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IS A UNIVERSITY EDUCATION WORTH THE MONEY?

Graduates in England and Wales leave university with higher debts than students in any other English-speaking country.

In a study of 260,000 graduates, the Institute for Fiscal Studies[1] compared the earnings of graduates and non-graduates a decade into their careers. They found that graduates are much more likely to be in work. However, they also found that men from more than 1 in 10 universities were earning less than non-graduates 10 years after graduation.

The choice of course is obviously important. The best average earnings were found amongst those who had studied medicine. However, economics graduates were also in demand and well paid. As might be expected, more esoteric courses such as creative arts attracted lower salaries.

So, if earnings potential is your major concern, then it's vitally important to choose the right course at the right university. For many, university will remain a life-enhancing experience that helps them stand on their own two feet and teaches them a range of valuable life skills.

[1]Institute for Fiscal Studies, Press release, April 2016

NOT ALL DOOM AND GLOOM?

Since the announcement of the result of the EU referendum on 24 June, we have been living in interesting if uncertain times. Although there is much speculation about any future relationship we might have with our European partners post Brexit, as yet we have no facts to go on.

The timetable for withdrawal runs from the moment the Prime Minister, Theresa May, invokes Article 50 of the Lisbon Treaty. Experts believe the UK's exit will take at least two years to accomplish, maybe longer. Present estimates as to when the formal process will begin give January 2017 as the most likely date.

INITIAL SHOCKS

After Brexit was announced, the pound dropped dramatically falling to $1.30 against the dollar, its lowest level in over thirty years. The UK lost its triple A credit rating.

AUGUST DATA

Early in the month, the Bank of England reduced interest rates to 0.25% and introduced measures to stimulate the economy.

Meanwhile the FTSE 100 inched to its 52 week high and the FTSE 250 recouped all of its post-Brexit losses. UK industrial output grew at its fastest rate since 1999 in the second quarter this year, with few producers reporting an impact from uncertainty surrounding the vote to leave.

Retail sales figures reported in August showed that high-street spending was holding up well. Retail sales rose by 1.1%, the best performance since January according to figures from the British Retail Consortium (BRC)[1]. Interestingly, sales of jewellery and watches rose sharply in July: BRC claim this is due at least in part to international buyers taking advantage of the fall in the pound.

Tourism increased according to figures obtained by the BBC[2]. 4.3% more flights were booked to the UK in the 28 days following the vote than last year, with visitors from Hong Kong and the US taking advantage of the improved exchange rate these tourists now enjoy.

VOLATILITY SET TO REMAIN

One thing that commentators can agree on is that there will be more volatility and more uncertainty to come as the UK frames its future outside the EU.

The longer term impact of Brexit depends on the new trading relationships the UK must negotiate with the EU and the rest of the world. For now, the advice experts are giving investors is to stay calm, avoid knee-jerk responses and to stay focused on their longer-term personal goals.

The value of investments and income from them may go down. You may not get back the original amount invested.

[1]British Retail Consortium, Sales monitor, August 2016
[2]BBC, ForwardKeys (Travel researcher), 2016

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CGT: THE BASICS

As an investor, it's worth knowing a bit about the basics of Capital Gains Tax (CGT) as it is payable when you dispose of assets and realise a profit.

Firstly, there are exemptions which mean you won't pay CGT on the sale of assets such as your principal private residence, stocks and shares held within an ISA, and proceeds from life insurance policies, or the sale of a private car.

TAX RATES

Every individual gets an exemption to set against any capital gains they have made in that tax year. For tax year 2016–17, this is £11,100.

After offsetting your annual exemption, CGT is charged at different rates, depending on your income tax band. So for tax year 2016-17 there are new lower rates of CGT in operation that mean if you are within the basic rate income tax band you will pay 10% (down from 18%), and if you are in the higher rate or additional rate band you will pay 20% (down from 28%).

From 6 April 2016, there is a higher charge for those selling a second home, 18% for those in the basic rate income tax band and 28% in the higher or additional rate income tax band. However, there are various reliefs available that can, in appropriate circumstances, be applied to reduce the tax payable, such as deemed occupation, principal private residence and lettings relief.

PLANNING CAN SAVE TAX

Transfers made between spouses or civil partners are not liable to CGT, so for planning purposes it can pay to look at CGT as a couple. If one partner holds an asset but has used up their exemption, but the other hasn't, it could make sense to transfer it to the other partner before realising the gain.

GETTING PROFESSIONAL ADVICE

Taxation can be complicated, and you should ensure that you take professional advice before acquiring or disposing of a major asset.

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BANKING ON AN INHERITANCE?

It is estimated that one in three Britons is relying on a cash windfall to fund their retirement plans.

This could prove to be a very risky strategy. With the continuing rise in life expectancy, many people are set to spend as long in retirement as they did in work. So it's concerning to think that so many people are essentially gambling with their futures by relying on something that may not come to pass.

THE NEED FOR CARE

Growing numbers of children and grandchildren could face seeing their inheritance being used instead to fund care fees. With the older generation living longer, more and more families are facing the prospect of funding care needs. The cost of residential and nursing care continues to rise; average care home fees in the UK are currently £30,926 a year, however there are wide regional variations; the average in London is currently £38,896[1]. Research carried out by the Personal and Social Services Research Unit[2] shows that the typical resident of a care home will stay there for two years and three months, while a nursing home resident stays for one year and four months.

GIVING IT AWAY

Research from insurers, Prudential[3], shows that fewer than three in ten people are likely to have money to leave as an inheritance. Despite house prices having risen, there is a growing trend for parents choosing to pass on their wealth during their lifetime. In 2011, research showed that 52% of people were expecting to leave money to their heirs, five years later, only 28% of people expected to be able to do so.

RETIREMENT PLANNING

The research goes on to show that one in six people questioned would use inherited funds to bolster their retirement plans. A more reliable strategy would be to build up their own savings in tax efficient investments like pension plans or ISAs. The earlier plans are put in place, the longer the money invested has to grow.

[1] Presitige, The cost of a care home, August 2016

[2] Personal & Social Services Research Unit, Length of stay in care homes, 2011

[3] Prudential, June 2016

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US ELECTIONS AND EQUITIES

As Donald Trump and Hillary Clinton prepare to do battle to become the US's 45th President, investors in the US are watching to see what effect the campaign will have on stock markets.

The choice for many voters is a difficult one. On the one hand there is the Democrat Hillary Clinton, a career politician who has held high office; on the Republican side, Donald Trump, a billionaire businessman with little political experience.

DOES THE STOCK MARKET PICK THE PRESIDENT?

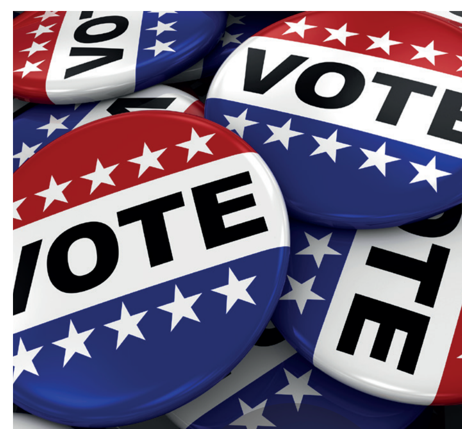
According to Tom McClellan, the author of the McClellan Market Report[1], much depends on the state of the US stock market when Americans go to the polls. He believes that if the market moves up, and people are feeling good, they are historically more likely to vote for the incumbent party, which would mean Democrat Hillary Clinton becoming the US's first woman President. However, if markets are heading down, then there's more likelihood of people voting for a major political change and opting for Republican Donald Trump for the White House.

DEMOCRAT v REPUBLICAN

Back in 2012 media giant, Bloomberg, published an article showing that US markets tend to do better under Democrats, and that every Republican President since the end of the Second World War faced a recession during their first term. Democratic administrations tend to spend more on government initiatives that stimulate the economy and provide jobs.

THE PRESIDENTIAL ELECTION CYCLE THEORY

This theory developed by US economist Yale Hirsch[2], gives another view. He believes that US stock markets tend on average to follow a four-year pattern that corresponds to the four-year election cycle. So what tends to happen is that the first year shows weak performance, year two delivers below-average performance, year three is the strongest of the four, and year four is above average.



For now, investors would be advised to focus on their investment goals and stick to their investment plan, regardless of what is likely to happen in the White House.

The value of investments and income from them may go down. You may not get back the original amount invested.

[1]McClellan Market Report, Election impact on markets, June 2016

[2]Yale Hirsch, The market and Presidential promises, 2008

WHAT DO CHILDREN NEED TO KNOW ABOUT FINANCE?

According to the Halifax's[1] annual pocket money survey, pocket money has hit a nine-year high. The survey of children aged eight to 15 found that they now receive £6.55 a week on average. The survey also shows that parents start giving their children pocket money between ages six and seven.

Interestingly, research by Cambridge University[2] for the Money Advice Service, shows that financial habits are formed by the age of seven. By this age, the report says, most children in the UK are capable of complex functions such as planning ahead, delaying a decision until later, and understanding that some choices are irreversible.

STARTING YOUNG

Although learning about money is now included in the national curriculum for secondary schools in England, it is not a formalised part of teaching in primary school. Parents can play a role in helping children learn about finance from an early age.

Some of the concepts that children will need to understand later in life include:

- Why it makes sense to save up to buy something
- The difference between saving and investing
- How compound interest helps money grow
- What a budget is and what needs to be included

FINANCE IN PRACTICE

Encouraging children to have their own savings account can help them learn how to manage their money.

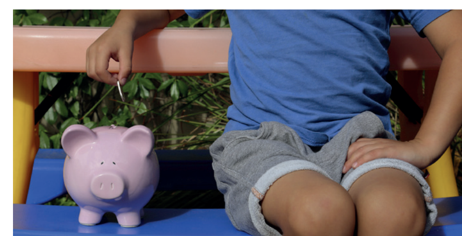
Junior Individual Savings Accounts (JISAs) are a good way for children to learn about the value of saving for the future. The advantages of a JISA are that they are tax free, and once the account has been opened by the parent or guardian, anyone can make contributions, including grandparents, friends and family. The savings limit for the current tax year is £4,080. Children gain control of their JISA at age 16, but the money cannot be withdrawn until the child is 18.

At that point, the account is automatically rolled over into an adult ISA, a valuable facility for those who want to continue saving or investing tax-efficiently.

The value of investments and income from them may go down. You may not get back the original amount invested.

[1]Halifax, Annual Pocket Money Survey, June 2016

[2]Cambridge University research for Money Advice Service, Habit formation and learning in young children, 2013



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HAVE WE SEEN THE END OF 'SURVIVE TO 65'?

It's time to retire our definition of retirement. Today, retirement has less to do with retiring or retreating, and increasingly more to do with exploring possibilities like working part time, changing career, learning new skills, or doing voluntary work. Long gone are the days when people cleared their desk when they reached their 65th birthday, set off with their parting gift of a carriage clock and never did a day's work again.

Age 65 is no longer old. People are living and maintaining their vitality for longer. Retirement was once a very short period of old age; now when people stop working, they often have three or four decades of life left to live.

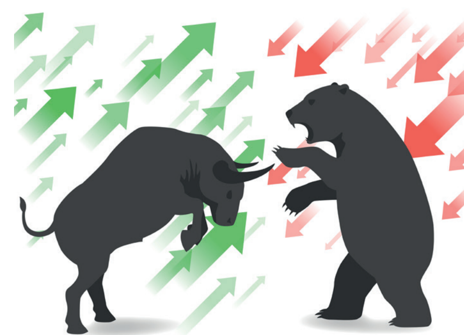
The 20th Century concept of retirement was largely deliberately invented as a way of moving people out of the workforce. With many jobs requiring manual labour, older people were often not fit enough to carry on past their normal retirement date. Today, we live in a knowledge-based economy and older workers often have vital skills they can continue to use and pass on to the next generation of workers.

WHAT THE FUTURE HOLDS

For those approaching their fifties, and the generations that follow, the idea of the end of retirement is a challenge, an opportunity and a wake-up call.

Following the pension reforms in 2015, those in defined contribution pension schemes have the option to retire at 55, and more choice than ever before as to how they use their pension pot to fund their retirement.

The ability to enjoy the opportunities open to us in later life, to do things on our terms and at our own pace depends, at least in part, on having built up sufficient financial reserves during our working years to be able to choose how we spend our time. In short, being able to decide whether to work on past normal retirement age rather than being faced with the economic necessity of having to do so, depends on having a well-thought out and well-funded financial plan in place.



BULLS AND BEARS EXPLAINED

Economists and investment commentators often speak of being 'bullish' or 'bearish' about a particular market, stock or share. These terms have come to be a shorthand way of describing sentiment amongst buyers and sellers.

No-one is quite sure how the names came to be widely used. However, it could be to do with the way bulls charge and use their horns to send their enemies flying up into the air, while bears swipe down with their claws.

In simple terms, a bull market occurs when investors are showing enthusiasm for buying stocks or other assets, whilst a bear market indicates investors are shying away from buying and looking to sell instead. So bull market signifies an upward trend in asset prices and is accompanied by investor optimism, while a bear market signifies a downward trend in asset prices amid pessimism and lack of confidence.

WHERE ARE WE NOW?

Stock market prices in the UK have rebounded from the post-Brexit losses they experienced, so it would be fair to say that there are many bullish signs apparent in the market. The months of EU negotiation ahead may see more bears about.

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