

# VIEWPOINT

PINK FINANCIAL CONSULTANCY

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## Investment Update

# Dicing with the delta variant

With the UK leading the way in lifting its pandemic restrictions, the coronavirus Delta variant has put many countries on edge.

Nations experiencing a surge in the Delta variant of the coronavirus are in a race between vaccinating a majority of the public and getting ahead of the new strain in order to lift restrictions with confidence. The US, UK and EU are experiencing spikes in the rates of infections and there is some worry from economists about Europe's previous positive outlook experiencing a setback due to the rapid spread of the variant across the Continent. The UK's 'freedom day' did go ahead on 19 July, albeit with businesses and local authorities given the ability to apply their own mandates in areas like mask wearing. The government's aim to push on with the full reopening of society was boosted by the news from the Office of National Statistics (ONS) of a 356,000 surge in payroll figures for June. This is still below pre-pandemic levels, however.

Uncertainty about the Delta variant led to a volatile period for stock markets towards the end of the month. But fears were alleviated by the expectation of ongoing support from central banks as well as strong corporate earnings in both the US and Europe. In better news for UK markets, London overtook Amsterdam as the biggest share trading centre in Europe. This marks the first time London has taken the mantle since the conclusion of the Brexit transition.

The United Nations estimates that the financial toll of the coronavirus pandemic on global tourism could result in a \$4 trillion loss to the global economy. Poorer countries are likely to be hardest hit, mainly because of low vaccination rates.

## Inflation and consumer spending continue to rise

On both sides of the Atlantic, a surge in the growth of prices has given economists renewed concern about overheating economies. US consumer prices rose again in June and the inflation rate in the UK hit 2.5% in the same period (which is the highest level since 2018). The Bank of England's monetary committee believes this is still a temporary phenomenon of strong growth, and expects things to fall back to pre-pandemic levels.

House prices in the US rose by over 14% in the year to April 2021, signifying the fastest rate of growth in 30 years. The American job market continued to regain ground, too, with a further drop in jobless claims in June and July.

## China's surge in stocks and bonds

Focus turned to China, following news that its economy expanded by 1.3% in the second quarter. This was mainly a result of retail sales, a growth in manufacturing and increased investment. The country's exports also rose in June, along with GDP growth of 7.9%. Global holdings of Chinese stocks and bonds surged, as reported in July, by around 40% to more than \$800 billion over the past year.

This is seen as a result of investors purchasing assets at a high rate, even accounting for the tense economic relations between China and the wider international community. China's crackdown on tech companies like ride-hailing app Didi Global, which has listed its shares in the US market, is an example of causing an air of uncertainty for investors.

# Time to consolidate your pensions?

Employer pensions can accumulate as we change jobs, and it's easy to lose track of how much each one contains. We explore what you need to know if you're thinking about consolidating your pensions.

When you leave a job, it's easy to forget about the workplace pension you might have had there. With the average person having several jobs during their lives, along with the 2012 introduction of auto-enrolment for employer-based pensions, it's not surprising that many of us have more than one pension to our name.

***Whatever the situation with your workplace pensions, the first thing to do if you're thinking about consolidation is to speak to a financial adviser. We can help you figure out the best solution for your individual needs.***



## Tracking down your old pensions

All pension providers are obliged to send members of their schemes annual statements to keep them updated on how much their pension contains.

The Association of British Insurers (ABI) estimates 1.6 million pension pots worth billions of pounds are forgotten about due to people just moving home. So it's vital to write to your old pension providers to let them know if your address changes.

The government is in the process of launching a dashboard where all pension providers will be able to input member details, giving customers the ability to see their pensions in one place. But the process will take some years for all providers to supply their data.

## Consolidating your pensions

As to whether you should consolidate your pensions into one pot, the first step should be to check the small print. If you have an older pension (around 20 years or older), you could lose some of its benefits if you transfer and be left with steep exit fees taken out of your pension amount.

Unlike older pension schemes, the newer 'defined contribution' pensions are more common and less likely to be affected by exit penalties if you want to transfer them into one place. The funds are invested, which makes consolidation an attractive option.

It's worth noting that if you're still paying into a defined contribution scheme and want to withdraw from it, the amount you can pay in and claim tax relief on could reduce.

On average, management fees for workplace pensions are around 1%. Newer pensions could benefit from tax benefits that older ones don't come with, so it's always worth checking each policy individually and get some advice from a financial adviser.

## Leaving older pensions where they are

Along with exit fees and tax privileges, pre-2006 pensions (that were not affected by tax changes established in 2006) could have benefits like guaranteed annuity rates (promising a guaranteed income after retirement), which could be lost if transferred to another pension pot.

Final salary scheme pensions are probably best where they are, too, due to the nature of their payouts when you retire (based on what you earn at retirement.)

Some people opt to create a self-invested personal pension (SIPP), which lets them choose where their pension money is invested. This is beneficial to those who want to put their money into sustainable funds and make ethical investment choices.

# The perks of protection

## What support do insurers offer after the event?

### Illness and bereavement help.

Many providers give free access to services offering practical and emotional support for those left behind after the death of the policyholder.

### Rehabilitation.

Insurers usually offer back-to-work support services, including physiotherapy, careers guidance or advice if you choose to go self-employed. If you're returning to work following a mental health issue, providers will continue to cover counselling sessions for a set period of time.

As well as peace of mind, many insurance providers offer additional benefits that you may not know about.

Whether we're crossing the road or getting on a plane, we encounter risks every day. For many of us, life has felt more uncertain than ever over the past year as we continue to deal with the coronavirus pandemic. Although we can't always control what's happening in our lives, we can plan for the unexpected.

By taking out a protection policy, you can safeguard your family's finances if your situation changes. The main types of protection include:

- Life cover – pays out a lump sum if you die
- Health insurance – pays medical costs at a private hospital or private ward
- Critical illness – pays a tax-free lump sum if you're diagnosed with a major illness
- Home contents and buildings – covers your home's structure (including fixtures and fittings) and contents (furniture)
- Income – pays out if you can't work due to illness or injury

As well as peace of mind, protection policies often come with added extras. We've highlighted examples of some of the perks you could receive when you take out a policy, even if you don't make a claim.

## Welcome gifts

When you sign up for a protection policy, some providers offer a welcome gift. For example, health insurers sometimes offer gadgets like an Apple Watch to help you track your activity – with some even offering a discount based on the amount of exercise you do each month.

## Discounts

Many health insurers offer discounts on gym memberships and weight-loss programmes to help you embrace a healthier lifestyle. Some also offer you the option of taking a health check to reduce the amount you pay each month.

It's worth noting that when you take out a protection policy, your provider is likely to offer you discounts on other products such as pet or travel insurance.

## Additional healthcare options

Some health insurers now cover complementary therapies such as osteopathy and acupuncture, giving you more treatment choices. In addition, counselling services are now included in most health insurance policies and many also give you the option to upgrade your hospital room if you need treatment.

## Will writing

Some providers of life insurance give new policyholders the opportunity to draw up a will free of charge.

## Cover for children

Many critical illness plans include free cover for dependent children.

Whatever type of protection you're looking for, get in touch and we can help

