Santander

Think Investments

Autumn 2024

Welcome

Think Investments helps you keep in touch with and navigate your way around the world of investments.

We're now over half-way through this year of elections and change is certainly in the air. There's the possibility - and reality, as we've seen with the new UK government - of new governments, leaders and priorities in more than 60 different countries around the world.

Change can affect us in different ways, and that's what we're thinking about in this issue.

We may not be in control of election results, beyond casting our own vote, but we can take control of positive changes when it comes to investing.

Wanting to change the future is a common reason for investing, as is a more comfortable retirement, giving our children a helping hand or enjoying the holiday of a lifetime. Our first article looks at how deciding to invest for the future can be rewarding in more ways than we might think!

With a growing need to start investing sooner to be confident of a comfortable retirement, there's no time like the present to start talking to your children or grandchildren about starting their own pension. Our second article looks at how they could change their financial future for the better.

With interest rates expected to finally decrease over the rest of the year, we look at what this might mean for investors in our final article.

As always, we hope you find Think Investments an interesting and helpful read.

Brian Strachan
Commercial Marketing Manager
Santander Asset Management UK

Reaping the rewards of investing

Investing for the longer term can provide peace of mind, a comfortable retirement or simply financial freedom for you and your loved ones.

One lucky Investment Hub customer was delighted to discover investing could pay off in more ways than one.

By investing in his Santander Investment Hub account during the offer period, Mr Brian Whelan was entered into a prize draw and won a fully electric Fiat (500e) RED car.

(RED) and Santander

(RED) creates products and experiences that raise money and awareness for global health crises. It partners with companies around the world, including Santander. You can find out more at red.org

When Richard Jones, his local Financial Planning Manager, called with the good news that Brian had won a car, he couldn't believe it.

He says: "I've never won anything before now. Once I'd made sure the prize was genuine, I had to think about who to give the car to, as I don't drive. I decided to give it to my daughter. When I told her two days later, she started crying. The whole experience has been fantastic, and my daughter loves the car" He also said they've kindly fitted a charge point to her house free as well!

Brian's story

Brian Whelan is 77, retired and lives in Liverpool. He has a daughter (now the proud owner of a new car) and a son, as well as several grandchildren.

He'd thought for a long time about investing, encouraged by his mother who was an avid saver.

When he was in his 20s, he admits he was more of a spender, enjoying his earnings from working out at sea on container ships.

James Dunne Head of Wealth Management and Insurance, Mr Whelan, Richard Jones Senior Financial Planning Manager, Hannah Mackay Branch Manager, Ian Carson Primary Market Manager.

"Before my mum passed away, she would tell me: 'Why don't you save, Brian?' But I'd have to explain that it wasn't that easy. My wife and I were bringing up two children, we had a mortgage – when everything was going into the house it was hard to save at the same time."

Brian started investing 12 years ago, following his retirement and after his wife passed away. He decided to put money aside both for the future more generally, and for his children.

He visited his local branch and spoke to a financial adviser. "She sat down and went through everything with me – she was absolutely fantastic."

Since then, he has seen the value of his investments go up and down, but overall is happy with how his investments have performed.

Brian says in the first couple of years he did pay close attention to the markets, but he has now learned to ignore the 'noise' of newspaper headlines.

"Over the years you do say to yourself: should I take it out? But then I would say: no, leave it. And as my current adviser Richard told me recently, the investments are doing pretty well now. You've got to just stick in there and keep on going, as best you can."

He keeps track of his investments online via Santander's Investment Hub, and still goes into his local branch from time to time.

The power of advice

Brian is now a firm believer in saving and investing for the future. Thinking about his grandchildren, he says the advice he would give to them would be - if you can, you must save.

He says he has a good relationship with Santander and has benefitted from working with a financial adviser.

"Even if I hadn't won the car, I'd still be with them. You can always go in there and talk to them. They're nice people, and especially the likes of my adviser Richard. He asks me what I would like to do with my money and talks me through what's possible. He also explains what might happen with my investments, and the ups and downs along the way.

"I like the way he talks because he's guiding me. I know I'm always safe with them."

Flexibility and choice for your investments

Santander's Investment Hub allows you to invest with a one-off lump sum or make regular payments, whichever you prefer. You can choose to make your own investment decisions or get specialist advice from our qualified advisers. You can also keep track of how your investments are performing and access important information in the Investment Hub document library. Investing is a long-term project, and you should be looking to invest for at least 5 years and ideally longer.

Let’s talk about pensions

You can help the young people in your life plan ahead for their retirement.

Starting a pension early could be the best decision today’s younger adults make for their financial future.

Pensions and retirement have undergone seismic change in recent years: more freedom in how and when people can access their pension funds, the gradual shift away from pensions based on salary and service. There are better options available for choosing where to invest your money whilst building a pot of money for retirement. With question marks over the form a State Pension might take for future generations of retirees, if one will still exist at all, it’s essential to start retirement planning as early as possible.

Most employees are automatically enrolled into their workplace pension scheme. Auto-enrolment has had a very positive effect. However, it doesn’t work for everyone. The self-employed, freelancers or contract workers – all common in today’s ‘gig economy’ – are unlikely to be eligible for a workplace pension under auto-enrolment.

For some people, starting their own separate personal pension can help them to build and maintain consistent, long-term pension investments.

Taking out a personal pension is one tax-efficient way of saving for retirement. Government rules mean you can also pay into a personal pension even if you’re not working.

Also, over the course of their life, some people may have had many jobs and pensions. This can lead to having several small pension pots with multiple providers to keep track of. They may consider combining all of them into one pension scheme that offers better investment options or makes it easier to keep track of how investments are performing. They can of course choose to leave these pension pots where they are and take the pension paid from each in different ways.

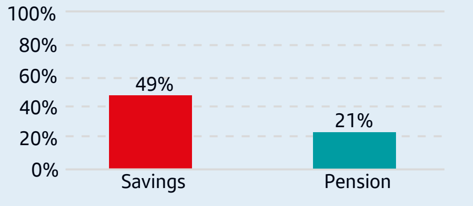
You normally can't take your pension savings until the minimum pension age has been reached.

Together with research company Opinium we questioned 2,000 UK adults aged 18 and over to find out what might encourage them to engage more with pensions. We share some interesting reading below.

What if you could check your pension on your online banking app?

With online banking now the norm for many, it's no surprise people tend to keep a close eye on their accounts, with more than double knowing how much they have in cash savings (49%) than in their pension (21%).

Do you know your balance?



Reasons for not checking on a pension include thinking they can't make a difference (21%), it not being a priority (21%) and finding pensions difficult to access (11%).

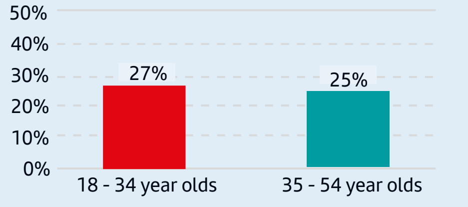
It might be easier than you think to check your pension balance. You may be able to check on your usual banking app.

Generation change taking charge

Nearly half (49%) of our sample have changed job in the last decade, with an average of 3.5 jobs for those between 18 and 34, and 2 jobs for those aged 35 to 54.

However, there was little difference between 27% of 18-34 year olds and 25% of 35-54 year olds who don't see their pension as a priority.

Do you not see your pension as a priority?



Taking a fresh look at pensions

There are some myths which can also discourage younger people from investing in a pension. For example, you don't need lots of money to start with and you don't need to have a job. In many cases you can start a pension with a one-off payment of £100 or £20 per month.

The most important thing is to get started and then keep a long-term view. When you're investing for your pension, you should be looking to invest for retirement.

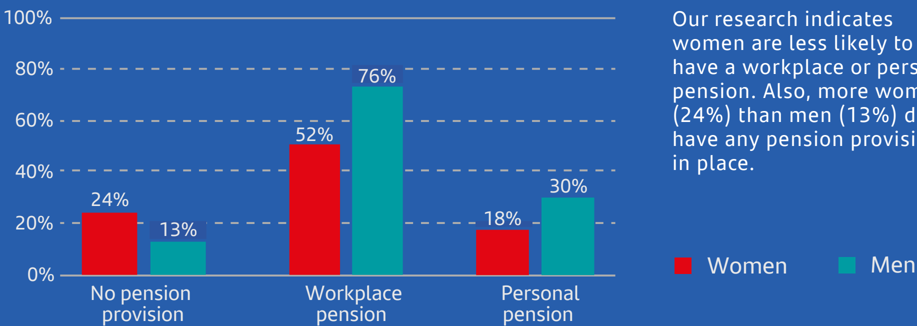
Markets go up and down over time and no investment is guaranteed. The more paid in early, the more potential investments have to grow over time.

Encouraging the younger people in your life to take control of their financial future might be one of the most valuable conversations you have with them.

MoneyHelper

You can find out more about pensions and saving for retirement at **moneyhelper.org.uk** The government-backed website offers free, impartial guidance on a range of financial topics, including pensions.

The pension gender gap



Our research indicates women are less likely to have a workplace or personal pension. Also, more women (24%) than men (13%) don't have any pension provision in place.

All change for interest rates?

Fresh optimism about falling interest rates followed the announcement in June that UK inflation had returned to the target level of 2% for the first time in nearly three years.

As we moved into the second half of 2024, central banks started sounding more positive, with the message around interest rates shifting to 'lower, but not just yet'. This could herald good news for investors across both shares and bonds.

A global view of inflation and interest rates

Both the US Federal Reserve (The Fed) and the Bank of England held interest rates in June. But the European Central Bank (ECB), on behalf of the Eurozone, announced a cut from an all-time high of 4% to 3.75%.

The Fed has suggested the first cut to US interest rates may not be until December. There was a more positive tone from the Bank of England, however, with indications the first rate cut may come this August.

What's behind these different approaches?

In each case, inflation is taking time to return to target levels. When it does, the aim will be to keep it under control while still encouraging economic growth and employment.

- US economic growth and employment are both at a sustainable level, so the Fed is targeting a "slow expected decline" in interest rates.[1]
- UK inflation hit its 2.0% target in May (the lowest level since July 2021). But the Bank of England opted to maintain interest rates at 5.25% because of factors including wage growth and high service costs.[2]
- Eurozone inflation is predicted to remain about the 2% target "well into next year" but the outlook has improved "markedly", prompting the ECB's modest rate cut.

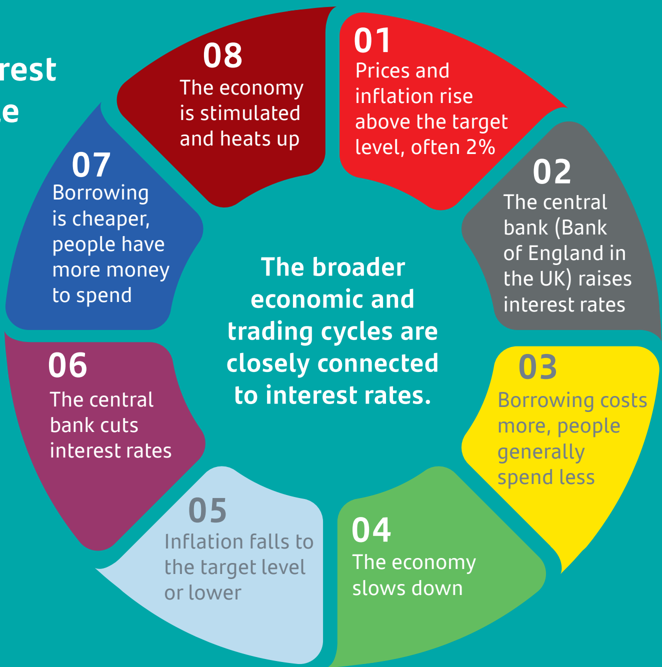
Markets and interest rates

The prospect of falling interest rates creates expectations among investors. This is because it becomes cheaper for businesses to borrow, making financing their operations, acquisitions, and expansions easier. In turn, what follows are higher earnings, returns and – ultimately – higher stock prices.

[1]Reuters.com – Fed leaves rates unchanged, sees only one 2024 cut despite inflation progress, 12 June 2024.

[2]Bank of England – Bank Rate maintained at 5.25%: June 2024, 20 June 2024.

The interest rate cycle



Good times to come for investors?

It's not just homebuyers and borrowers who count on falling interest rates. Investors eagerly anticipate them, too. The Fed's optimism towards the end of 2023 had investors pricing in more than 1.5 percentage points of cuts for 2024, propelling a stock market boom.[3]

Markets tend to look ahead to the future, rather than what might be happening today. A good example of this is shares in companies with a lot of growth still ahead of them. Because they can invest more heavily in that growth, investors will price the stock higher based on the greater total cash flows those companies will be expected to produce for many years into the future.

Lower interest rates may also be good news for bond investors. Bonds issued while interests are higher will pay out more in regular income (their 'coupon') over their lifespan. As interest rates come down, these bonds are more attractive - and more in demand - than new ones which reflect the new lower interest rates.

We might have to wait a little longer, but signs of downward interest rate movement suggest good news ahead for investors.

Interest rate cuts can encourage investing

Interest rates rise and cash rates follow

Cash can look more attractive than investing, as investing means taking some risk.

As interest rates fall, so do cash rates

Cash may look less attractive, with people more willing to take some risk with investments

[3]The Economist – America's interest rates are unlikely to fall this year, 17 April 2024.

Article provided by Santander Asset Management UK for Santander investment customers.

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