has been worth it. For the little bit of financial confidence it's given us, at least.

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Reviewing your pension contributions

As you approach retirement, you probably want to know when you can afford to stop working. Having worked hard throughout your career you deserve to enjoy your retirement without having to worry about your finances. It may be worth reviewing your pension contributions to make sure you are taking advantage of the incentives offered by the government and your employer.

Make the most of tax relief…

The government tops up your pension contributions in the form of tax relief at your highest rate of income tax to encourage you to save. Basic rate taxpayers receive tax relief of 20%, while higher rate and additional rate taxpayers can claim back 20% and 25% respectively through their tax returns.

..and understand employer contributions

Since 2012, employers have been legally obliged to automatically enrol employees in a pension scheme, although you can opt out. As an incentive, employers top up employee contributions. The government increased the minimum contribution to 8% from April 2019 - at least 3% from employers with employees making up the balance. It is worth remembering that the employee's contribution includes tax relief.

Are you saving enough?

There are no fixed rules about how much you should contribute to your pension because of course everyone's circumstances are different. However, one rule of thumb is to take the age you started saving and divide it by two to give you the percentage of your salary which you might wish to put away each year. So, if you set up your pension at the age of 30, you could aim to pay in 15% of your salary.

Stick within the limits

There are rules covering how much you can contribute, and you could face a hefty tax bill if you break them. The annual allowance for the 2019/20 tax year is £40,000 or your full salary (whichever is lower), although it is tapered for anyone earning over £150,000. You can carry forward any unused annual allowance from the previous three years.

There is also the lifetime allowance – the maximum amount you can withdraw from a pension scheme. It is currently £1,055,000 and likely to increase with inflation. It's probably wise to keep a close eye on the value of your pension if it starts approaching this limit.

Deciding whether or not you can afford to retire is a significant consideration, and so it makes good sense to regularly review how much you are saving and ensure you are taking full advantage of any incentives.

Did you know...?

Gender pay gap

Pensions for women are £7500 less than mens on average and yet on average women live for three years longer than men.

A nation unprepared for retirement

Over half of the British population admits to either not saving for a pension or not saving enough for the retirement that they would like to live.

The rise of pensioners

In 1901, there were ten people working for every pensioner. By 2050 it has been predicted that there will be one pensioner to every two workers.

The value of your investments can fall as well as rise, and you may get back less than you invest.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Author: 2plan

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