

VIEWPOINT

PINK FINANCIAL CONSULTANCY

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.



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Be wary of the crypto-craze

You might be thinking about whether to invest in crypto currencies. We explain why it may not be the right choice, and how to better approach your portfolio.



This year has been eventful for bitcoin, with the cryptocurrency reaching a record high and then almost halving in value all in the space of six weeks. The walk-back in May from Tesla's Elon Musk in his support of bitcoin underlined concerns around the idea of cryptocurrencies as a stable investment. Musk – previously an outspoken supporter – announced his company would not be accepting bitcoin as payment for its vehicles. What followed was a series of plunges in its value – not helped by the additional news of Chinese regulators signalling a crackdown on the use of digital currencies.

Bitcoin in brief

Bitcoin is a type of digital, decentralised currency, allowing the transfer of goods and services without the need for a trusted third party. The network is based on people around the world called 'miners' using computers to solve complex mathematical problems in order to verify a transaction and add it to the 'blockchain' – a massive and transparent ledger of each and every bitcoin transaction maintained by the miners. The first to verify is rewarded with bitcoin. There is a finite amount of bitcoin that can be produced and, as more are created, the mathematical computations required to create more become increasingly difficult.

Cryptocurrencies can be volatile

Bitcoin's high volatility (risk) makes it a poor substitute for money in a broad sense. The unsteady air around cryptocurrencies in May showed the speculative nature of this asset class. Bitcoin and cryptocurrencies in general have more in common with commodities and currencies – they are much harder to value than cashflow-producing equities and bonds.



Reasons to be crypto cautious

- Cryptocurrencies are a volatile choice and susceptible to stock market bubbles, which can affect investments negatively during a downturn.
- They're not a tangible form of investment, and are not regulated, which can be a red flag when it comes to your investments.
- Volatility means investors are likely to act on doubts and sell if they fear a fall in return.

Where to invest?

A sensible approach is to invest in high-quality companies that are well-established businesses. These are usually businesses with strong management teams, serviceable levels of debt and predictable cash flows. To avoid being hit by market volatility make sure your portfolio is invested in a wide range of assets, and less vulnerable to market shocks.

Staying invested when there is a downturn can help you get through any turbulent times and put you in a good position to benefit from any ensuing recovery.

Our financial advisers can help advise you on your investment choices.

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



Protect your possessions with accidental damage cover

Insurance claims for accidental damage increased over the past year as more people worked from home, so it's a good time to check your own coverage.

Figures from some of the country's biggest insurance providers have shown a sharp rise in claims of accidental damage during the lockdown.

With many millions now working from home, the chances of accidents and damage to property have inevitably gone up. Halifax Home Insurance reported a rise of 35% for claims between July and September 2020 compared with the same period in 2019.

Types of accidents included damage to computers and other electrical items, broken windows and water leaks. With holidays cancelled, children home schooling and everyone staying in, appliances were used a lot more than normal, along with central heating systems.

Millions paid out in home insurance claims

One Insurance provider paid out £33 million in home insurance claims in 2020, with 15% going towards accidental damage claims. General claims not related to accidents accounted for 25% and were mostly related to appliance and pipework damage.

The biggest rise in claims related to damage to computers and electrical equipment because of spillages. As working from home turned many of us into amateur office managers, the usual health and safety measures within a normal office environment were not easy to replicate – especially with children and pets in the picture.

Admiral reported its accidental damage claims increased by 28% since the lockdown started in March 2020, compared to the previous year. Damaged laptop claims increased by 31% and claims around damage caused by home renovation also rose.

Check your accidental damage coverage

It's a good time to see what your home insurance policy includes when it comes to covering accidental damage to your property.

1. Check that you have the accidental damage cover in place, because it's often offered as an optional extra to your home insurance.
2. Check the limits and exclusions on your accidental damage cover, making sure there is enough to cover any new gadgets or equipment you bought during lockdown.
3. If you have made renovations and upgrades to your home during lockdown, try to calculate the extra value they bring to your home to ensure your home policy covers it.

How to avoid accidental damage in your home

Sometimes, accidents just happen. But there are ways to reduce the likelihood of an accident, like keeping drinks in a closed cup, away from computers, or tidying cables to avoid tripping.

With many homeowners installing wooden flooring, it's worth keeping rugs secure with non-slip backing, and encouraging children to be aware of risks in the home when they are playing.

And it's always a good idea to have your insurers' telephone number and the policy details handy for when you need them.

Along with helping you check the small print in your accidental damage policy, your financial adviser is here to help you find insurance plans that work best for you and your family, to make sure you're best protected.

Can your pension sustain your retirement?

Working out how long your pension pot will need to last – as life expectancy rises – is worth thinking about sooner than later.

The lockdown caused many people to reassess their lifestyles, which for some meant choosing early retirement. But what retirees have found is that pension pots are not matching the period of time needed to enjoy a comfortable life.

Life expectancy is going up. The Office for National Statistics offers an online calculator which gives an estimate of life expectancy – and with it an idea of how many years people will need their pensions to sustain them.

What's your number?

The 'Class of 2021' report from Standard Life Aberdeen lays out how much value an average pension pot needs – around £366,000 if you multiply the average annual amount retirees surveyed said they would spend (£20,000) by 20 years of post-retirement time. A third said they had less than £100,000 saved.

Retirees need more than they think

The survey reported that two thirds of retirees were at risk of running out of money post retirement. Along with people living longer (on average, people aged 55 today will live to their mid-to-late 80s) there is the issue of rising inflation which raises the cost of living as years go by. Volatility in the investment markets also adds to the concern for people approaching retirement when it comes to pensions.

How to plan for the years ahead

Those surveyed did have plans to tackle this issue, however. Half of the those surveyed aimed to reduce the amount of money they spent on a day-to-day basis in order to save for retirement. Other considerations include downsizing their home and seeking part-time work after retirement in order to generate an income.

There is concern among almost half of those surveyed about being financially ready to finish working in the coming year. Yet many are aware of the need to be prepared when it came to their finances post-retirement, making any necessary adjustments – ideally with help from a financial adviser.

Keeping track of workplace pension plans and thinking about consolidating them into one pot might be a good place to start planning towards the goal of making your retirement as financially worry-free as possible.

Our financial advisers can help you review your pensions and advise on how to make the most of your pension.

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