Markets the US election and Covid-19

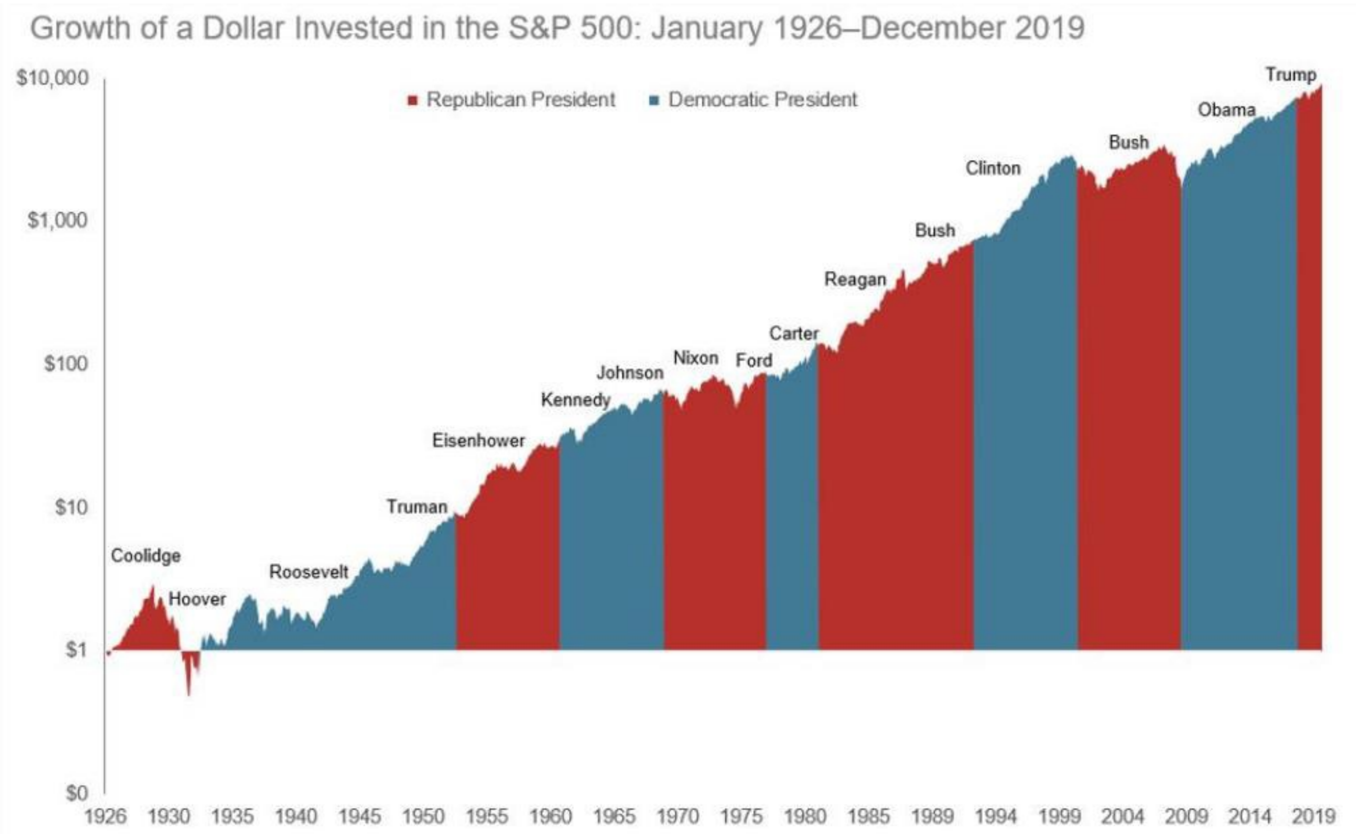
The numerous pre-election fund manager briefings we have attended have all contained a common theme. The last outcome needed from the US election is uncertainty and a legal challenge to the results. However, the S&P 500 was little changed as it pulled off the best post-election week since 1932, rising 7.23%, which is the second-best on record.

This election has been incredibly difficult to predict, with the vagaries of the electoral college being combined with a change in voting methods and the subsequent regional procedural differences in vote counting, which resulted in confusion and dismay.

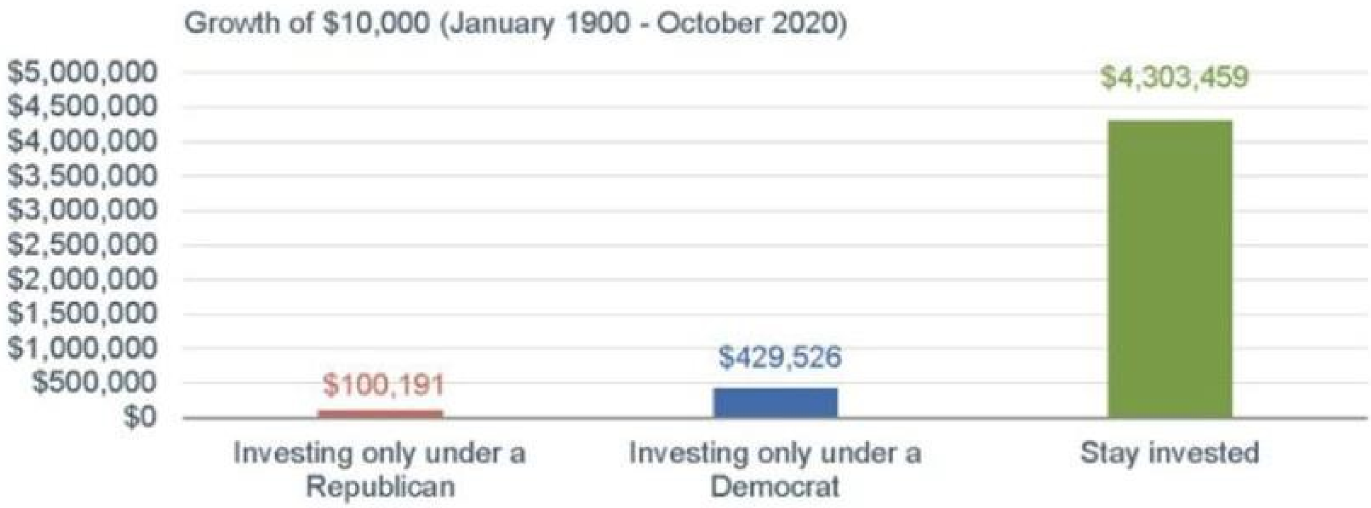
A Democrat win suggests a large stimulus, with building and green spend which should buoy markets in the short to medium term. Markets will be watching closely for a clean transition of power. More predictable foreign relations and a science based Covid response could be key indicators for markets.

Covid-19 has weighed on the world and we saw a more muted market reaction to further lockdowns. This time around we know the society effects and are much better at caring for those infected. Pfiser's announcement of a 90% effective vaccine immediately rallied markets. Time will tell as to how quickly and effectively this can be brought to the populous.

History shows that whatever the preconceptions out there, markets prosper whether Democratic or Republican Presidents are in charge.



A Republican investor who disinvested every time a Democrat was in charge would have done far worse and they would both done very much worse than had they remained invested all of the time.



Source: Charles Schwab, Bloomberg, as of 10/21/2020. For illustrative purposes only. The above chart shows what a hypothetical portfolio value would be if a hypothetical investor invested $10,000 in a portfolio that tracks the Dow Jones Industrial Average on 1/1/1900 under three different scenarios: a Republican presidential administration; a Democratic presidential administration; or staying invested in the market throughout the entire period noted. Chart does not reflect effects of fees, expenses or taxes.

The key is to remain invested, be prepared for short term volatility, but for growth in the longer term.

Life Cover

There can be many reasons why you need life assurance. Some of those may be;

- ✓ To protect your family and loved ones. If your loved ones depend on your financial support for their livelihood, then life insurance is a must, because it replaces your income when you die.
- ✓ To leave an inheritance.
- ✓ To pay off debts and other expenses.
- ✓ Cover future expenses for a specific term. This may include school and university fees, a mortgage or loan, etc.

There are several different solutions depending on what you are looking to cover.

What type of cover?

Whole of life covers you for the rest of your life and will pay out on death. It normally includes an investment element and is therefore expensive.

Term covers a specific term for a specific reason and if you survive the term, the cover ends without payment. As such, it is significantly cheaper than whole of life. On cost and needs, Term Assurance is likely to be a good solution where you are investing separately as you will likely produce a better return at a lower cost.

There are several types of term assurance. The cost can be set at the outset for the whole term or can increase every year. The cover can either be for a single person or for joint lives where the benefit can be paid on either first or second death.

As an example, for a British non-smoker living in Thailand, for £500,000 cover over a 15-year term, whilst paying annually with the same premium over the whole term, an illustration of the costs (subject to underwriting) would be:

	Man	Woman
Age 30	£579.46	£385*
Age 40	£1,050.48	£692.05
Age 50	£2,268.96	£1,433.97
Age 60	£5,374.67	£3,319.37

*Minimum premium approx. £535,000 cover.

When choosing insurance companies as providers, important considerations are financial strength, ability to pay, cost, exclusions, premium collection, re-assurers, application and claims procedures and claims statistics (speed of claim and % of successful claims v claims made).

There are options available to suit you so please contact us for a detailed illustration.

A look forward…

Please do contact AIMS if there is any subject you would like more information about. We are planning further topics:

Environmental (ESG) / Responsible (RIS) investing

Inheritance financial planning and vulnerability

If you have any issues with pictures included please let us know and we can send them to you separately.

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