# FOCUS

SHARING A WEALTH OF WISDOM

SUMMER 2018

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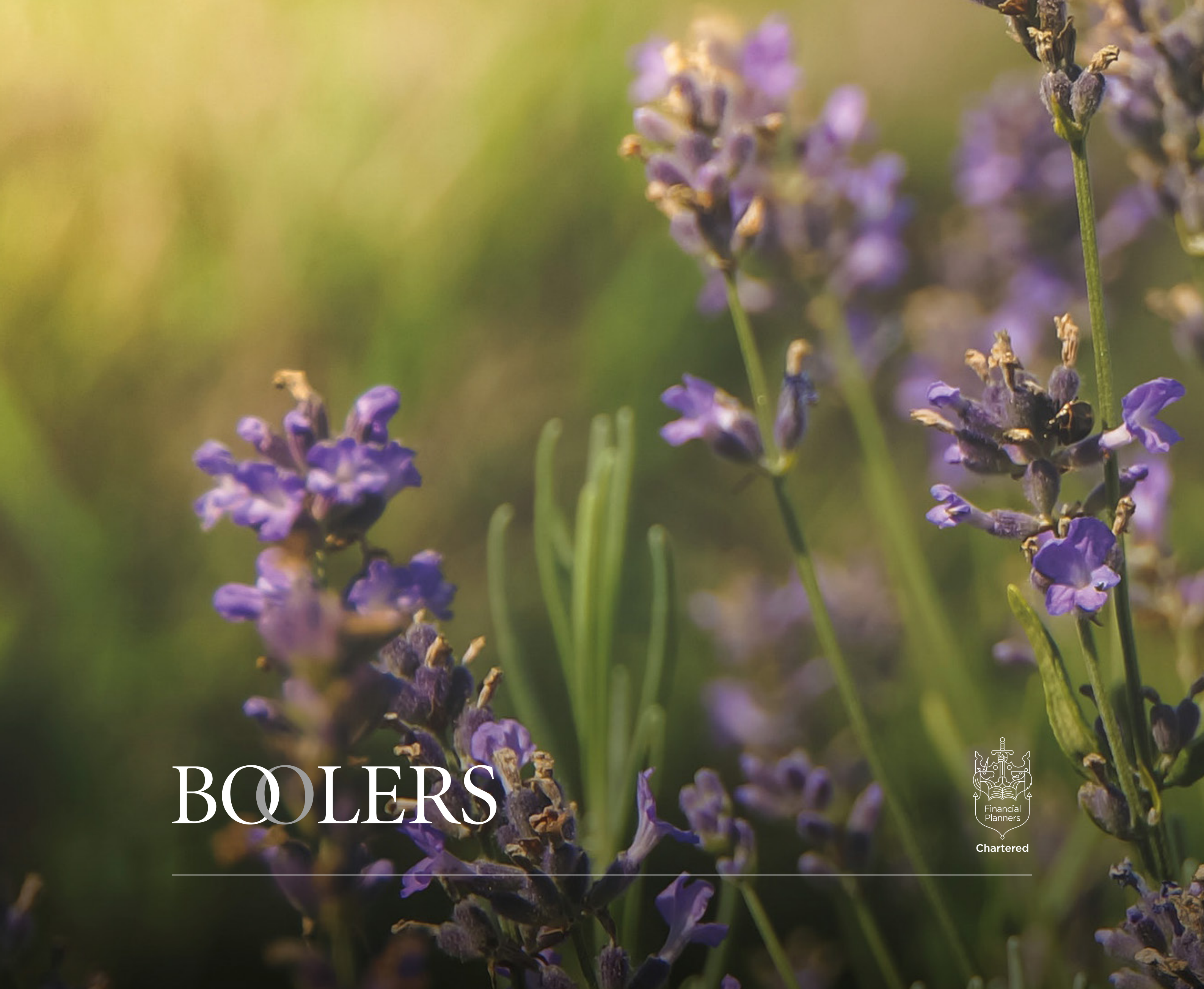

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Financial Planners

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ANDREW WHITE

**In our latest newsletter, we are giving you a break from pensions! Whilst the topic once again has been in the news, with the collapse of the outsourcer Carillion, British Steel pension transfers, The Pensions Regulator and our own regulator, the FCA, all being under the spotlight at some point this year, there are no meaningful updates to advise you of. Nevertheless, pensions remain complex (whatever happened to so-called "Simplification") and we remain very active in this specialist area of advice.**

As well as the usual investment commentary, this update provides further information on how the new General Data Protection Regulation (GDPR) affects our relationship with our clients. I am sure that you will have been bombarded with emails and correspondence from all sorts of organisations and companies that you have had dealings with in the past (and possibly some you won't have!), but Carole's article hopefully contains some useful and appropriate information.

Our main advice article concerns Inheritance Tax (IHT) which is topical following HMRC's recent release of data. One of the main points of note is that, whilst the number of Estates paying IHT in 2017/18 at 23,000 was only 1,000 greater than in 2000/01, the actual tax raised has increased from approximately £2.2 billion to over £5.2 billion.

We have had literally hundreds of conversations with clients over many years concerning what has often been described as a "voluntary tax". Whist I would not agree that it is voluntary, in many cases in practical terms there are various planning options that can be undertaken. For many of our clients, often complex structures are not wholly suitable but I hope that Simon's article, if nothing else, provides you with useful and up to date information in an area that is perhaps more complicated than many think.

I hope that by the time this newsletter reaches you the current sunny weather is prevailing and that you have an enjoyable summer.

Andrew White



# AWARDS SUCCESS

Richard Borrington
Financial Planner

**We are delighted to announce that Boolers has recently picked up two further awards to add to those won in 2017.**

**The annual Professional Adviser awards were held in London on 8th February and Boolers was awarded 'Best Financial Adviser to Work for' and 'Best Adviser Website'. Receiving two such prestigious awards is a fabulous achievement and it recognises the hard work, commitment and teamwork of everyone at the firm.**

## Best Financial Adviser to Work for

To be awarded 'Best Financial Adviser to Work for' in the first year we have entered is an achievement we are extremely proud of. The judging process was rigorous and included an anonymous survey of our staff who were encouraged to give their honest opinion of life at Boolers.

## Best Adviser Website

Over the past 18 months our website has been completely redesigned. We focused on providing information that we thought would be useful to visitors and, conscious that not everyone wants to read online, we created over 40 videos which have proved extremely popular with visitors to the site.

We are not resting on our laurels and will continue to build on the long standing reputation that has been developed over the last 35 years, with a focus on the continued quality of advice and service for clients, and culture of support and development for the Boolers team.

"WE WOULD LIKE TO THANK OUR TEAM AT BOOLERS FOR THEIR CONTINUED SUPPORT AND DEDICATION WHICH HAS ENABLED US TO CREATE A FABULOUS PLACE TO WORK AND BUILD A CAREER."

Professional Adviser awards 2018
WINNER
Best Financial Adviser to Work for

Professional Adviser awards 2018
WINNER
Best Adviser Website

Simon Watts
Chartered
Financial Planner

# WHERE THERE'S A WILL...

**Inheritance Tax (IHT) is a subject that is raised with (and by) many of our clients. Increased property and portfolio values over recent years mean that more clients than ever need to consider the potential impact of IHT on what they leave behind. Whilst some clients are content for their heirs to receive whatever is left of their estate after tax, there are many options available for those who do want to make some provision and we have outlined 10 of them below.**

## 1. Nil Rate Bands

Each individual has a threshold below which their estate should not be subject to IHT, currently £325,000. From October 2007 a surviving spouse/civil partner can also receive the benefit of their deceased partner's unused nil rate band. Wills can be used for **'nil rate band planning'**.

The **Main Residence Nil Rate Band** came into effect on 6 April 2017. This will eventually allow for a £175,000 per person transferable allowance for married couples and civil partners when their main residence is passed down to children after their death. This is in addition to the £325,000 threshold. The allowance is £125,000 in 2018/19 and will increase in stages to £175,000 in 2020/21. However, there is a tapered withdrawal of the main residence nil rate band for estates with a net value of more than £2,000,000 at a rate of £1 for every £2 over this threshold.

## 2. Effect a Life Insurance policy

A life policy **written in trust** could provide monies to beneficiaries on your death to provide cash to fund an expected tax liability. This life cover could either be on a **whole of life** basis to cover a permanent liability, or for a **fixed term** to cover a gift for the period that it remains within an estate. The life cover sum assured would fall outside of your estate and avoid probate, and could be used to offset an IHT liability, providing it was set up under a suitable trust.

## 3. Make Exempt Gifts

Each individual donor has a £3,000 annual allowance to gift monies, small gifts of £250 per person and other gift allowances on special occasions e.g. marriage. The previous year's annual allowance can also be brought forward if not already used. These constitute **Exempt Transfers**, i.e. they are outside of the estate as soon as they are gifted.

**Gifts out of Normal Expenditure/Surplus Income**
If you can demonstrate that you have surplus income, gifts can be made from this surplus providing it does not affect your normal standard of living. These gifts are also **Exempt Transfers**, so gifting surplus income can be a particularly effective way to mitigate an estate's enlargement through the accumulation of income. Guidance should be sought before using this method, as several conditions need to be met for the exemption to apply.

Gifts between spouses are **exempt without any limit** (rules differ for non-UK domiciled persons). Gifting to children is a specialised area of financial planning that we can provide advice upon.

## 4. Make Potentially Exempt Gifts

You can make outright gifts over and above exempt gifts and their value will normally fall outside of your estate once you have survived for **7 years**. These are known as **Potentially Exempt Transfers**, as they have the potential not to be included in the estate for IHT.

## 5. Preserving your Pension Pot

Most pensions are held within a form of trust and if you die before the age of 75 your fund can pass to your nominated beneficiaries free of any tax. After 75, though still free of IHT, funds are taxable at the beneficiary's marginal tax rates as they are withdrawn. For some whose pension funds may exceed the value of their home, preserving pension funds that are effectively outside of their estate whilst living off cash and investments inside the estate may be an appropriate strategy.

## 6. Transfer Assets to a Trust

There are many types of trust available and these will differ as to how they are treated for tax purposes and the level of access you have to capital and/or income. Generally speaking, the more access you have, the less effective the trust will be for IHT. The advantage a trust has over an outright gift is that the donor can retain an element of control over how the gift is treated i.e. when it is spent and how it is invested in the meantime, and potentially who eventually benefits from the gift. The value of the gift for IHT purposes is normally frozen at the initial amount gifted, even if the value of the gift increases subsequently. Trusts are more usually established by retired persons who have already built up their assets and are often in a better position to judge what proportion of them they could do without/gift away. The trust assets do not have to remain untouched for the lifetime of the donor, they can be employed in benefiting successive generations immediately, for example meeting school fees for children/grandchildren.

A Trust, however, is a more complex IHT planning tool and professional advice should always be sought before entering into an arrangement to ensure it does what the donor intends and there are no undesirable consequences, such as the donor suffering tax on the trust during their lifetime.



We manage investments for and advise upon many trusts for our clients and can provide guidance in this area if required.

## 7. Investing in Qualifying Shares

Such as some of those listed on the **Alternative Investment Market**, which under current legislation can benefit from **Business Property Relief** (100% IHT exemption) after being held for **2 years**. The downside is the higher risk associated with these shares due to the smaller size of the companies involved. We provide advice in this area and a number of our clients hold AIM portfolios for a proportion of their overall wealth, appropriate to their appetite and capacity for investment risk.

## 8. Refusing a Legacy

If you already have a sizeable estate of your own, you may not wish to make a potential IHT problem worse by inheriting more wealth. A legacy can be refused (or disclaimed) in a number of ways.

One method is via a **Deed of Variation**, whereby a person's will is retrospectively amended by agreement of all surviving beneficiaries. Any changes to the will must be carried out **within 2 years** of the death. The deed is normally drawn up by a solicitor and certain conditions must be satisfied in order to be effective. By refusing a legacy in this manner, it does not become a part of your estate.

If a Deed of Variation cannot be executed for any reason, you may still be able to formally refuse the legacy, in which case the executors of the will can distribute the disclaimed inheritance as a **residue of the estate**. However, legal advice should be sought beforehand as this may constitute a Potentially Exempt Transfer on the part of the person refusing the legacy.

## 9. Gifts to Charities/Political Parties/ National Institutions

Gifts made to a charity during your lifetime or via your will (known as a **Charitable Legacy**) will not count towards the total taxable value of your estate for IHT. Furthermore, if you leave at least 10% of your 'net estate' (estate less the nil rate band) to a charity the IHT rate on the rest of your estate could **reduce from 40% to 36%**.

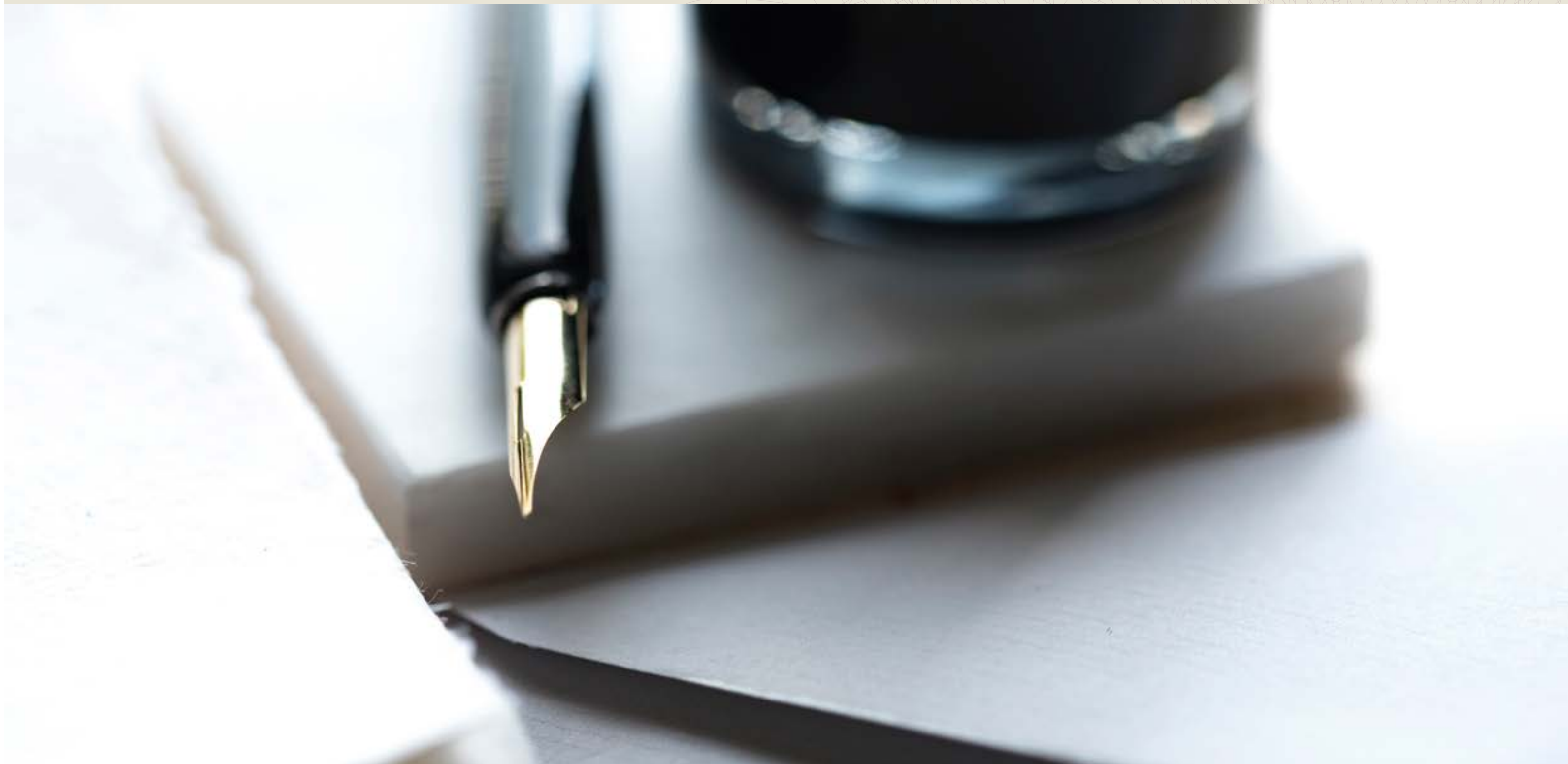
Donations to a UK political party may also be eligible for relief, as well as donations to certain national institutions such as museums, universities and the National Trust. Again, there are rules around such gifts and professional advice should be sought.

## 10. Spend It

This is an option where individuals either have no dependents or where leaving a financial legacy is not a key priority. Even where provision has been made to mitigate/fund an IHT liability, working down assets that form part of your estate is a legitimate IHT planning option.

## Other Options

We have described most of the main IHT planning options above. Others exist, including Enterprise Investment Schemes, Agricultural Land and Corporate Investment Structures. We can provide advice on some of these areas but consider the above options to be our preferred (and generally more suitable) IHT planning tools. We hope this overview of the main options for IHT mitigation is of interest and will be happy to provide further information/advice if required.




Gavin O'Neill
Chartered
Financial Planner


# JOSÉ MOURINHO OR KEVIN KEEGAN?

**When considering risk management within our investment portfolios, we can easily compare this to football and what the team formation will be. Do we opt for all-out attack à la Kevin Keegan, play with a sweeper like the Germans or 'park the bus' like José Mourinho?**

Like all successful teams, we need to have the ability to attack and score goals and over the longer term equities/shares should deliver this. All great teams have usually been built with a solid defence and this is where diversification comes into investment management.

We engage various strategies to reduce different types of risk as far as possible within our portfolios through diversification. We blend different asset classes, i.e. equities/shares, fixed interest securities/bonds, property and cash, which perform in different ways through the investment cycle.

One area that has become ever more popular over recent years has been the availability of what we term Absolute Return funds. These funds aim to deliver positive returns over rolling periods throughout different market cycles. The theory is that these aim to dampen volatility and give a 'smoother' journey over time. If cash is the goalkeeper, then absolute return funds are part of our four man defence!

The underlying holdings and strategies within Absolute Return funds vary massively with some focusing on just one asset class, e.g. equities or bonds, and others adopting complex trading strategies, using derivatives within all asset classes including currencies.

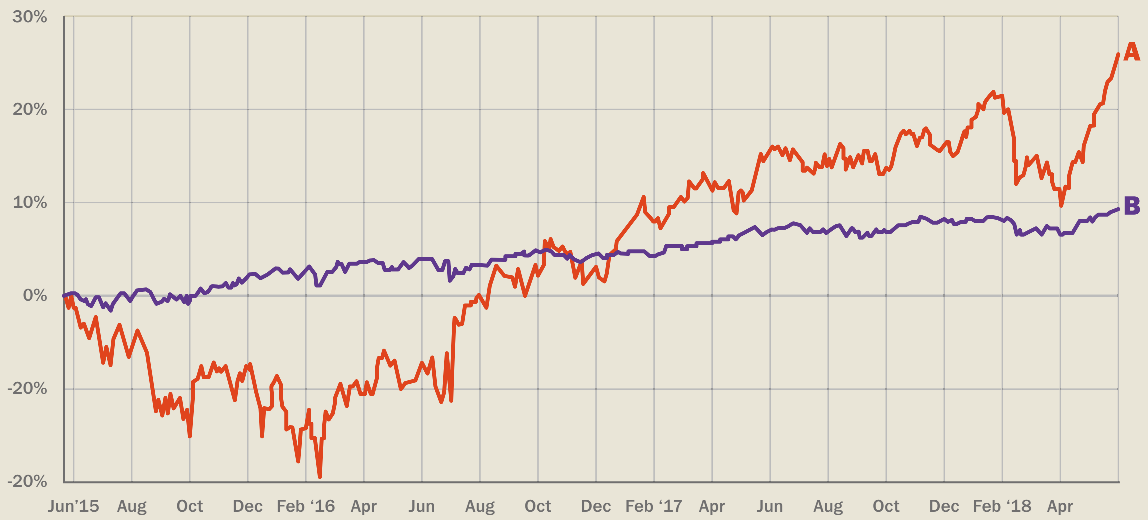
Our investment approach has always been, and will always be, to only invest in funds that are transparent and those that we fully understand.

The main aim of Absolute Return funds within portfolios is to dampen volatility within a portfolio and provide additional diversification, especially when equity markets are weak. Within our portfolios we have exposure to two such funds, both of which invest purely into equities/shares, combining companies that the managers feel will increase in value over the longer term, whilst 'shorting' companies that they feel will fall in value in the short term. For the UK market, we invest into the Janus Henderson UK Absolute Return fund and the 3 year performance chart below demonstrates the benefit to portfolio diversification of the UK market fall at the end of 2015, yet still capturing positive upside over the period.

Add to this the fact that the fund is one of only a small handful of Absolute Return funds to deliver positive performance in every calendar year since launch in 2009 and it is clear why this type of strategy is attractive for portfolio risk management.

It could be argued that the Janus Henderson fund would be a John Stones or Gary Cahill, but then that would be a decision for Gareth Southgate in Russia!

**Janus Henderson UK Absolute Return fund and the 3 year Performance Chart**




A FTSE 100 TR in GB [26.03%]
B Janus Henderson - UK Absolute Return | Acc in GB [9.31%]

22/05/2015 - 22/05/2018 Data from FE 2018


Carole Waghorne
Chartered Financial
Planner


# GENERAL DATA PROTECTION REGULATIONS – ALL CHANGE!

**If you've been hiding under a rock for the last few months, it might have escaped your notice that data protection legislation has changed. The rest of us have not been so lucky!**

**By the time you read this article, the new General Data Protection Regulations will be effective, replacing the previous Data Protection Act 1998.**

## Why do we need the protection?

The way in which data is processed has changed significantly since the growth of the internet in the mid 1990s. Organisations have been collecting, storing and using huge amounts of our data, including creating user profiles and running targeted sales and marketing campaigns.

The GDPR is an attempt to acknowledge these changes and provide greater protection to individuals for their data. One way of doing this is by increasing fines - the new maximum fine for a serious data protection breach is the greater of €20m or 4% of annual global turnover.

## Principles

GDPR is based on seven high level principles, which inform the specific requirements for processing personal data.

In practice, these principles state that any personal data collected must be known and reasonable, cannot be excessive, must be for a legitimate purpose, must be correct, cannot be retained for longer than necessary and someone must be responsible for it!

## Lawful bases for processing data

Much has been written about the basis on which your personal data can be processed. You will no doubt have received countless emails asking you to opt in to communications from third parties – that is because they are relying on 'Consent' as their basis for processing your data.

Where you do not hear from someone whom you know is holding your data, it is likely that they are relying on one of the other bases for processing data; legitimate interest, necessity for fulfilling a contract, legal obligation, necessary for the vital interests of the data subject, necessary for performance of a task in the public interest.

We have reviewed our own position in light of these options and determined that we will rely upon necessity for fulfilment of contract, legitimate interest or necessary to comply with a legal obligation when processing your data.

## New rights

GDPR brings individuals new rights in connection with their personal data. You can now contact an organisation and ask to see what personal data is held, ask for data to be corrected, transferred elsewhere and even deleted all together.

It will be interesting to see how larger organisations, such as Facebook, will deal with requests for data erasure - there is a question mark over their ability to do this.

## Our changes

We have prepared new privacy notices which explain the data that we collect and process and our reasons for this. These can be found on our website, **www.boolers.co.uk**

At your next annual review meeting, you will be provided with a copy of our privacy notice and asked to sign a client agreement that includes our new data protection wording. Ongoing we will be developing a client portal for conveying personal financial data to you.

As a client of Boolers, we will continue to contact you in relation to your financial arrangements and will send you newsletters and other updates on any legislative or regulatory changes that we think might affect you. If you would rather not receive such information, please email us on **unsubscribe@boolers.co.uk** and we will remove your details from our database.

# OFFICE NEWS

**Jo Clamp**
HR Manager

## New Recruits

The 6 months since our last newsletter have seen a number of additions to the Boolers ‘ranks’. Although 2018 saw the retirement of Val Percival from the Life and Pensions Team after 12 years of service, there have been a number of new recruits to all areas of the Business. As the Business continues its plan of structured development, we aim to continue to support this through the ongoing recruitment of the right people with the right knowledge, skills and experience.

Recruitment since our last newsletter includes:

## Pensions

**Heema Tailor** replaced Val in the Life and Pensions Team. She brings with her over 10 years’ experience working within the Corporate Benefits field in both Leicester and London.

**Zarielle Bloxham** joined the SSAS team in April as an experienced Accounts Executive having worked in Pensions Administration for a number of years at both Berkeley Burke and Hornbuckle Mitchell.

## Investments

**Alice Morris** has been recruited as an Accounts Executive and joined us from Brigland Financial Management in Surrey. Alice has many years’ experience in Pensions and Investments, including 5 years working in Gibraltar and Spain in their financial sectors.

## Business Support

**Andy Hodges** started as the new Compliance Manager in April. He has many years of experience within the Compliance field, having worked at Canada Life and HSBC and more recently as Compliance Manager at NLP Financial Management, a London based firm.

**Wid Rojoa** has joined the Compliance Team as a Graduate Trainee. Wid has a degree in Law from the University of Leicester and also worked in contract and revenue administration roles before joining us.

## Financial Planning

**John Allen** started with the Business in December. He came to us with a wealth of experience in marketing and sales and a keen interest in the world of finance and its application to individual requirements. He is currently working alongside members of the financial planning team and is already close to achieving his Diploma in Regulated Financial Planning with a view to becoming a member of the Financial Planning Team in the long term.

## Hatched and Matched

I am delighted to report that:

**Arti Lad** became **Arti Mistry** when she married **Sohan** in a beautiful traditional ceremony in August 2017 and **Rushi Pabari** married **Uzma** in May this year. Congratulations go to both couples.

I am also delighted to report that at the end of May **Hema Mistry** gave birth to a lovely little baby boy **Hari** and **Sarah McMullan** gave birth to a beautiful baby girl **Orla**. Congratulations to Hema and Vimal and Sarah and Gareth.

## Charity Events

As a Business we continue to sponsor and support a wide variety of events and charities, such as Treats and Derby Book Festival, and a number of staff have taken part in their own fundraising events. These include:

- **London Moonwalk:** On 12 May **Ami Dewick** and **Sophie McIntyre** took part in a night time marathon walk around London raising over £2,000 in support of breast care charities.

- **Twilight walk:** A number of staff took part in this twilight walk around Leicester and raised significant funds in support of LOROS, who are a local charity that provide care and support to the terminally ill.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