
KENSINGTON CONSULTING

## Inside this Issue



**Kensington Consulting**

**Email: info@kensington-consulting.net**
**Web: www.kensington-consulting.net**


# Retirement

It was not so many years ago that the majority of people looked forward to it, and just a few dreaded it. The main reason they dreaded it was that many had concerns about how to fill their time. Indeed I can recall reading statistics as to how many couples having been happily married for many years, suddenly had problems because the newly retired husband was suddenly around so much. In those “good old days” there was rarely a mention as to how one would survive financially.

Nowadays it seems the majority of people are concerned about retirement simply due to finances.

New research indicates that an increasing number of retirees are having to rely on support from family members just to survive. Millions of pensioners have had their dreams of a comfortable retirement shattered due to losses in stock markets, poor cash returns, low annuity rates, increasing cost of living. In fact it is interesting to see that according to official figures inflation in the UK fell to about 4.5% in December. Well speak to those who live there, and they will tell you the real cost of living is considerably higher than that. So those with cash on deposit are now probably only losing about 3-4% per annum, so that is a relief!

To add to all the financial problems, it seems we are all living too long as well, so perhaps we should all work longer, and die younger, that will solve the problems. If none of those options appeal, there is a last one; do something about it!

As advisors, we cannot stop you dying too young, but we can protect your family. We cannot prevent you living too long, but together we can help you build some assets to provide you with a comfortable retirement. It just takes a little effort on your part.

No matter what age you are, and whether retirement is five years away or thirty-five, you need to plan. The essence of the planning is that by doing this with plenty of time to spare, it is considerably easier than doing it at the last minute.

There is always competition for your money, it’s just how you prioritise. Let me stress that as the years roll by, and they will, so whilst at 40 retirement is still a long way away, at 55 suddenly its round the corner.

It’s never too late, it’s just that time in the market, and not market timing that is so important.

State benefits in virtually every country in the world, are being reduced, or pushed back. Added to that is that someone who has not worked their life in their home state, is even less likely to receive benefits. So for most expats, it’s down to you.

Two large benefits, which are occasionally raised for those saving, are compounding, and dollar or pound cost averaging. The latter making those who are saving on a regular basis, and have a few years at least to go, have enjoyed the machinations of what has occurred in the world stock markets over the last few years in fact making them enjoyable occurrences.

If you have anything in place now, do you know the answers to these questions?
- Is your pension on track to meet your goals?
- Are you paying enough into your pension?
- What income is your pension fund likely to buy you in retirement?
- At what age will you be able to afford to retire?
- Where is your money invested?
- How will you draw an income at retirement?

If you do not know the answers to those questions, or you do not have any structure in place, then ask us to help.

Putting off any decision to save, or ignoring the problem does not remove the problem, it just makes the problem larger next time you do look at it, and to be sure, as you get older, it will come to mind more frequently!!

The best time to have started planning was in most cases was last year, five years or even longer ago depending on how old you are, but the next best time to start is today!

In fact now is a good time! A good time to be investing. A good time to benefit  from the up and downs of the market. A good to time to take advantage of the incentives offered for new saves, which include extra allocations from Hansard and free Premiums from Generali.

Please contact us without delay!

> “Life is full of uncertainties. Future investment earnings, interest and inflation rates are not known to anybody. However, I can guarantee you one thing… those who put an investment program in place will have a lot more money when they come to retire than those who never get around to it.”
> **Noel Whittaker, Life Planning – Long Term Investing**


# New Retirees Expect Lower Incomes in 2012

People about to retire this year expect their pensions to be lower than those who have retired in any of the previous four years.

A survey by the Prudential insurance company found that expected annual retirement income has dropped by £3,100 since 2008, to £15,500.

That includes income from state, company and private pensions.

A fifth of retirees expect to have less than £10,000 a year to live on, with the highest incomes being those in London.

A key factor has been the continued fall in the value of the annual pension that can be bought by a lump sum saved in a private pension fund. Annuity rates, as they are known, dropped by 8% in 2011.

It was due to continued increases in longevity, and further reductions in the return, or yield, available from buying the government and company bonds needed to provide a guaranteed income in retirement.

Clearly this is a trend that is unlikely to be reversed anytime soon, if at all.

This and with 'austerity' hitting all areas of the world economy, employers are reducing the pension provisions of their employees further in order to reduce their long term commitments. The days of final salary schemes is drawing to a close, even the Banks, long considered a good place to work due to the pensions have moved away to money purchase schemes.

Last year's one day strike by the civil servants in the UK was in the main due to the government wishing to reduce their own long term commitments by reducing the pension benefits.

Another factor is that there is no such thing as a job for life! Therefore it is unlikely that anyone will accrue the maximum 40 years contributions that was common place 20 years ago.

All these signs are quite frankly depressing for pensioners of the future.

As with many things in life the only sure way to protect your future finances, is do something about it yourself.

There are many suitable savings schemes available in the market place and if you are an expat the chances are they will be more flexible than the 'pension' schemes back in our home country.

Do not leave your retirement to chance, talk to us today.


## A Year to Remember

2011 will undoubtedly be a year to be remembered, mostly for all the wrong reasons.

As one economist said, “pity the world’s savers”. As savers are chided for not spending and stimulating the economies of the world, many are slowly watching the value of their investments wither on the vine, their company pension pots being diminished with “black holes”, and indifferent returns. Finally whilst savers try to find somewhere to invest they are reminded constantly of sovereign debt crisis, defaults, haircuts, bank bailouts, and the possibility of recession.

Given the scale of the risks traditional investors and savers are not being offered much in return. In the developed world cash rates are low, equities bring with them some significant risks whether you consider the Emerging Markets or the Developed World

We believe that this all calls for “thinking outside the box”. There are methods that can be employed at times like this to still provide positive returns.

In a recent newsletter we referred to the predicted levels that some fund managers were predicting the FTSE would end up at, the consensus was that the FTSE would close at 6000. We should bear in mind that the FTSE started 2011 around 6013, so “our experts” were effectively predicting, no change on the year. However, it ended at 5572, so a loss making year for many of those invested in the FTSE. However, it is not surprising they were all predicting some attractive returns, since their bread and butter (and large bonuses) are dependent upon getting money into their funds, thus naturally they are likely to be optimistic as regards potential returns.

It will also not be surprising that a number of managers will be referring to the fact that as dividend yields on equities fall to 5%, PE ratios tumble, and that equities will be at bargain basement prices, so we should all buy now! I am reminded of the time I wanted to part exchange a car, with a deep inrush of breathe I was advised that 70,000 miles was a lot for a car of its age, yet when I went to look at cars to buy I was advised that at 80,000 the car I was looking at was just run in. I intend no sleight upon either profession of second hand car sales man, or equity managers!

One thing, which is generally clear, is that by doing the same, you are likely to get the same. Thus equity investors who have lost or made dismal returns should stand back with a note of caution when they are told to buy more. It may be right, it may be the industry trying to get more money into the market to stimulate prices, and of course preserve their bonuses!

Thus doing the same will generally get you the same, if you wish to see some alternative methods to protect your capital and provide you with an opportunity for positive returns contact us.

## Do You Do Mortgages?

On a number of occasion we have been asked if we can help clients with mortgages or re-mortgaging and unfortunately until now the answer has always been no! However we now have a member who is externally regulated for mortgage advice and can arrange residential mortgages in over 50 countries around the World including the following European countries:

Austria, Bulgaria, Channel Islands, Corsica (France), Croatia, Cyprus, Czech Republic , Estonia, France, Germany, Gibraltar, Hungary, Ireland, Isle Of Man, Italy, Monaco, Poland, Portugal, Romania, Slovakia, Slovenia, Spain.

If a country is not shown, it is always worth contacting us to check if the situation has changed, OR if it is for a large loan - i.e.: over £ 1 million - sometimes these can be arranged on a case-by-case basis regardless of country (except if it is a war torn or dubious country), subject to the type/valuation of the property and client’s financial circumstances etc.

All applications are subject to meeting the lenders criteria.

Interest Rates vary dependant on LTV and/or the financial status of the applicant. Both Fixed & Variable Rate options available.

Interest only & Repayment Loans are available.

Should you require any additional information please in the first instance contact us.