October 2024

NUGENIS NEWS

Financial planning for a *brighter* wealth

PEOPLE NEWS

Step Into September Charity Update

You will recall last month we told you about a charity initiative some of the team were getting involved in for local charity BulliesOut.

Seven of the team were challenged to complete a total of 1,540,000 steps over the month of September.

We are pleased to announce that the team exceeded the target, completing a total of 1,795,799 steps, which equates to approximately 1,368 km or the equivalent of driving from Cardiff to Berlin.

They also raised a total of £350 in sponsorship; the JustGiving Page will still be open for another month should you wish to donate.

https://www.justgiving.com/team/nugenis2024

And a reminder that if you want to find out more about the work the charity does, you can do so by clicking on this link https://bulliesout.com/

BulliesOut®

Investment Commentary

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October 2024

Market overview

There was a wide dispersion of returns across equity markets in September with the US and Asian markets relatively strong but other key regions struggling to make headway. Equity markets in all key regions remain firmly in positive territory so far this year however. It is also encouraging to see market leadership broadening with mid and smaller sized companies generally outperforming large caps in recent weeks.

Weaker employment and consumer confidence data in the US drove the Federal Reserve to announce the much anticipated first rate cut since March 2020 with Chairman Jerome Powell stating that 'it is time to recalibrate our policy to something that's more appropriate given our progress on inflation'. Although the announcement was widely expected, markets now how greater visibility on the likely path of rates in the US, with the consensus view now for two further 25 basis point cuts this year followed by four more in 2025. The decision was welcomed by financial markets however the rate cut did lead to some short-term weakening in the US dollar versus sterling, which in turn impacted on returns to sterling-based investors from dollar denominated assets.

The European Central Bank (ECB) also cut rates for the second time (by 25 basis points) in response to some disappointing economic data, particularly from Germany, which dampened investor confidence somewhat. Short term sentiment in the UK was also knocked by data showing that wage pressures remain firm, potentially restricting rate cuts from the Bank of England, and by some concerns around the potential impact of the upcoming budget on 30th October.

The strongest returns over the month came from Asian markets which were up over 7% in local currency terms. The key driver was the announcement of a huge stimulus package in China, which included cutting rates, releasing liquidity in the banking system, issuing c$285bn equivalent worth of bonds and providing further support to the ailing property sector.

As would be expected, the more dovish sentiment benefitted fixed income assets with sovereign bond yields across all key regions falling (and values rising). Investment grade credit and higher yielding areas of fixed interest markets also produced strong returns.

Strategy Positioning

A backdrop of generally resilient global economic growth, moderating global inflation and reductions in interest rates should continue to be supportive for a wide range of asset classes for the rest of the year and into 2025.

We remain positive on the outlook for equities, with our exposure skewed to areas of relative economic strength (US and Asia). We also continue to see recovery and structural change potential in Japan and value opportunities in Europe and the UK. As a result, we currently see no need to alter our regional positioning. Most market valuations are still on the cheaper side of historic averages while forecasts for corporate earnings growth are also encouraging for this year and next.

Fixed interest markets are benefiting from reduced inflation and interest rates and our increased exposure and longer maturity profile have been working well. We have been gradually reducing our alternatives exposure in favour of fixed income however our market neutral 'absolute return' funds continue to deliver positive (absolute) returns regardless of market conditions.

Why Withdrawals From Investments & Pensions Take Time

In our February 2024 newsletter (which you can find here) we outlined why withdrawing funds from a pension or investment can often be a lengthy process. The article summarised what happens behind the scenes when someone says they want money out, but based on feedback this is still causing concern so we hope the following will help.

1. Regulatory Compliance

The first point, and something that applies to all withdrawals regardless of whether they are from pensions, ISAs, bonds or any other financial product, is a requirement that all providers and financial advisers must adhere to very strict regulations designed to protect both you and your savings. Not doing so risks sanctions from our regulator, the Financial Conduct Authority (FCA), which can include a removal of our licence to practice.

In the UK, the FCA sets out regulations to ensure that everyone operates fairly and transparently, with the underlying principle being consumer protection. This requires providers and advisers to conduct thorough checks and verification to ensure that any withdrawal request is legitimate, and that the funds are being released to the correct person. For advisers, there is an additional requirement that we must evidence we have also considered the potential impact of the amount being withdrawn on someone's longer-term financial security.

In order to prove they have complied with the regulations advisers are required to confirm in writing to the client everything that is relevant to that transaction. Where we need information from providers this can take several days and, in some cases, weeks to receive.

This process can often be time-consuming but is essential for safeguarding your money and ensuring compliance with FCA rules.

2. Sustainability

As noted above, one of the key responsibilities for advisers is proving that, if you draw money from your pension or investment, this will not have a detrimental effect on your longer term financial security.

In July 2023 the FCA introduced additional requirements under their 'Consumer Duty' regulations, which were designed to 'set high standards of consumer protection across financial services'.One of the practical impacts of this for advisers was the additional requirement to document that certain projections and calculations had been completed prior to a withdrawal request being processed.

3. Advice

While you may make the decision to take money from a pension or investment, as advisers we have a regulatory responsibility to ensure the method and amounts are appropriate. Any such transaction is deemed by the FCA as us having given 'advice', and so we have a set process we must follow when we receive any withdrawal request.

Where we provide you with an ongoing review service we have both a regulatory and ethical responsibility to make sure that you fully understand the potential implications of drawing either a single or regular sum from your assets. Please do not be offended, therefore, if your Financial Planner advises against a particular course of action. This will only happen if they feel it will, or could potentially, lead to a shortfall in income or capital at a later date. It is solely designed to protect you and your long-term financial security.

4. Processing Times, Payment Methods & Dates

As you will see above, the administrative process of handling a withdrawal request involves multiple steps, including internal approvals, projections and calculations, and compliance with the regulations.

While it may seem an obvious statement, pensions and investments are not like a bank account. Your pension or investment will be held in funds that have to be sold before cash can be released. This will usually take between 5-10 working days before the cleared funds are available to pay out, and that can only happen once all of the above points have been completed.

Once the cash is available providers will pay the money into your account via a bank transfer, however these can vary from 'same day' to 5 working days. With some providers there can be additional 'processing' (administration), which again can add between 1-5 working days.

The majority of the providers Nugenis currently recommend have the ability to make a payment (regular or ad hoc) at any point during the month, however there are a handful of the existing ones that will only make a payment on certain dates which can obviously add to the delay.

5. Provider Efficiency

As explained above, providers have varying levels of efficiency and resources. Some may have more streamlined processes and better technology, allowing them to handle requests more quickly. Others will be slower due to outdated systems and/or fewer staff. The efficiency of the provider's customer service has a significant impact on how quickly requests are processed and, when issues do occur, how quickly they are resolved.

In recent times we have experienced an increase in the delays seen with several providers. While delays at certain points in the year (for example, leading up to the end of the tax year) are not new, what we have seen more recently from some companies are wide variations in how long they take to process requests, which in some cases changes significantly week-to-week. We always check with the provider what their current turnaround times are before writing to you, however in some recent examples this has changed from 2 weeks to 6 weeks between the report being sent and the application being received.

At the time of writing we are experiencing particular issues in this respect for certain providers, so much so that we have included an update on one of the main pension providers, James Hay, below.

Summary

As professional advisers we have a moral, ethical and regulatory duty to provide what we believe is the correct advice to all our clients. Sometimes, this will be to highlight the implications of such an action on your medium to longer term financial security. At first glance an amount you want to withdraw may not appear to be substantial, but over time even modest sums can significantly affect whether your money will last. Please do not be offended, therefore, when we highlight this to you or, where we strongly believe an action is not in your long-term interests, we recommend against a particular course of action.

We will always process a request to withdraw funds from a pension or investment as quickly as possible, and will do our best to inform you as early as we can how long we believe this will take. Withdrawing cash from an investment or pension will always take significantly longer than from a bank account, however we can only control part of that process so beyond the point where an application is submitted we are then totally in the hands of the provider.

If you have any concerns with regards to how much you feel you need to withdraw or the time it will take to receive money from your investment or pension, please speak to your Financial Planner as early as possible so that they can talk you through what will happen.

JAMES HAY

At the time of writing we are experiencing significant problems with one particular pension company - James Hay.

This appears to stem from outdated technology and insufficient staffing levels, with the result being much longer timescales to not only withdraw funds but also obtain information and resolve issues that arise. Their systems can only process the majority of payments on a single date each month, meaning that if a deadline for receipt is missed it will most likely be the following month that the payment is made.

Where you make a request to withdraw money, amend an existing withdrawal or request certain information please be note, therefore. that this will currently take longer with James Hay than with other providers.

We will always aim to keep you updated and informed, however, please be aware that we cannot control how long third parties like James Hay take to deal with such requests.

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