



ROSE
Financial Planning

Spanish Finance – Survival is the word!

Like the weather patterns, some days everything seems bright but then you know that it's only a matter of time before the grey days return.

History always repeats itself, like the weather patterns, especially here! We know that the sun is shining today but it won't be long before winter bites back! Indeed, it wasn't long ago when it seemed like we would not see the sun and now we are actually praying for someone to turn the heat down!

And all things in finance are no different!

You see, here we are, in some doom and gloom, and already we have forgotten the good times. Humans are fickle like that!

Let's give some examples shall we!

Take the Stock Markets of the World. Since 2001 most stocks have moved massively; 50% in some cases, especially the New World. Even now, with the recent downturns from the US Sub Prime and Credit Crunch fall out, all that has happened is a write off of the gain made in recent times. And?

Take property values in Spain. Yes, we have seen a decline of maybe 20% in the last year or so and perhaps there is more to come, but if you take a longer term look, say back 30 years, we have been here before (in a recession that is) and yet, even taking into consideration these down markets, we still see a compounded growth of in excess of 6%. That beats inflation easily and, for an investor, that is the bottom line measure.

You see, time is THE key in all things financial. Your home, your wages, your investments! Everything! But the problem is that we forget this very important fact and, of course, the Press love to promote negativity. Good news is no news! Take the above fact re property prices as an example. It wouldn't get many column inches would it!

But, of course, some of these short dated movements hurt, and the pain is not eased in the knowledge that one day it will get better. Not at all!

So let's take a look at a few examples where that pain is real today, and what, if anything can be done to ease the hurt. I want to look at a) Income and b) 'Rainy Day' money.

A) Income

By this I refer to the negative move in the Sterling / Euro rate. This has fallen from circa 1.50 to only 1.26 today; a decline of some 15%. When you rely, as will many readers, on pension and investment income from a Sterling source, then that 15% will hurt, especially if funds were already tight at the better rate.

I know this is a fact because so, so many of our clients across the Costas are in that boat!

Unfortunately, I am not a seer, so I cannot advise ways of relieving or mitigating against adverse exchange rates. The basic rule of exchange rate determination, that is one currency against another, is affected greatly by the currencies' underlying interest rates, and a fall in the Euro base rate will likely weaken it. The problem is though that that same pressure also exists in the UK so, it is possible or even probable, that the rate of 1.26 that we are looking at today could feasibly stay in that area for some time. Certainly, I do not think that we will see the 2% gap return between Sterling and Euro interest rates, and that automatically supports the exchange rate today.

But what can we do to assist in removing the hurt and pain that fewer Euros per month bring? To simply 'survive' for the foreseeable future? The real answer is as below, because the issues of income and 'rainy day' money are linked.

B) 'Rainy Day' Money

And by this I mean access to capital that is not locked into a fixed asset, such as bricks and mortar. In other words Cash, Deposit Accounts and flexible Investments!

You see the real source of this problem, exchange rates and income issues aside, is an understandable but dangerous attitude that many people have, and especially the Brits, towards the funding of their retirement, holiday or investment home here in Spain.

Very few, perhaps less than 10% of persons over age 55, use a mortgage to assist in the purchase retaining capital back for flexibility, enhancement of pension income and 'rainy days'. That means that the vast majority, yes 90%, actually buy for cash and then reduce their accessible capital. Some even plough ALL of the money into the property! I bet many of the latter are now ruing that day! These folk have nothing as a fall back; no 'rainy day' money!

You see, here is the logic behind NOT buying for cash. You simply put 'all of your eggs into the ONE basket' and leave no room for manoeuvre. There are many reasons a Mortgage HAS to be taken (Inheritance Tax, safety of investment, exchange rate mitigation and even Income Tax Relief availability) but, perhaps, the most important of all is that when those grey skies appear you have nothing in reserve to get you through until the sun shines again!

But the good news is that help is a mere a phone call away. Perhaps 80% of enquiries at present are thus related; 'I am hurting! How can you help'? We have many, many products in our portfolio that can give immediate funds to property owners without endangering their home. Notice that I have underlined this last point because I know this is so, so important to the majority of folk here. Do not worry and do not let this concern stop you picking up that phone!

Let's remove that pain for you and give some quality to your life! To survive these days!

See www.rosefp.com or call 0034 677 874