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RED STAR
— WEALTH —

Red Star News
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Seth Godin is an American entrepreneur who talks a lot about business. He said (I might be paraphrasing) that your brand is a set of expectations, memories, stories and relationships that, when taken together, account for whether your client's chose you or not.

You will notice that we here at Red Star have decided to rebrand and we are using this edition of our newsletter to launch our new logo.

So why the new look? We celebrate 8 years in business on April 1st and as a team we wanted our branding to do exactly what Mr Godin believes – reflect that to us Red Star has, over the 8 years, grown to represent a combination of our client's goals and ambitions, their life stories and our professionalism, personality and a commitment to long term supportive relationships.

Our new 'red star' is made up of several distinct parts which combine into the total 'star'. We see this as representing the many individual facets of the financial advice we give our clients which, when fitted together, form the total of the financial planning we help our clients with. We really hope you love it as much as we do.

The closing date for PPI claims looms with all claims needing to be in by August. What financial scandal bandwagon will the media jump onto next? We have a sneaking suspicion it might just be interest only mortgages. We look into this inside this newsletter.

Will interest only mortgages be the next PPI?

Whilst we agree that the underhand way in which PPI policies were often sold certainly needed to be publicised and recompense offered to the victims, the whole industry that followed offering to process claims verges on being just as bad. Thankfully this will all come to an end in August with the deadline for claims

Our prediction for the next mis - selling scandal to hit the news is interest only mortgages. In the days before the crash of 2008, the world of mortgages was a very different place to today. 100% mortgages were commonly available and the amount you could borrow, based on your income, was often more generous than it is today. It was in this era that the interest free mortgage was born. As the name implies, these were mortgages where the borrower simply had to cover the interest on the loan throughout the term and, as such, at the end of the mortgage the capital borrowed would be the same as at the start of the loan. The lender did not make the loan on the understanding that the borrower had some way of paying off the capital. Of course, this made the monthly payments far lower than if they included a capital repayment or payment into an investment design to pay off the mortgage.

The end of the usual 25 years term of a mortgage seems a long way off at the beginning and many borrowers could be forgiven for thinking that they'd sort some way of paying off the mortgage before 25 years elapsed. It can't have been unusual to assume you'd just sell the house, pay off the loan and move into a smaller property after 25 years.

Whilst this is fine in theory, what happens if you get into your 50s and have finally got your home the way you want it; do you really want to be forced to sell up? Selling the family home and moving house after 25 years isn't quite as straightforward as moving from one rented property to another in your early 20s!

It isn't only family homes that were bought with interest only mortgages, people also bought investment properties to rent out. These often form the basis of people's retirement and pension planning. Having to sell to pay off the mortgage after 25 years could seriously affect your retirement income.

We aren't saying that everything about interest only mortgages is bad, but if you've got one and you've been putting off thinking about how to pay it off, please get in touch and we can look at your options. It goes without saying that the earlier you look at the problem, the more chance there'll be a pleasant solution!

Bail me out - Kristen's in jail!

She hasn't really been naughty, but she will be in jail. She's taking part in a fund raising event for Derian House children's hospice and will be locked up in jail, complete with prison uniform, on the 5th of July with only her phone and laptop for company.

To be released she needs to raise £999 bail money for Derian House using her phone and laptop to communicate with people she thinks might help her raise the bail money.

You can send bail money to her Just Giving 'bail' page, which you can find here www.justgiving.com/fundraising/prisoner-crimes-of-passion.

Get ready to help Kristen on the 5th of July - you might be hearing from her!

Do you have an Inheritance Tax liability, but don't want to solve it by giving your money away?

You don't have to be particularly wealthy to leave behind a large inheritance tax bill when you die. But there are ways to invest that could help you to pass on more of your wealth to your family.

If you've been carefully building up assets throughout your life, you probably want to pass on as much of your estate as you can to your family when you die. If you don't plan ahead, the part of your estate that exceeds the inheritance tax threshold of £325,000 could be taxed at 40% (although you may qualify for a separate allowance in respect of your home). This means that your family may miss out on a significant portion of your wealth.

Traditional estate planning solutions can be inflexible. For example, if you give away your assets to family and friends during your lifetime, these gifts take seven years before they become exempt from inheritance tax. Similarly, putting assets into a trust also takes seven years before the value of the assets falls outside of your taxable estate. Both of these options result in you no longer being able to access your wealth if you need to. Also, for many people, giving away their hard-earned money and investments can be very unattractive.

One alternative that can be considered which is effective in mitigating inheritance tax is to invest in a packaged plan that qualifies for Business Relief, an established tax relief first introduced in 1976. Shares in suitably qualifying companies can be left to beneficiaries free of inheritance tax, provided they have been owned for at least two years prior to death.

As well as requiring only a two-year window to be effective in saving tax, just as helpful is the ability to gain access to your investment again should you need to do so (although you would of course then lose the inheritance tax saving you could have had).

Please also bear in mind that, like any investment, there are risks, and these plans will not be suitable for everyone. Returns are not guaranteed, and investors may get back less than the amount invested. Taxation law and practice may also change, which could affect the relief available in the future.

What's Happening To Your Money?

Brexit, Brexit, Brexit; here in The UK we could be forgiven for thinking that Brexit is the only thing that's going on in the world. However, it's only our part of the world that is seemingly paralysed by Brexit.

In general, equity markets have continued to see steady gains with less of the volatility of the beginning part of 2019. Both developed and emerging equities moved higher, with the S&P 500 showing returns for the year so far of around 10%.

GDP continues to grow within the US and this has helped the US Dollar increase in value although this, coupled with higher interest rates within the US has led to some negative returns for gold.

Trade relations between China and The US continue to be of potential concern, particularly within the technology sector but currently there seems to be some progress thus slightly lowering concerns.

Within The UK, although it's Brexit that dominates the headlines, with the news becoming ever more bizarre and our politicians going around in ever decreasing circles, Sterling continues to strengthen. This maybe due to the fact that the options for Brexit are slowly narrowing, but in reality, who knows where Brexit will end?

Sterling's strength led domestically focused UK equities to outperform larger, more Internationally focused UK-listed companies over the month.

Kristen Durose - Managing Director
Kristen has worked in the financial service profession since 1998 and has qualifications in Mortgage Advice, Equity Release (Lifetime Mortgages), Customer Services in a Regulated Environment and Trusts.

Paul Gardner - Consultant
Paul has had more than 30 years experience of providing investment advice for his clients. This includes 20 years on behalf of a major insurance company and the last 10 years as an Independent Financial Adviser.

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