MONEY View

Summer/Autumn 2017

Your Pensions, Savings, Investments and Prote

Time for a Check-up?

Make sure your money works as hard as possible for you.

» We live in interesting times. We've got Brexit, a Trump Presidency, recent elections in both the UK and France and one coming up in Germany, plus we have an emboldened Russia. Additionally, the Pound has fluctuated, and UK inflation is on an upward cycle.

However, we have also seen some fairly resilient Stock Markets in the UK, US and elsewhere.

What it may mean for you

Challenging times can be good, as well as bad for financial planning. Either way, it ... ents that ... have a ... occurring may relate more to the short-term. Yet, financial planning should often address the longer-term picture.

To put this into perspective, let's think back just 10 years. In 2007, the iPhone had only just launched, Facebook was in its infancy, and Woolworths was on every high street! As for the financial marketplace, the term 'sub-prime mortgage crisis' was only just coming into common usage.

Financial check-up

Much has changed over the ensuing 10 years. But while it's important to think longer-term, the demands of daily life mean that, understandably, many live largely in the 'here and now' juggling a busy family and alongside work commitments, w leave little time to focus on finances.

So that's why it makes sense to se **professional advice** from individuals, such as us, who will work with you to assess the bigger picture. For us, this means being mindful of meeting both the shorter-term needs along the way (such as property purchase, university costs, or special treats), and longer-term planning to ensure you can fully enjoy your later years.

As part of this process, we'd consider your requirements and financial position, the mood of the financial markets, product choices, various initiatives introduced, and the tax benefits on offer.

It pays to take advice

In fact, recent research has shown that those who took financial advice (between 2001 and 2007) were, on average, around £41,000 better off by the 2012-2014 period, than those who didn't.

(Source: International Longevity Centre & Royal London, July 2017 survey)

Numerous developments

It's wise to take advice when you consider some of the key issues set out in this publication, along with the following:

The Budget - the next Budget will be in Autumn 2017, which will reflect the new timetable. As from 2018, Budgets will now occur in the Autumn, with simply a Spring Statement from Spring 2018 onwards.

Inflation - for the first time in a long time, we need to be aware of the impact of inflation, as the Consumer Prices Index (CPI) now sits at 2.6%.

(Source: Office for National Statistics, July 2017, released August 2017)

So, please do get in touch if you would like to discuss your financial needs.

HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

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■ The ...
only and do ...

TAX BENEFITS for you...

There are plenty of allowances to consider, and here are a few of the main ones...

Inheritance Tax (IHT) is a fairly emotive tax, as many view it as double taxation. A tax paid by the ben... money that may have... throughout the life o... the inheritance.

As it stands, the in... £325,000, and beyond ... tax to be paid. Married coup... partners can also combine their thres... meaning the last remaining person's estate can be worth £650,000 before the 40% tax is applied.

Additionally, the new 'home allowance' may also be applicable - the Residence Nil Rate Band (RNRB) - which is designed to make it easier to pass on the family home to direct descendants without incurring IHT.

This will be phased in gradually from the 2017/18 tax year and (if the value of the estate is less than £2m) it could increase each individual's threshold to £500,000 by 2020/21. Thereby, raising the threshold for a couple to £1m before the 40% tax is payable.

Individual Savings Accounts (ISAs)

This is one of the most obvious and available tax-saving devices.

An ISA is basically a 'wrapper' into which you can place cash or stocks and shares up to a certain limit each year.

For the 2016/17 tax year the total individual limit was £15,240. For 2017/18, it's even better, as the individual threshold now stands at £20,000, which means that a couple, for example, could invest up to £40,000 in this period!

Any interest, income or growth that you receive within an ISA will be free from any ... Capital ... from tax!

ISAs and Death

According to HM Revenue & Customs, 150,000 married ISA savers die each year.

Tax benefits can now even be applied to ISAs beyond a person's death, if it's passed onto the surviving spouse, or civil partner.

In the past, the ISA tax 'wrapper' passed away with its owner, and the money that had been sheltered became liable for Income and Capital Gains Tax, but rule changes mean that it can be passed on tax-free at death to the surviving spouse, or civil partner.

The surviving partner is then able to invest as much into their own ISA as their spouse/civil partner had at death, on top of their usual allowance.

However, the tax-efficient wrapper of an ISA does not apply if, for example, the surviving partner then dies and the ISA was left to another family member or beneficiary. In this instance, it may be subject to 40% tax, if the IHT threshold for the estate was exceeded, unless you've planned accordingly.

Please get in touch to find out more.

...nd shares ISA is a medium ...tment, which aims to ... the money you ...e or both. ... and the ... down as ... get back ...nvested. ...ue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

The Financial Conduct Authority does not regulate taxation and trust advice.

Lifetime ISA (LISA)

This scheme was introduced in April and is applicable to those aged 18-40.

It's designed for people buying their first home, or to be held in the ISA until they are 60 years-old, to help assist retirement planning. In these instances the investor will enjoy a tax-free withdrawal of funds from the scheme.

Additionally, the current proposals set out that you can save up to £4,000 each year, and get a government bonus of 25% (to a maximum of £1,000 each year, up to age 50). The bonus can only be realised if it goes towards your retirement, or your first home (which has to be located in the UK, your only residence, and up to a value of £450,000).

Lifetime ISAs can hold cash, stocks and shares qualifying investments, or a combination of both.

For those saving for retirement, be aware that you can withdraw the money at any time before you turn 60. BUT, you would have to pay a withdrawal charge of 25% of the amount you withdraw.

Contributions to this scheme will count towards the 2017/18 ISA allowance.

An evolving Investment Strategy

In the same way that your lifestyle will change over the years to reflect your differing needs, tastes, wealth, etc, so might your attitude to investments.

In the early years of your working life you may feel more invincible, and inclined to take greater risks with your investments. Perhaps reasoning that you have got time ahead to recover any possible losses. Conversely, as you move closer to retirement, you may have a greater degree of wealth ... protect what you no... more risk-averse s...

Additionally, yo... will be influenced ov... life goals, such as:

- Meeting the costs of ... university, weddings, a new ca... maybe, the holiday-of-a-lifetime.
- Undertaking improvements to your current home, moving up the property ladder, or looking to secure an additional one elsewhere in the UK, or overseas.
- Providing a financial buffer to deliver breathing space should you face illness, unemployment, or unexpected household costs.
- Ability to offer financial support to help get your children (or grandchildren) onto the property ladder, or to assist your parents with long-term care.

Your approach

Broadly, if you were to consider four key asset classes: **equities, property, fixed interest** (ie. government gilts/ corporate bonds) and **cash** - it's equities that are likely to deliver the greatest level of risk (and potential reward).

There's no rule that says you must have a balanced portfolio that embraces the asset classes mentioned above, or that you need to have it within a spread of UK and overseas sectors - but diversification possibly makes sense.

In which case, you may look at the current low return on savings, and feel that a hoped-for return on a range of equities may be something to also consider.* However, first take a look at the chart below which sets out seven key investment sectors and positions each sector's ... the best

... understandably, ... 'Emerging Markets', as it delivered a 9.4% loss in 2015. Yet, by the end of 2016 it was the top performer, with 31.6% growth!

Help is at hand

We can't guarantee future winners, but we will have extensive market knowledge and various tools at our disposal to help make your investments as effective as possible.

Of course, everyone will have different objectives, which are partly dictated by **life stage, attitude to risk, available funds, tax position,** and also if you primarily require **income** or **growth.**

In light of the chart below, it shows it is sensible to 'diversify' and spread the investment net in order to deliver measured ...owth. And, in general, to play the longer- ... than chasing potential short- ... ere and there.

... want to talk ... portfolio, ... roach.

...ments and the income from them can go down as well as up and you may not get back the amount originally invested.

Past performance is not a guide to future performance.

*** These investments do not include the same security of capital which is afforded with a deposit account.**

Example of comparative returns by a range of sectors across a 10 year period

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Best Performing	Asia Pacific 35.7%	Japan -2.3%	Emerging Markets 58.1%	Asia Pacific 23.7%	Corporate Bond 5.6%	Europe (exc. UK) 19.6%	North America 31.0%	North America 17.7%	Japan 15.9%	Emerging Markets 31.6%
	Emerging Markets 35.0%	Corporate Bond -9.0%	Asia Pacific 52.2%	Emerging Markets 22.6%	North America -1.8%	Asia Pacific 17.3%	UK 26.7%	Corporate Bond 10.6%	Europe (exc. UK) 9.6%	North America 30.7%
	Europe (exc. UK) 13.3%	North America -18.6%	UK 30.7%	Japan 19.1%	UK -3.7%	UK 15.8%	Japan 26.3%	Asia Pacific 9.7%	UK 4.9%	Asia Pacific 25.9%
	North America 5.3%	Europe (exc. UK) -24.9%	Europe (exc. UK) 19.9%	North America 17.8%	Japan -11.2%	Corporate Bond 14.2%	Europe (exc. UK) 26.2%	Emerging Markets 3.0%	North America 4.9%	Japan 23.5%
	UK 2.2%	UK -31.8%	North America 19.6%	UK 17.1%	Europe (exc. UK) -15.3%	Emerging Markets 12.6%	Asia Pacific 2.1%	UK 0.8%	Corporate Bond 0.3%	Europe (exc. UK) 16.8%
	Corporate Bond 0.7%	Asia Pacific -33.0%	Corporate Bond 16.1%	Corporate Bond 8.9%	Asia Pacific -15.7%	North America 7.5%	Corporate Bond 1.4%	Japan 0.6%	Asia Pacific -3.1%	UK 11.1%
Worst Performing	Japan -10.7%	Emerging Markets -36.8%	Japan -5.2%	Europe (exc. UK) 8.8%	Emerging Markets -19.1%	Japan 3.6%	Emerging Markets -4.0%	Europe (exc. UK) -0.8%	Emerging Markets -9.4%	Corporate Bond 9.8%

Source: Thomson Reuters/Lipper - Investment Association classifications, end of year position 2007-2016, sourced February 2017

There are almost 5.5m SMEs in the UK (small and medium-sized enterprises). These are businesses with less than 250 employees, although the vast majority have less than 10 staff. But is each business doing enough to protect itself?

(Source: House of Commons, Briefing Paper, November 2016)

BUSINESS Protection

Surely it makes sense for a business to fully protect itself and the personnel who may have helped build up the company over recent years.

Here are a few key areas where some form of business protection may benefit the business, the shareholders, and its employees.

Key Person Insurance

This is designed to provide the business with the funds needed to cope with the financial impact of the loss of a key person in the company. Understandably, the death or serious illness ... person can cause considerable disruption. This c... of sales, loss of customer confidence, the w... facilities and the cost of hiring or training ...

Shareholder/Partner Prote...

This enables the owners to keep control ... of them dies, or is diagnosed with a cr... the policy.

This plan will pay out a lump sum, which ... funds to buy company shares. The payout will th... her family, as the share in the partnership might have ... main financial asset, other than their home. For the remaining partners, it enables the smooth continuation of the business.

Business Loan Protection

If the business has outstanding loans, it may be prudent to take out some form of loan protection to cover the cost of the ongoing payments or to pay off the loan in full, in the event that the bank calls in the loan prematurely.

The latter could be triggered by ... loan covenant, loss of cre... death, of a key person... loan account, and the... demand repayment ...

protection policy should apply in such circumstances and hopefully provide the business with a cash sum to help repay the loan.

Relevant Life Policy

This policy allows companies to offer a tax-efficient 'death-in-service' benefit to its employees (including salaried directors).

It's designed to pay out a tax-free, lump sum on the death (or diagnosis of a terminal illness) of the person insured. With some providers the cover may go beyond this. The proceeds go directly to the employee/employee's family or financial dependants.

...hough the company makes the payments, they're not ...efit in kind, and would not be included in ...ssments. This could be a significant saving, ... or additional rate taxpayer.

...up life scheme, the benefit will not form ...nsion allowance, and premiums won't ... pension allowance.

...n allowable expense for the company in ...lity, as long as the local inspector of taxes ...y under the 'wholly and exclusively' rules.

... may be appropriate for:

- ...ning directors and employees who don't want their death-in-service benefits to count towards their lifetime pension allowance.
- Small companies with too few members for a group life scheme that want to provide employees and directors with tax-efficient death-in-service benefits.

Talk to us...

These are just four brief examples of the protection policies on ... businesses, with each meeting a different need. If this is ... we can discuss, in greater detail, the key ... and identify a suitable way forward.

... terms, conditions and

■ The contents of this newslette...

■ Every care is taken that the informa... subject to change and you should always make enquiries a...

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■ We cover pensions, savings, investments and prote... ...her financial areas, so do contact us if you'd like to discuss your financial needs:

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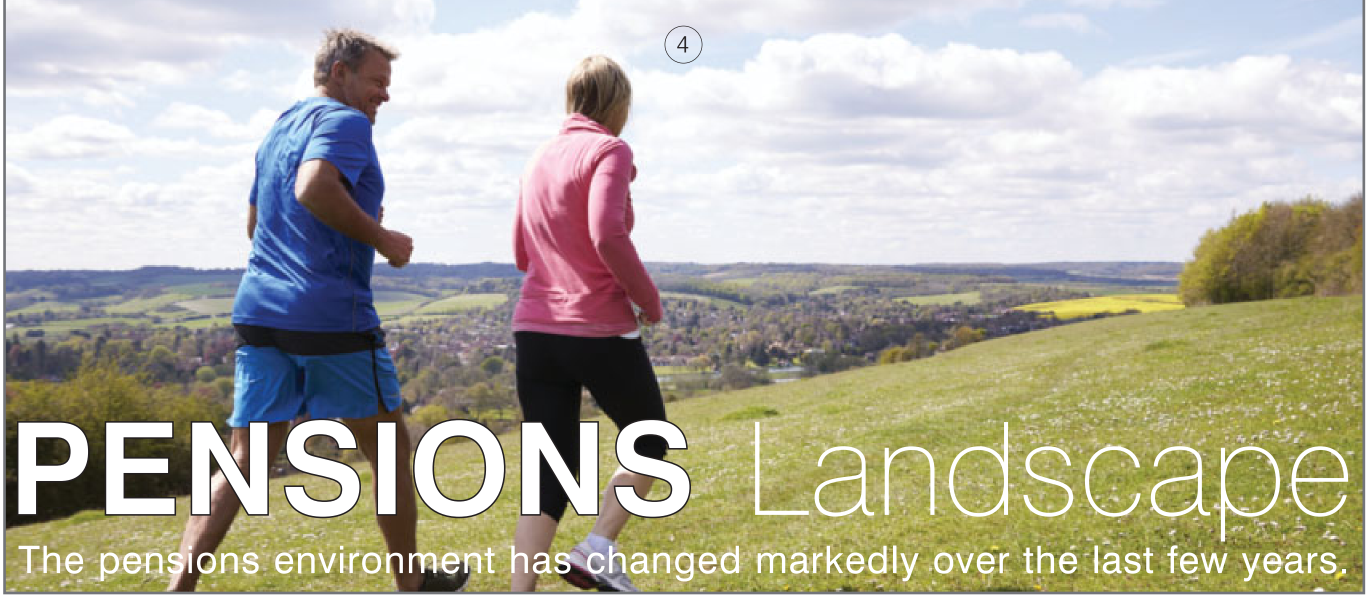

PENSIONS Landscape

The pensions environment has changed markedly over the last few years.

Following the complete overhaul of the pensions system in April 2015, planholders, aged 55+, can draw down as much, or as little, of their defined contribution pension savings, at any time.

Since the introduction of the freedoms, we have seen over 2.3m payments being made, with £12.7bn withdrawn, equating to an average payout of around £5,500. Some of these payments would be part of multiple take-outs by certain individuals, as well under 1m people over this period were responsible for releasing the £12.7bn from their plans.

(Source: HM Revenue & Customs, July 2017)

The expanded range of choices lea… pension holders with a number of option…

- Leave the pot untouched.
- Take out some, or all, as cash.
- Purchase an annuity.
- Opt for a flexible income, via a flexi-access drawdown scheme.
- Decide on a mix of the above, which, for example, could deliver a guaranteed income for life, yet leave some funds invested in the hope of future growth.

Tax issues

Put simply, the choice is yours, if aged 55 or more. But it's vital that you take advice to ensure you are fully … opportunities and pitfall…

For example, let'… position. The first … pot will be tax-free, … sum, or as the first 25% of multiple lump sums, with the remaining 75% being taxed at the individual's marginal rate.

So you'd need to be mindful that taking in excess of 25% as cash could generate a sizeable tax bill, and possibly push some into a higher income tax band.

And it's not just issues relating to taking out funds as cash, it's also important that you seek advice so that you know if, for exampl… …ncome dr… … w… death, … …plied.

With the cha… …rement pot of someone who dies before the age of 75 will, generally, no longer be taxed when passed on. Similar rules now apply to annuities, if it's a joint life one, or an annuity with a guaranteed term.

A pension pot passed on after the age of 75 will, generally, be taxed at the … …al rate. Again, annuities …

Pensions take-up

Taking a step back to consider those who are still saving into a pension scheme, the government has also made great strides in this respect through the Workplace Pension. As it stands, around 7m people have been enrolled in the scheme, and more than 370,000 employers have declared that they have met their auto-enrolment duties.

(Source: Damian Green, House of Commons, January 2017)

Sizeable contributions

…t the other end of the scale, if you've …ntributed a great deal into your pension …eme over the years then you need to be …are of the Lifetime Allowance. This …as reduced for the 2016/17 tax year to £1m, and with effect from 6 April 2018 will increase annually at the Consumer Prices Index rate.

You usually pay tax if your pension pots are worth more than the lifetime allowance. Although, you might be able to protect them from reductions.

If you'd like to hear more about any of these topics, either as an employee or employer, then do get in touch.

HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual …umstances and changes which … foreseen.

…onduct Authority does …n advice.

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Navigating choppy waters...

A key consideration for **BUY-TO-LET** landlords is to gauge the levels of 'supply' and 'demand'.

» Whilst landlords also face a number of tax and regulatory issues, the demand for renting is still fairly strong, as everyone knows we aren't building enough homes to meet the needs of a growing population. This - combined with the difficulties many renters face in getting together a suitable deposit to exit the rental sector and enter the home purchase arena - will help to maintain demand.

Of course, there are marked regional differences, so if you're currently a landlord, or wish to become one, you need to do your homework and assess how it may pan out in the areas in which you operate, or plan to operate, and the type of renter you're after.

Dealing with what's in front of yo

From April 2017, tax relief on landlord's mo restricted to the basic rate of income tax. three years, the proportion of borrowing offset against tax will taper down to zero

Additionally, landlords face new deductible expenses they incur from re limiting tax relief for wear and tear in full

Landlords have also faced higher rates property purchases, as anyone who buys a seco to pay 3% on top of the normal rate of stamp duty. that each investment by a landlord will have a stamp duty bill at least 3% and possibly as much as 15% of the purchase price.

The final strand in these developments relates to greater regulatory requirements from the start of this year. This required lenders to consider likely future interest rates over a five-year period (unless the loan rate is fixed or capped for five years or more). Specifically lenders have to:

- Stress test their lending against an expectation of an increase in buy-to-let mortgage rates of at least 2%.
- Assume a minimum rate of 5.5%, even if the stress test of a 2% increase would actually produce a lower rate than that.

And there's more! From 30 September 2017, the Prudential Regulation Authority (PRA) will implement special underwriting rules for landlords with a portfolio of four or more managed properties.

...age now?

...r or more properties and feel that you want ...he current excellent deals on offer* - where, ... has been a healthy reduction in rates ...2 months - now may be the time to ...ans you would be taking action ahead ...eby borrowing in a less restrictive

(...tgage Brain, May 2017)

... future the current and ongoing political ...onment may influence the regulatory controls. ...antime, it's important to take advice and deal with ... in front of you.

There is no guarantee that it will be possible to arrange continuous letting of the property, nor that the rental income will be sufficient to meet the costs of the mortgage.

The value of your Buy-to-Let property and income from it can go down as well as up. You may also require advice on the legal and tax issues.

The Financial Conduct Authority does not regulate legal and taxation advice, and most Buy-to-Let mortgages.

... Customs practice and the law relating to taxation ... individual circumstances and changes

...d if you do not keep

A WAY FORWARD?

Some landlords have opted for, or are considering, placing their portfolio within a 'limited company' status, as this may be beneficial with regard to mitigati... initiatives, and that limited ... PRA regulations.

However, this may r... essential that you t...

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