



## ASK THE ADVISER

8) Brexit - The latest in a series of articles by Iain Gregory of Caithness CAB

July 2016

An unplanned change to this week's topic! I had originally penned an article on something entirely different, but after last week's events I thought that it was time for a rapid rethink - something which many people in Westminster are frantically attempting as we speak. We are totally apolitical at Caithness CAB and always stick to the facts, which is what I will do today, but I must say that a little more transparency may have been helpful during the run up to the poll. As the results started to come in for the EU referendum I was glued to the TV and to a couple of PC monitors tracking the value of the pound, commodities, and the reaction of worldwide stock markets. When it looked like "Remain" was on track for victory the value of Sterling rocketed, but when it became clear that we were heading for the departure gate the pound dropped to levels not seen for 30 years, \$2tr was wiped off the value of markets worldwide, the price of oil dropped sharply and gold producers headed for the sky. So what does it all mean? Where does it leave us now and in the future?

Well, first of all there are so many variables and unknowns that nobody can honestly predict the future. Will the UK actually leave shortly or will there be a second poll after a change of Government or leadership? Will a new trade deal be negotiated? Will there be a snap General Election? Will we have a second Scottish Independence referendum and if so when? Will our First Minister manage to negotiate separately on behalf of Scotland? All we can do is take the facts as they are today and work from there.

As a start we need to look at our personal finances and the cost of living. Many people think that they are not affected by stock market gyrations, the value of Sterling or the UK credit rating but they certainly are. If you are going on holiday soon or if you are heading off on business then it is going to cost a lot more - you will get far less Euros / Dollars for your £ and there is every chance that prices of holidays will rise. You should still take your European Health Insurance Card with you, but, as always, have a travel policy as well. If you are buying the weekly messages I am afraid that many things will get more expensive, simply because we have to import them and pay for them in a different currency. A (very) weak £ means that anything we import is going to cost more - in some cases much more - and that includes familiar brands which we think of as "British" but which are actually produced elsewhere. If you have a "personal" type pension then the funds in which it is invested will have suffered losses as well. CAB can provide you with budgeting advice

through our delivery of the Money Advice Service and pensions guidance through Pensionwise so come and see us.

How about the banks? Well, I think that the nationalised banks will now stay that way for a very long time so we can forget that expected boost to the public purse. The banks are better regulated than in 2008 but Grannie's advice about eggs and baskets is still good - you are covered for up to £75k of savings per account holder in a UK authorised bank (£150k in a joint account) but this is per Banking Licence and many banks have various brands so always check. Again, we can assist you.

What about interest rates? There are various views on this. An early cut to 0% is possible if credit starts to dry up, but, due to the low value of the £, inflation could easily rear its head again soon and then we can expect a sharp rise. If you are a mortgage holder, I would advise you to be prepared for upward movement and budget for it. This also means that, once again, savers are going to suffer so call and see us for advice.

There will certainly be an emergency budget and tax rises will be in it. On the other hand we can safely now discount attempts to put VAT on food and children's clothing. Plan for a drop in income due to an increase in Income Tax rates and / or VAT - it will happen, linked to even more cuts.

Jobs and employment are also going to be affected. I would not be at all surprised if we slip back into recession along with many other countries by 2017 at latest. If this happens then we all know what that means - "austerity" will continue and wages will be frozen as will welfare benefits - all at a time when prices are going to go up. A certain budget airline took a very nasty hit on Friday as a downturn looms rapidly. Our friends and family who work offshore have already had a terrible time over the last year or so and, just when the oil price was slowly picking up, down it has gone again (fear of recession). As oil is priced in \$'s a lower price does not of course mean cheaper fuel. The positive side of this is of course that a weak £ means that our exported goods will be cheaper so perhaps we can build on that. Again, the only safe advice is to make sure that you build up a safety buffer of savings so if things do go wrong then at least you can manage for a while - ideally at least 3 months and preferably 6. Again, financial and employment guidance is always available at CAB.

Caithness Farmers have always been the bedrock of our local economy and will continue to be so long after Dounreay has gone. They too are in a very difficult situation now - what happens to the Common Agricultural Policy and the vital Single Farm Payments? What will replace them? How much and when? One thing is for certain, a strong and resilient Farming and Crofting industry is vital to Scotland and I think that this will be one of the thoughts uppermost in the Holyrood debates - and so it should be.

And what about our friends who have come to the County from Europe to live and work? This is going to be complex. Luckily at CAB we have an expert Adviser - Fi Kirk - who is closely monitoring the position, with particular

emphasis on the "Right to Reside" - come and see us and we will put you in the picture as it stands. Similarly, if you work or live in the EU then we will keep ourselves fully familiar with the legislation as it changes. Just remember that, at time of writing, nothing has actually changed so wait and see meantime.

And the future? Well, let us remember a few simple facts. In the last 100 years Scotland has suffered through two world wars, two major depressions, many recessions, changes of policy by countless Governments, mass emigration as a result of economic hardship and lots of other crises. And we have survived. We will survive whatever the future brings and will grow stronger whichever way the political pendulum swings. All of this will soon be consigned to history. There is no need to panic and what we will do is do what Scotland has always done - when the chips are down we will work together and we will get through the turmoil and with that in mind, the next article will be back to normal"