ROUSE
INTELLIGENT FINANCIAL PLANNING

Wake up & smell the coffee

Financial Planning with a BOOST

www.rouseltd.co.uk

Who's who at Rouse?

Contacting a member of our admin team in the first instance will quicken the response time for your enquiry. You can be assured that the appropriate action will be taken immediately and your issue speedily resolved. For further details, call us on: **01983 535740** Email: **admin@rouseltd.co.uk** Visit: **www.rouseltd.co.uk**

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Welcome to Rouse

The world can seem like a ball of confusion. We're overloaded with information from all angles and at all times of the day and night. It's good to communicate but there has to be balance.

It was with this in mind that we approached this issue – with the central aim of helping you make better informed choices and to put your financial future in sharper focus.

We look at making sense of pensions illustrations, which might then help sharpen your focus on your pension savings (will you have enough to live on?), and shine a light on the difference between gambling and investing, as well as giving a little more insight into the flexible options available with Equity Release products.

Take some time now and think about where you are on your financial road - and where you want to end up. We'd be happy to join you on your journey.

04 Investing versus gambling: what's the difference?

The differences are, in fact, huge and not just limited to the fact that the investment sector is so heavily regulated. '£5 on number four dog', or the joys of a balanced portfolio and the benefits of compound interest? Read more in this section if you want to play your cards right.

06 Equity Release: unlock the value of your home

The Equity Release market is booming, helped in part by low interest rates but also by greater numbers of retirees using the capital in their homes to boost their retirement income. But is it right for you? Our Property Finance Adviser, Phil Moore, notes some key facts and gives a real life example of how, set up properly, Equity Release can turn a life around.

08 Pension illustrations: we help you see a clearer picture

Since new regulations required providers to illustrate a more realistic outcome for individuals' pension savings, some have been shocked at the results. In this section we attempt to explain that it's not as bad as it seems and taking a more realistic view can be positive.

10 Reality check: pensions

The ticking time bomb of UK pensions. We blow the doors off with a reality check. Whether you think you'll be relying on the state pension, funds from an employer scheme, or are on track to achieve the retirement you want – it's a good idea to take a realistic look at your pension playbook.

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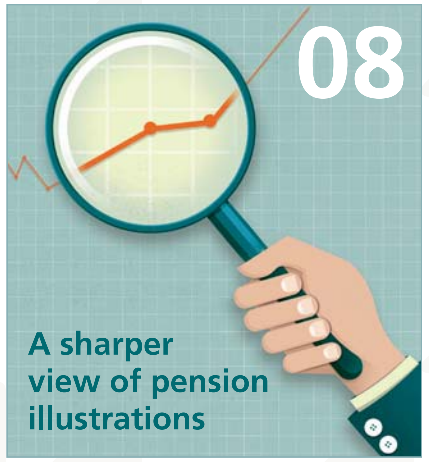
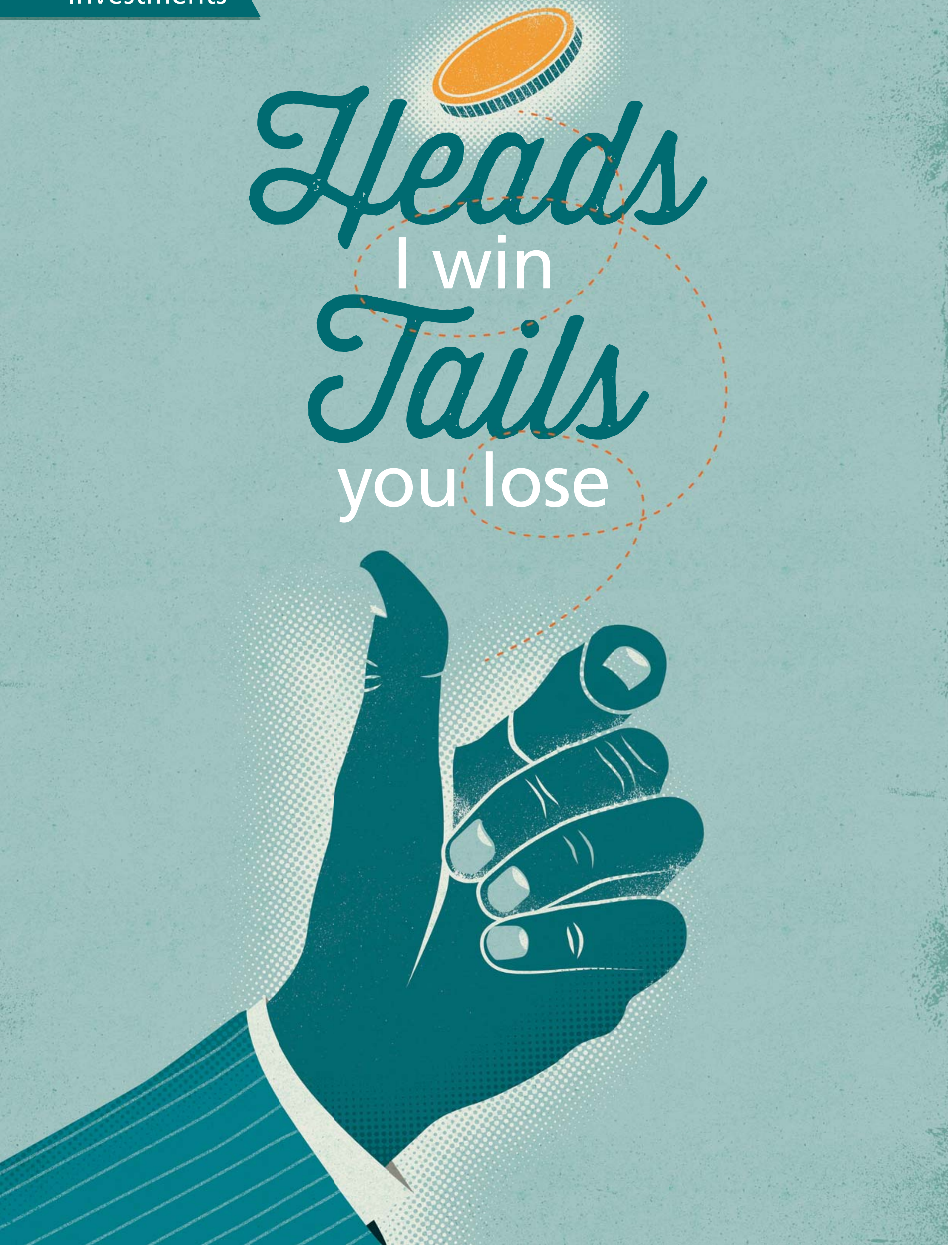




It might be somewhat paradoxical for a team of Financial Planners to put gambling and investing in the same sentence but bear with us. You'll no doubt be thinking that you know exactly how this is going to pan out – and you'd likely be correct. They're not the same. But to coin a phrase: well we would say that, wouldn't we? So let us explain.

Place your bets

One of the key differences is that, unlike investing, there is no loss mitigation strategy with gambling. Investors are used to hearing that they should diversify, and financial advisers regularly rebalance a client's portfolio. What this does is aim to protect a client's capital and any gains from market volatility. However, if you place a £25 bet on a horse to win and it doesn't, you have lost that money. An each way bet is about as close to loss mitigation that gambling gets – but it doesn't really count as a plan. Time is a key difference too. A bet on a race is restricted to the time it takes for the race to finish and you've either won or lost your capital. Investing is generally long-term; those who hold their stocks for years find it does, literally, pay dividends.

There's also a logic-defying belief, often made by those who are regular gamblers, that a run of losses will result in a big win. So they keep going, often with devastating effect. Emotion plays a big part in gambling.

You know I'm born to lose, and gambling's for fools. But that's the way I like it baby, I don't want to live forever

Motorhead, Ace of Spades

Gambling is unlikely to prove a successful route to a good pension pot, a fact apparently accepted in the above sentiment. One of the cardinal rules of investing is to avoid emotion in your decision-making. Most investors know the rules of thumb: don't try to time the market, invest for the long-term and don't sway from your long-term strategy. However, when markets are falling, fear and anxiety can over-ride long-term strategy and mean short-term decisions are made that might not produce the best long-term results. In effect your investment strategy turns into a gamble.

This situation is avoidable in investing though, but planning – and taking qualified advice – is key. One of the first steps for a financial adviser in putting together a wealth management plan for an individual is to assess that person's attitude to risk. When we think of this we tend to think in terms of how a person feels about taking risk. Where they strike the balance between seeking a favourable outcome versus the risk of an unfavourable one is known as their risk tolerance.

The extent to which their financial plan can withstand unexpected or negative events is also assessed and this is known as their risk capacity. In addition the financial adviser will also need to balance the aims of the of the investor against these two factors and evaluate the risk required to achieve them. So from the outset, investing takes a much more strategic approach, and with guidance from the adviser – diversifying or rebalancing when necessary - it is possible to reduce the negative effects of any market volatility.

Playing the Joker

It's true though, there are some forms of investing where you're hard-pushed not to view it as gambling.

Spread betting, for example. This is when you're not actually investing, in terms of buying actual shares in a company, rather you're speculating on the markets and a range of possible outcomes.

This route is definitely not for the faint hearted but some find it tempting because the returns can be quick and potentially very big. But so are the losses and you can lose far more than you have put in owing to the 'spread', which can vary between trading platforms as it's how they make their money. This form of 'playing the markets' is one for those with money they can definitely afford to lose.

A cousin of spread betting is CFD trading (Contract For Difference). This does give you direct market access (ie you're buying into listed companies) but at a fraction of the cost of buying ordinary shares. It's essentially an agreement between the investor and the provider. Both parties agree to pay the difference between the starting price and the price when the investor chooses to sell. An investor can 'bet' on the asset cost rising (going 'long') or falling (going 'short'). Whichever way the investor pitches, the provider takes the opposite view. Again, losses can happen very quickly and can be much more than the original stake.

Good things come to those who wait

Investing, however, isn't without its risks and it's important to accept from the start that markets rise and fall – and to seek advice from a qualified financial adviser. History shows that people can lose and gain spectacularly but it's those who are in it for the long haul that have more chance of winning.

If you would like to know more about any of these points, please contact us on 01983 535740.

Unlock
the value of your home

Equity Release has changed. It doesn't have to be a last resort option with the prospect of losing your house to the mortgage lender. Set up properly, Equity Release products can provide security, a helping hand for offspring to get on the housing ladder or home improvements. And increasingly they are being used to cover a shortfall in retirement income or repay an interest only mortgage due to mature without adequate provision for repayment.

Equity Release is the overarching term used to describe a range of products that allow you to release money tied up in your home. There are two main types: Lifetime Mortgages and Home Reversion plans. But within that there is flexibility in, for example, how you take the money, or how you repay it. However, you must be at least 55 years old to qualify.

1 **Lifetime Mortgages:** These allow you to borrow money against your house. There is interest to pay on the loan and you can either pay all or part of this interest, if income allows every month, or choose to pay nothing and have the interest (compounded) added to the loan. With an interest 'roll-up' mortgage, the amount of debt increases over time. The amount you're able to borrow depends on your age, health and the value of your home. We recommend that you involve family in your decision to take out an Equity Release contract as it will have an effect on the inheritance they will receive.

Lenders are becoming more flexible and adapting to people's needs. For example, it is now also possible to guarantee that an agreed percentage of your home's future value is kept for beneficiaries; ad hoc payments can be made without penalty; a cash drawdown facility can be included.

Key fact: Must be aged over 55.

2 **Home Reversion:** This is a product that allows you to release capital by selling all or a part share of your property to a provider who then grants a lifetime tenancy allowing you to remain living in your home until your death (or for a couple, the death of the remaining partner) or move into long-term care. Generally, the older you are the more you're able to release or the smaller the share of the property you need to sell. It's not for anyone under age 65.

Key fact: Must be aged over 65.

Our Property Finance Adviser, Phil Moore, recently helped one of our clients achieve a very favourable outcome with a Lifetime Mortgage:

The circumstance

The client is in their early 70s and was introduced to Rouse Limited by someone who had been very happy with the advice and service provided when we had arranged a Lifetime Mortgage for them to help purchase a property a few years ago.

The client receives the state pension along with income from three small pension annuities from insurance companies. They have just enough to live on each month after paying rent - which ate into their savings and they considered it a waste of money.

During the initial meeting (free and without obligation), they indicated they were very keen to own their own home again as, among other reasons, they were worried about future rent increases and the possible sale of the rented property. A two bedroom flat was on the market for £120,000, in the desired location.

The process

Phil took the time to explain the options available and indicated that it may be possible to secure a Lifetime Mortgage which, when combined with savings, would be enough to cover the cost of the purchase price and the initial costs involved with the purchase.

Having completed a detailed Equity Release fact find questionnaire and carried out research, Phil recommended that the client apply for an 'interest roll up' Lifetime Mortgage product.

A detailed suitability report, including full details of the mortgage product, the reasons why this particular product had been recommended when comparing all similar products in the market along with the risks involved, together with a mortgage illustration were provided and the contents fully explained, before an application was submitted to the lender.

The outcome

The client was surprised and delighted to be told that it was still possible to obtain a mortgage and there were no monthly repayments to make. This helped make them more financially secure and removed the worry about paying rent and making ends meet each month.

The client had thought that Equity Release products were only available to existing home owners and didn't realise that a Lifetime Mortgage could be used to help fund a house purchase.

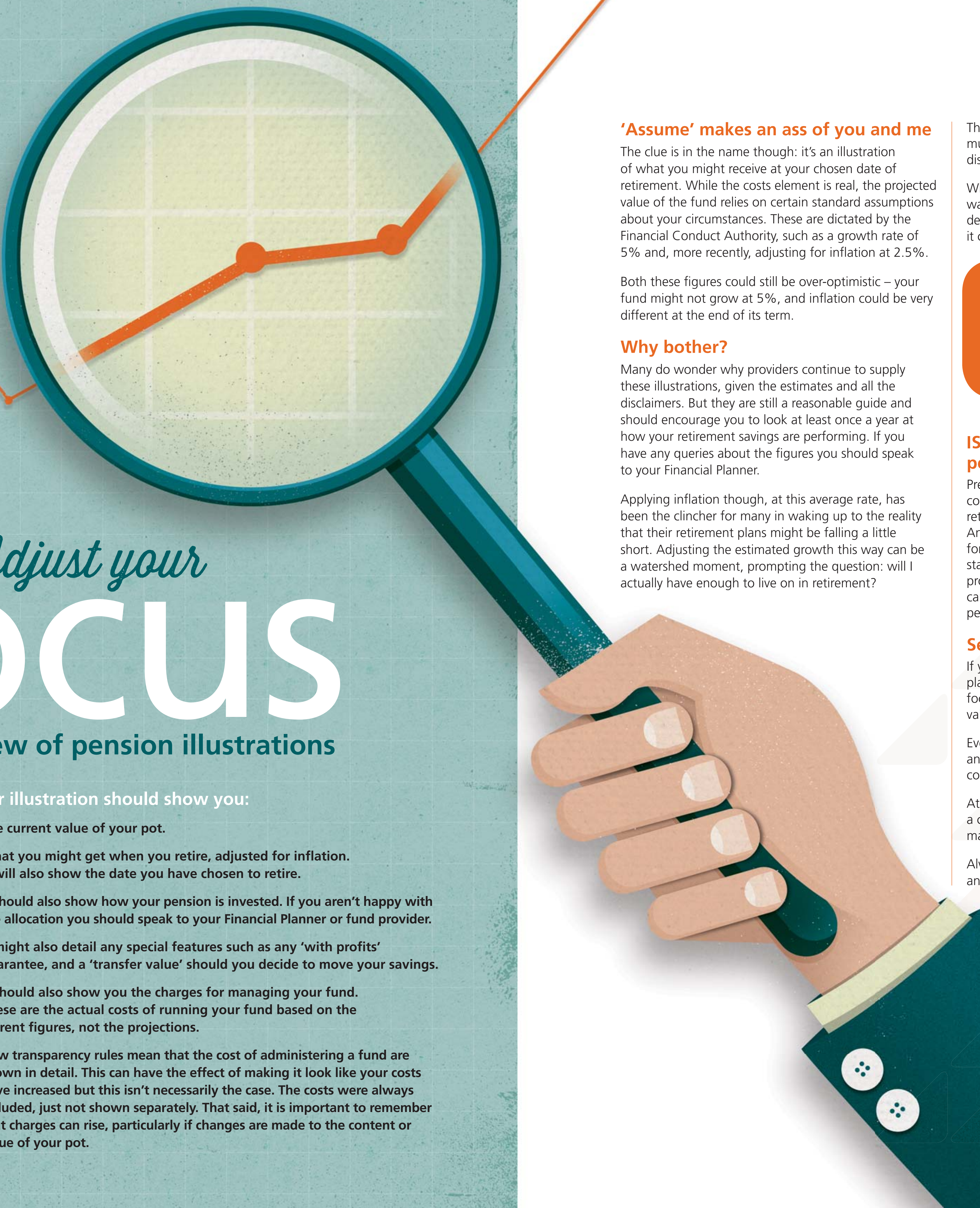
The client is fully aware that by not making monthly interest payments and by choosing to have the interest 'rolled up', the amount borrowed plus the compounded interest will have to be repaid to the lender and that the debt will grow more quickly. Repayment would normally be on death, or if they have to move out of the property and into long-term care.

The client has discussed the plans with the family member who is sole beneficiary of the estate and made them aware that this will affect the inheritance as the equity in the flat will reduce, potentially to nothing, in the future. They have confirmed that they fully understand and support the client's plans.

Equity Release is not right for everyone and you should always consider all other available options before proceeding and take professional, qualified advice.

If you'd like further advice on Equity Release please contact us on 01983 535740.

Pensions



Adjust your focus

A sharper view of pension illustrations

If you're saving for a pension you will receive annual updates from your provider giving an illustration of what your pot is worth and what it might be worth at your chosen retirement age.

Quite often though the information presented is confusing; at best it can be difficult to find key facts and at worst it needs translating by your Financial Planner. So what should be there and why might the outlook appear less rosy than perhaps it once did?

Your illustration should show you:

- **The current value of your pot.**
- **What you might get when you retire, adjusted for inflation. It will also show the date you have chosen to retire.**
- **It should also show how your pension is invested. If you aren't happy with the allocation you should speak to your Financial Planner or fund provider.**
- **It might also detail any special features such as any 'with profits' guarantee, and a 'transfer value' should you decide to move your savings.**
- **It should also show you the charges for managing your fund. These are the actual costs of running your fund based on the current figures, not the projections.**
- **New transparency rules mean that the cost of administering a fund are shown in detail. This can have the effect of making it look like your costs have increased but this isn't necessarily the case. The costs were always included, just not shown separately. That said, it is important to remember that charges can rise, particularly if changes are made to the content or value of your pot.**

'Assume' makes an ass of you and me

The clue is in the name though: it's an illustration of what you might receive at your chosen date of retirement. While the costs element is real, the projected value of the fund relies on certain standard assumptions about your circumstances. These are dictated by the Financial Conduct Authority, such as a growth rate of 5% and, more recently, adjusting for inflation at 2.5%.

Both these figures could still be over-optimistic – your fund might not grow at 5%, and inflation could be very different at the end of its term.

Why bother?

Many do wonder why providers continue to supply these illustrations, given the estimates and all the disclaimers. But they are still a reasonable guide and should encourage you to look at least once a year at how your retirement savings are performing. If you have any queries about the figures you should speak to your Financial Planner.

Applying inflation though, at this average rate, has been the clincher for many in waking up to the reality that their retirement plans might be falling a little short. Adjusting the estimated growth this way can be a watershed moment, prompting the question: will I actually have enough to live on in retirement?

This is a good question to ask yourself regularly – and much better to ask it while you're still saving than to discover the answer when you can do little about it.

While it's always disappointing to see what you thought was being nurtured into a healthy fund now looking decidedly smaller, a positive outcome from this is that it can allow different conversations to take place.

> **'Inflation is as violent as a mugger, as frightening as an armed robber and as deadly as a hitman'.**
>
> **Ronald Reagan**

ISAs don't necessarily outperform pension savings

Presenting all the figures in a colder light means you could be more likely to take an active approach to your retirement planning and adjust your route accordingly. And it's worth noting that ISA values are not adjusted for inflation. If you also hold savings in an ISA, your statement will estimate growth at, say, 5% but that projected figure won't be adjusted for inflation. This can often mean that your ISA savings look like they're performing better than your pension.

See the bigger picture

If you are saving into a pension you are obviously planning and thinking about money but it's easy to focus on the cost of something and not recognise the value of what you're getting.

Everything comes at a cost. It's a question of planning and arranging your assets in such a way that those costs are outweighed by the gains.

At Rouse we will always act in the best interests of a client; we will not bow to a cheap product just to make the costs look better.

Always talk to your Financial Planner before making any decisions about your retirement savings.

Living the dream

Blowing the doors off your pension playbook. What does reality show?

What are your plans for your retirement? From grand plans to travel or write that novel to throwing the towel in early – whatever you want your retirement to be like, it will require input from you now.

Hoping for the best (or a lottery win) or just ignoring the future isn't a plan. So wherever you are in your financial journey, we thought it was time to lay out some key facts regarding your retirement goal.

The nearer to retirement you are, the more difficult it will be to achieve a decent amount of savings. But there are always options: **act now because each day counts**.

Investing for your retirement is more important than ever. We have an ageing population with the system already straining under the weight of increased life expectancy, which means that you are likely to spend more time in retirement than your parents – and it all needs paying for. Time to take control.

Start now

Think about your future lifestyle and how much you might need each year to actually achieve what you want. The earlier you start saving, the better. Remember your financial best friends are compound interest and time.

How do you find out how much to save each month?

Once you've decided on the result you'd like, have a look at an online pension calculator. They take into consideration a number of factors, such as age, current salary, when you'd like to retire, and how much you'd like to live on. It will calculate how much you need to save each month. This will illustrate again how much easier it is to save the earlier you start. If your aim is unachievable though, saving 15% of your salary is a good starting point.

Check your savings

Auto-enrolment means that many more people are now saving for their retirement through an employer scheme. However, recent figures (from the Office for National Statistics) show that 45% of the self-employed have no pension savings. We've seen the failure of huge companies leaving a large-scale pension deficit. So, all in all, the retirement savings outlook is increasingly bleak for many in the UK.

Without going into the ins and outs of dealing with the budget deficit or finger pointing at various administrations over the last few decades as to why there is now a £5 trillion pensions deficit in the UK, we'll cut to the chase: **most people should be saving harder than they are for their retirement**.

The state pension age is moving gradually higher, with the aim of reducing the time the average person spends in retirement (and therefore receiving state payments). But this rather depends on people being able to stay in employment or to continue (or start) working as self-employed. The new state pension is not means-tested but the length of time you have paid National Insurance will have a bearing on how much you receive. You can check your state pension entitlement at **www.gov.uk/check-state-pension**.

Remember also to find all the pensions you have; these are likely to be old workplace pensions from jobs you've left. If you do have a few, it's a good idea to transfer them into one pot as it makes looking after them that much easier.

Time is money

If we continue on this current path the prospects for our children will be even worse. To be on the safe side, start saving for them now. A personal pension (open to any UK resident under 75 years) can allow flexibility in the amount and frequency of contributions (a minimum contribution for some is just £20) and charges are often capped. Crucially, anyone can contribute. So, for birthdays or other special events, rather than making gifts of money or buying presents, you could pay something into their pension.

Pessimistic or realistic?

We don't intend to paint a picture so black you're scared to do anything but we do want to galvanise you into action, even if it's only to check your retirement planning is on track.

On page 8 and 9 we covered what to look for in your pensions illustration – the annual statement you receive from your provider (whether that's through a workplace scheme or in a private pension). You must read this statement. Even as an illustration it will give you an indication of what your current retirement savings plan will produce at retirement. It will probably surprise and disappoint you, particularly since now the amount is adjusted for inflation, but this gives a much more realistic view of what might be. Set against the projected lifestyle you're hoping for, this should highlight any discrepancies between plans and reality.

Your statement might also give you an example of what you might be able to buy with the amount (eg an annuity); this will likely disappoint you even more. Harness the power of that disappointment and think about how you can make the outcome more positive. A good place to start is by seeking advice from a qualified, independent financial adviser.

It's your life – plan to enjoy it.

If you would like to discuss your pension options, please contact us on 01983 535740.

Rouse in the community

The community spirit runs deep in the team at Rouse. Whether it's by support through charitable patronage or getting stuck in and helping at community sports groups, we all try to help in some way. Giving back to our community fits well with our ethos of encouraging a good work/life balance. And there's nothing better to lift the spirits than knowing you're helping others in some way.

Call of duty

Having signed up to the Armed Forces Covenant, commitments we have made include the promise that no member of the Armed Forces community should face disadvantage in the provision of public and commercial services compared to any other citizen, and that in some circumstances special treatment might be appropriate particularly for the injured or bereaved. We are also committed to supporting team members who would like to become reservists.

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Launchpad takes off

Matt Jones, Chartered Financial Planner, has been visiting Island sixth forms with his financial literacy presentation. The presentation, which is delivered free to Island sixth forms, is geared towards helping this age group make their giant leap into adulthood. It aims to help them understand how to make educated choices regarding their money.

Matt's message has been very well received and having now presented to the majority of Island sixth formers, the aim is for the presentation to be adapted for different age groups – both younger and older – to help give more people the tools they need to stay in control of their money.

To boldly go into the world of work

We are always keen to help where young people are concerned, so we were happy to be invited by the Enterprise Business Partnership (EBP South) to help with their 'speed networking' and mock interview days.

These events allow young people to spend a short time with business people from around the Island and hear about their working day. This led on to mock job interviews, to help give them a non-pressured experience of a job interview. The overall intention was not only to demystify the job application process but also perhaps provide them with some alternative ideas of ways to make a living, and to promote a greater connection between schools and businesses on the Island.

Around the Island

We have also taken part or supported a number of other initiatives and events around the Island:

- We sponsored Style of Wight's Children's Writing Competition. As Ben Rouse commented at the time:

  'It was a privilege to attend the Style of Wight Children's Writing Competition awards evening and meet some of the aspiring authors. The competition showcased some of the extraordinary writing talent we have on the Island and Rouse Limited was very happy to be involved with this great initiative. We look forward to seeing this competition becoming a significant feature in the Island's calendar.'

- Moore Stephens (Chartered Accountants) held a charity quiz night, for which we entered a team. We had a very enjoyable evening and helped raise over £1800 for Wight Aid (a charity that gives grants to Island-based groups and charities).

- We have also supported the Hampshire Constabulary band, via one of their concerts, and are pleased to be one of the sponsors of the Royal Isle of Wight Agricultural Show. The Royal Agricultural Society (RIWAS) is a charity supporting the education of 'home grown' farmers through annual bursaries from its Rural Careers Fund.

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