



MEDICLUB

Specialist Financial Advisory Service for Doctors and Dentists

Newsletter SUMMER 2020



Mide Ojo runs Refresh Dental in Twickenham, is a partner in Smile Fast and founded the Start Up in Dentistry Group on Facebook. Anyone interested should 'PM' Mide directly.

Pocket Guide to Some Finance Basics

Mortgages

- An Offset Mortgage is useful if you have plenty of savings that you can't afford to risk or tax money that needs a home. The interest charged is negated by the savings balance thus accelerating reduction in capital outstanding.
- Fixed Rates are good for budgeting purposes but lack flexibility. Circumstances can and do change quickly. Locking in for longer than two years may be a cause of regret.
- Overpayment is a good idea if you are sure you don't or won't need the money back; can you be sure? If in doubt, save in an ISA and reduce the loan when you are certain that the cash isn't needed.

Think carefully about taking on debt/short term finance (e.g. car/exercise bike) before applying for a mortgage as it will affect your borrowing capacity.

Premium Bonds

Not an investment but a useful home for emergency funds and tax money; £50 every now and again is useful and a £1m jackpot wouldn't go amiss.

Credit Rating

Useful to know your credit score before you apply for a loan or even financing a purchase on interest free credit. It could save embarrassment. Try Experian or Equifax.

- Pay off your credit cards each month and on time
- Use credit to demonstrate your creditworthiness
- Make sure you are on the voters' roll
- Don't apply for a lot of credit in a short period of time as it will adversely affect your score

Types of Advice

- Independent or Restricted: Always opt for independent
E.g. Lloyds Wealth now tied up with Schroders so only funds within a limited range can be offered
- Vested Interest; not easy to establish but always be suspicious.
E.g. Recent adverse publicity surrounding Hargreaves Lansdown's support of Woodford Equity Income fund before its collapse.

Tax Efficiency

- Never let the tax tail wag the investment dog! Don't invest just to save tax. What is the commitment/risk?

- Use ISAs and Pensions/SIPPs where appropriate
- Offshore Bonds; provide gross roll up and tax deferred withdrawal of 5%pa
- EIS/VCTs (if the inherent risk is acceptable)

IHT

The Voluntary Tax!

Simple and not so simple planning can ensure your hard earned money and assets go to your family not the government by default

- Give assets away (if you don't need them)
- Make the most of appropriate Trusts
- Make a Will
- Use a specialist IHT lawyer (D-I-Y may be cheap but could prove costly)



Investment v Savings

There is a difference: Investment involves an element of risk v reward; savings are easily accessible risk free deposits.

Whilst some investments are overtly risky, many offer genuine prospect of superior returns albeit subject to fluctuating values so accessibility may be compromised.

- Diversification is the key to minimising risk.
- Savings are for material possessions or activities such as holidays or school fees; money you don't wish to lose.
- Investment is for wealth creation and retirement.

"Don't panic Mr Mainwaring!" If your fund values drop, don't panic. Remember why you invested in the first place and for how long. Cashing in early will only crystallise the loss.

Inflation

- The hidden danger; the shark under the water.
- If your savings don't at least keep pace with inflation, you are losing money in real terms.

RPI v CPI: Retail Prices Index is higher than the Consumer Prices Index because it includes mortgage costs, council tax and fuel. Technically the difference lies between two methods of calculation; RPI is an arithmetic mean whilst CPI is a geometric mean.

RPI is generally 1% higher than CPI and is used by the government to hike prices, such as train fares but CPI is invariably used to adjust benefits.

- Make sure your sickness insurance is linked to the RPI.

Fraud Prevention

- Be alert; don't be complacent. Check your bank and credit card statements.
- I was paying someone else's mortgage once.
- I have had payments made on a credit card that I cut up.
- My son received a credit card bill for items he didn't purchase.
- Don't open emails from anyone that you don't recognise.

Tax Investigation

- Why wouldn't it happen to you?
- Why would it happen to you?
- Are you claiming for an excessive amount of motoring expenses?
- Has your income fallen or risen significantly without explanation?

Speak to your accountant for an insurance against such an event; it could be well worth it.

Life Insurance

- Do you have any? If not, why not?
- Is it enough?
- Will it just clear your debts or will there be surplus funds to support your family's lifestyle, e.g. school fees, overseas trips.
- What type do you have? Is it Convertible?
- Is it in Trust? Who are the Trustees? Are they reliable still?
- When was it last reviewed?

Probate/Funeral Costs

- Probate can take months. Have you made sure your family can access cash on your death?
- Make sure you have at least one joint account with accessible funds.
- Funeral plans are expensive but may be worth considering if you are in poor health as the insurers generally do not require medical evidence.

Expenditure

- Are you spending too much and want to save more?
- Check your bank statements and compile a list of expenses.
- What can you cut down on?
- Set up a standing order from your main account to a savings account and don't touch it for a year.



My partner, Marianne, is on the left and Helao's wife Jane on the right.

When I was in Namibia, I met Helao Shityuwete who was a Namibian freedom fighter and imprisoned on Robben Island with Nelson Mandela. If your children have grown up then you must visit Namibia.

Helao's book 'Never Follow The Wolf' is an inspiring read.

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