

---

COLLECTIVE FINANCIAL PLANNING LTD  
AUTUMN 2019

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us



Suite 114 Milton Keynes Business Centre, Foxhunter Drive, Linford Wood, Milton Keynes, MK14 6GD

info@colfinancial.co.uk | 01908 686810 |





# Does diversification matter?

**When it comes to building your investment portfolio, you might have been warned about avoiding 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.*

**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."



# Don't slip up this winter

---

Hospital admissions increased by  
**220,000\***

during February and March 2018 last year, when the 'Beast from the East' and Storm Emma converged over the UK.

\*Compared to the same period the previous year (January – March 2017).

---

**Winter is coming, and with winter comes unexpected weather patterns and more time spent in the home. Both can lead to an increase in accidents, and accidents for you or children can lead to time off work or loss of income.**

## Outside risks

It's not only the obvious factors of slips, trips and falls and the onset of flu season that are common challenges during the winter months. Asthma sufferers are at risk of attacks due to the cold damp air. Cold weather also causes an increased risk of heart attack and stroke, and arthritis can become more painful during cold spells.

## Accidents at home

Unfortunately, accidents are most likely to happen at home. It is therefore important to be aware of potential risks to avoid unnecessary incidents. Falling is the most common cause of injury. Removing any potential trip hazards, especially on the stairs, and supervising your youngsters if they're climbing on furniture or playing in the house can help lessen the risk.

## Covering your bills

Injuring yourself at home or while out and about could lead to you being off work and not earning an income. This is where an Accident Protection policy will help as it provides a lump sum which could be used to help take care of the bills while you're off work, taking care of yourself or your loved ones. If you'd like the peace of mind that you will be covered in the event of an accident this winter, or indeed at any time of the year, it's wise to give some thought as to how best to protect yourself.



# How will changing working patterns affect your pension?

The sooner you start saving, the healthier your pension pot is likely to be when you need to draw on it.

But what happens to your pension planning if your working hours reduce, or stop?

## First things first

If you join a company you may be enrolled into their workplace pension scheme which, in most cases, your employer will also pay into. The self-employed, on the other hand, should set up a personal pension, which come in the form of a basic personal pension, stakeholder pension, or Self Invested Personal Pension (SIPP).

Workplace pension schemes will have minimum contribution levels, but you should save more if you can. In fact, some commentators suggest that if you take the age you start your pension and halve it, that's the percentage of salary you should save each year.

What's more, as your earnings increase it makes sense to save more into your pension if you can afford to. There's no limit on how much you save, but there are limits on the amount of tax relief you'll receive.

## To find out how much your retirement might cost, it's helpful to ask yourself:

- When do you want to retire?
- What do you want from your retirement?
- How will your spending habits change?
- Would you move, or stay in your current home?
- Will you continue doing some form of paid work after retirement?
- Will you be entitled to the full State Pension?

**Whether you're employed, self-employed, part time or full time, please get in touch with us to explore your pension planning options.**

The value of investments and any income from them can fall as well as rise. You may not get back the amount originally invested. HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

## What if your working patterns change?

If you reduce your hours your contributions may also reduce, so you'll need to consider how that impacts your retirement planning.

Working part time won't affect your state pension entitlement providing you earn at least £166 per week. Entitlement depends on your National Insurance contribution history and if your part-time earnings are lower than the threshold you might be able to pay voluntary class 3 NI contributions to plug the gap.

If you need to take time off work, you and your employer will carry on making pension contributions if you're taking paid leave. The same applies for maternity and other paid parental leave.

If you're taking maternity leave and not getting paid, your employer still has to make pension contributions in the first 26 weeks of your leave (Ordinary Maternity Leave). Whether they continue making contributions after that will depend on their maternity policy, so it pays to check.

