FOCUS

SHARING A WEALTH OF WISDOM

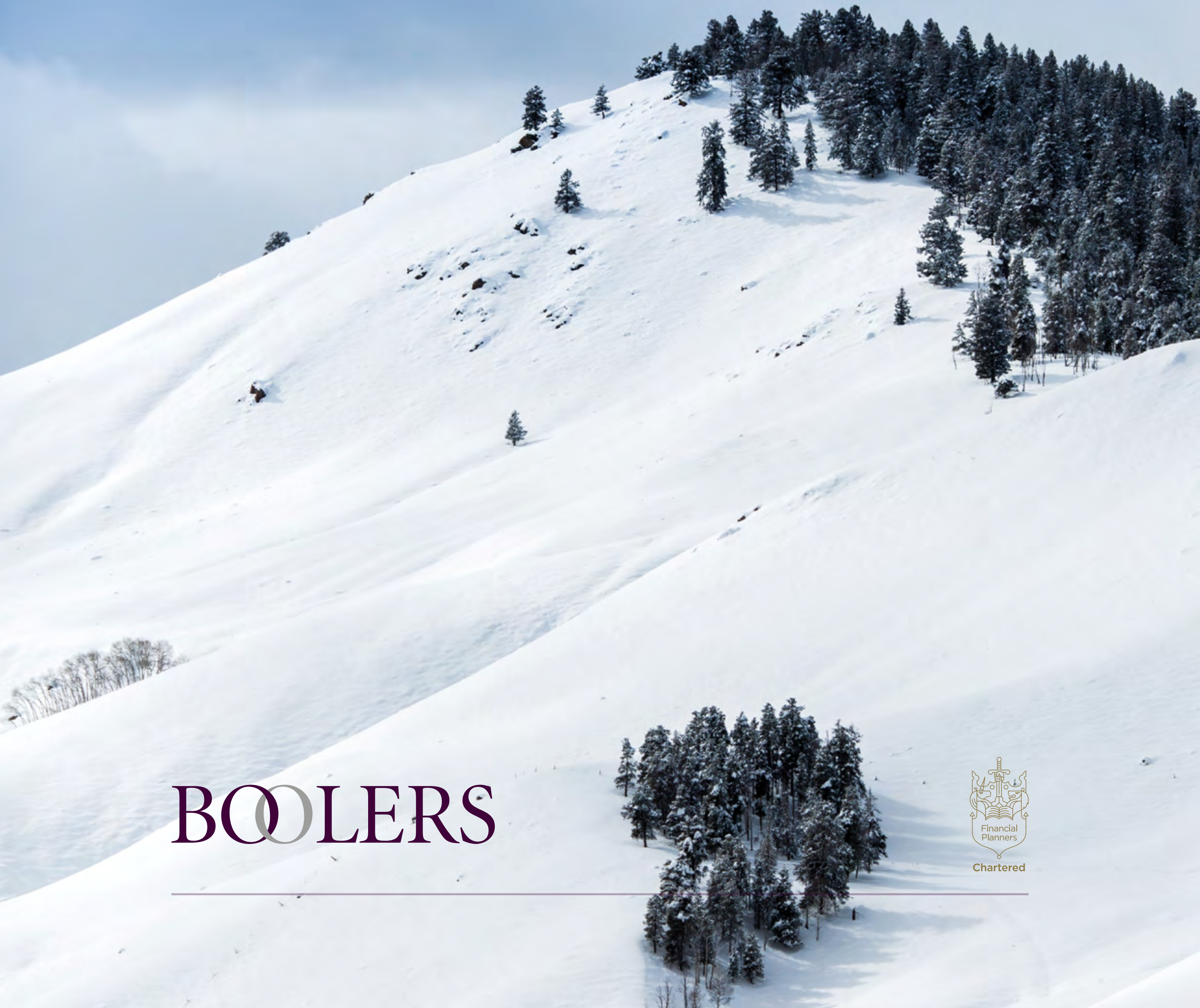
WINTER 2018

UK - STILL OPEN FOR BUSINESS

WHAT A RELIEF!

WHAT DO WE TELL THE KIDS?

ISSUES AFFECTING OUR SSAS & SIPP



BOOLERS

Financial Planners
Chartered

> SAVING AND FINANCIAL ADVICE GENERALLY CONTINUES TO BE HIGHLIGHTED IN THE MEDIA AS BEING NEGLECTED BY THOSE UNDER 50 HERE IN THE UK

ANDREW WHITE

The main problem with writing articles for our Newsletter is that some of the content may prove to be completely out of date by the time it drops through your letterbox!

Brexit has dominated UK news ever since the vote well over two years' ago, particularly in recent weeks since the 'deal' was agreed by our Prime Minister. Parliament's formal say in the process will have taken place by the time these pages reach you and so UK financial markets may have a further complicated look to them by now. Whatever shape they have at present, in his article Gavin reminds us that investment in the stock market is in companies, not just shares. The fundamentals often go 'out of the window' at times of uncertainty and so a reminder of some of the important factors when investing is perhaps rather timely.

The strength of the UK economy was revealed in numbers released just before the Budget. The Office for Budget Responsibility upgraded its forecast for GDP growth next year to 1.6% (from 1.3%), whilst revising down its public net borrowings figure in this financial year by £11.6bn from the OBR's March forecast.

As Chris Ward indicates in his article, it was a (thankfully) quiet Budget for pensions, where the much forecast change in pensions tax relief did not materialise - possibly the UK economy's much improved financial position being a significant factor in this respect.

It has long been a bug bear of many of us in the finance industry in recent years of the weak data that seems to be put out by UK public bodies only to be subsequently revised upward months (and sometimes years!) later. In the meantime, we have all been subjected to various news organisations' spin on how weak our economy is.

Chris Ball's article discusses the different ways clients are approaching their financial planning as they get older and our place in engaging with the next generation of families, which also includes businesses. Saving and financial advice generally continues to be highlighted in the media as being neglected by those under 50 here in the UK, so we are encouraged that some clients are actively involving their children in their long term planning and decisions.

We hope that this Newsletter provides another interesting and informative read and that the New Year brings with it more certainty in the UK and less talk of politics and trade wars.

On behalf of everyone at Boolers, may I wish you a very Happy Christmas.

Andrew White

UK - STILL OPEN FOR BUSINESS!

Gavin O'Neill
Chartered
Financial Planner

The Brexit process is the only headline that investors are concerned with at the moment when it comes to considering UK equities.

For a non-UK investor, the risks and uncertainty are proving too much and allocations to UK equities have been slashed dramatically. However, for most of our clients who are UK based investors, we believe that there are many reasons to be more positive as we explore below.

Yield

The UK market has long been the stalwart for the income savvy investor. We have a long-standing culture of rewarding shareholders with regular dividends and the current yield on the FTSE 100 index is extremely attractive at 4.4%. This is especially the case in view of other income options from alternative asset classes, e.g. cash (0.75% bank base rate) and fixed interest securities (1.4% yield on 10-year Gilts).

Valuation

Another reason to be more cheerful is the comparison of valuation levels compared to other regions.

The UK equity market is certainly unloved as a result of Brexit and, we believe, undervalued. There are of course exceptions where valuations have been pushed higher but when looking outside of the larger global brands the more domestic focused businesses are currently sitting on much lower, more attractive valuations.

This is echoed by the recent comments from James Lowen, who co-manages one of our core UK equity funds,

"we think prices simply have to change. Historically the prices of domestic stocks have never been lower and we could now be at a turning point. Valuation drives everything at the end of the day. All the signs for change are flashing green and we are economically in a strong position in Britain, with real wages going up."

Upgrades

A driver of equity market performance comes from the underlying fundamentals of the economy. Let us not forget that whilst UK economic growth, as measured by GDP, has been hovering around 1%, we are still growing and more importantly we have been frequently surpassing the forecasts set by the Office for Budget Responsibility (OBR). The recent Budget confirmed this economic strength with better than expected tax receipts allowing additional spending, for example on the NHS. This is a point that didn't go unnoticed by veteran fund manager Neil Woodford who commented:-

"this was an astute political Budget and one which underlined the significant economic improvement that is unfolding here in the UK."

Europe, on the other hand, appears to be falling short of expectations with Germany's economy shrinking in Q3. Another major indicator, in the form of the manufacturing PMI data (Purchasing Managers Index), fell for both October and November (to date).

Risks

We are of course fully cognisant that Brexit poses a significant risk to the UK investor. We are (at the time of writing) waiting to see if the proposed deal is agreed by Parliament.

If a deal can be agreed this should be taken positively with an expected boost to our currency and domestic companies. A harder deal (or no deal) will be more negative but any further deterioration of Sterling from current levels should provide an additional boost to UK multinationals who derive a significant proportion of their earnings overseas.

There are of course other risks out there and we cannot exclude the risk of further uncertainty and the impact for UK business of a Corbyn-led Government.

Portfolios

Given the comments above, our portfolios are invested with an emphasis towards UK equities based on the longer-term fundamentals and growth opportunities. We are mitigating risks as far as possible with diversification being provided across market capitalisations (Large, mid and small cap), investment styles and domestic/international earners.

For now, at least, it is business as usual!

Chris Ward
Pensions
Manager

WHAT A RELIEF!

Thankfully it was a relatively pain-free Autumn Budget, with no significant changes to pensions or investments. This was largely expected given the government's current priority of negotiating a good Brexit deal, however that did not stop the rumour mill voicing likely changes pre-Budget.

The most worrying has been the continued call, from seemingly within the government and the media largely, to reduce the "cost" of tax relief given on pension contributions and potentially look to a single flat rate system. Given the increasing rhetoric surrounding this I fear that changes will follow in the next few years.

So what is tax relief and why is it under threat?

In order to make pension savings more attractive and to attempt to avoid people having to rely on the State in their retirement, the government provides tax relief on contributions made to pension arrangements. Clearly the larger the pensions that people have the less impact they have on the government, and on us as taxpayers, in their later years.

The method of granting this relief depends on the pension arrangement and who pays the contribution, which I will look at in more detail below, however the fundamental concept is that the government redirects tax relief back to the individual, whether directly into the arrangement or indirectly back into pay.

Whether this is an actual cost to the government is debatable, as technically the reliefs granted reduce taxable income for the individual and/or their employer and are therefore not due to the government at all. However, this does not stop the figure spent on pension tax relief and the associated National Insurance savings being reported as a cost of £40.95bn for 2017/18.

Clearly this is a significant amount of lost revenue to the government, particularly at a time of austerity. Hopefully this period is now coming to an end, as suggested by the Prime Minister and the Chancellor, although could still be influenced by the Brexit deal and pensions could be a target if funds are required urgently.

High earning individuals have previously been targeted to help reduce costs, with the complex Tapered Annual Allowance affecting those earning in excess of £110,000 per annum by limiting the amount they are able to contribute. However, they could easily be targeted again, perhaps by further restrictions or a move to a flat rate amount of tax relief, which will reduce their available relief even further.

Employers, and particularly the National Insurance savings that they receive on pension contributions, are also potentially under threat, including a possible change to the existing salary sacrifice/exchange rules that allow employers to contribute directly on behalf of their employees.

How does tax relief work?

Employer contributions are made gross on behalf of their employees, with the employer normally receiving tax relief via their Corporation Tax bill as a result of the reduction in their profits and National Insurance savings, compared to paying these benefits as salary. Most occupational schemes, including Small Self Administered Schemes (SSAS), only accept employer contributions and all salary sacrifice/exchange arrangements result in employer contributions.

Most personal pensions, including our SIPP Focus arrangement, are operated using the Relief at Source system for personal contributions. An individual is able to make pension contributions up to 100% of their earnings, or £3,600 if no earnings, and receive tax relief. These contributions should be made net, with basic rate relief of 20% requested by the provider and automatically added to the arrangement once received from HMRC.

Tax relief for high earners

For those who have earnings in excess of the basic rate of income tax please remember you are also able to benefit from additional tax relief of 20% (21% in Scotland) on your higher rate earnings and 25% (26% in Scotland) on your earnings that are subject to the additional rate of tax.

Unfortunately, many miss out on this additional tax relief, which is used to reduce the tax payable by the individual and not added directly to the pension arrangement. The additional tax relief is obtained directly by the individual from HMRC normally through their annual Self-Assessment tax return. You are able to receive this for previously missed years, although a claim to HMRC must be made within four years of the end of the tax year.

Contribution limits

Everybody is subject to a limit on the amount of pension contributions they are able to make and not be subject to tax. In theory this Annual Allowance is currently £40,000 per annum, however it could be less than this in any single tax year depending on your earnings or more if you have been a member of a pension scheme in a previous year and not maximised contributions.

Our expertise in this area allows us to help with your individual circumstances. **Please do not hesitate to contact us for help and assistance in this area.**

Summary

Many argue that tax relief is difficult to understand and suggest that this, along with the cost to the Exchequer, is reason enough for a change.

A flat rate, of, say, 30% would potentially remove some of the complexity, benefit basic rate taxpayers and reduce costs, However it would be to the detriment of many and create a number of problems in the industry, particularly for many occupational schemes.

The increasing rhetoric does suggest change is on its way, although what form it takes is difficult to predict. Also difficult to predict is when the change may happen - it may even be as soon as a potential emergency Budget later this year or early next year if Brexit does not go to plan.

Personally, I do not think tax relief is fundamentally complicated, but the rules surrounding contributions implemented by recent governments have made it so. Despite it being regarded as a cost by many, I strongly believe it is important to incentivise pension savings and basing the amount of tax relief available to an individual on their earnings and the tax they pay does not seem an inappropriate way of doing so.

Chris Ball
Financial Planner

"WHAT DO WE TELL THE KIDS?"

One of the more common questions I am faced with from clients is a concern around how and when they should start to involve their beneficiaries (usually children) in their own financial planning.

Ultimately, there is only one right answer for you and your family, however the purpose of this article is to explore some of the options that we have seen as a business and to outline the ways in which we want to help you and your family feel comfortable that plans are in place for the longer term.

Sadly, much of this area of conversation revolves around thinking about a time when you will not be here any more. The challenge that this represents is how to pass on messages that you wish to see your beneficiaries understand, without you being here to articulate them.

I want to highlight three different approaches that I have seen clients adopt in the last year to illustrate that, whilst everyone's instincts about communicating with their beneficiaries may be different, the only right answer is the solution that works for you and your loved ones.

CASE STUDY ONE

David Ball!

David, as many of you will know, is my father and is in the slightly unusual position whereby his affairs are managed by a business that his son (i.e. me) is a partner in. Prior to this point, David always recognised that his wife (i.e. my mum) had an interest in the family financial planning and if David were no longer there was **"concerned about not knowing what to do".**

The solution here was for David to write an open letter each January with a list of instructions covering all assets and liabilities giving relevant points of contact for my mum to use.

This letter was discussed each year as it was written and became a comfort to both mum and dad for the year ahead.

It is clearly hoped that this letter is torn up each and every January to be superseded by a new set of instructions as David said **"circumstances do change, I still write this letter every year even in retirement".**

CASE STUDY TWO

Formal Introduction to your Advisers

A number of clients have asked me to meet their beneficiaries (often their children) to provide a point of contact to help them once ‘mum and dad’ are no longer here. The value of this meeting is often significant and sees the generation below with the confidence that they have a point of contact to discuss matters with. Taking away the need for our first introduction to be at the emotional time of having lost one’s parents is significant and I believe can offer both the generation above and the generation below a sense of relief that matters can be dealt with positively, even in the worst-case scenario.

This is a service that we wish to provide as a business as a matter of good planning and to ensure that our clients can see their wealth managed positively, not only during their lifetime but also into the future thereafter.

CASE STUDY THREE

Full and Frank Disclosure

Far fewer but still a significant percentage of my clients ask to engage the generation below fully in the advice process. This often revolves around joint meetings on an annual basis whereby ‘numbers’ and financial plans are disclosed completely. This is often appropriate as an individual starts to find the day to day running of their finances to be a burden and once they are comfortable for the generation below to take part. The attraction to this route is that there are no surprises when mum and dad are no longer here and the generation below can be confident of a strong working relationship with their Boolers point of contact.

What is Right for You?

What is right for you and your family is something that only you can conclude. Some will find the concept of providing all their financial information to their children unthinkable and others will be completely relaxed in this approach.

The reality from our perspective is that we wish to help you and your families into the longer term and are available to provide introductory meetings or joint meetings. We are also able to provide a template for the sort of document you may keep alongside your Will i.e. the instruction letter. Please feel free to bring this subject up with your financial consultant in your next meeting, or indeed earlier if you feel that this is something that needs more urgent attention.

I look forward to writing about a more cheerful subject in our next newsletter!

Carole Waghorne
Chartered Financial Planner

ISSUES AFFECTING YOUR SSAS AND SIPPS

The world of SSAS and SIPP provision is relatively small, so when one provider fails it inevitably has implications on the remaining providers and makes you re-assess practices and procedures.

Such is the current position. The Financial Conduct Authority (FCA), our regulator, has recently removed the permissions of a local SIPP Provider, stopping them from accepting new monies into their plans, stopping their discretionary investment offering and ultimately resulting in the business going into administration.

Why did this happen? The main reason appears to be because the business allowed what have been termed 'toxic' investments to be held within its pension plans - investments which are unregulated, often overseas - and some of these failed and caused loss to the members. Examples of such investments are overseas property developments, forestry investments, car park and storage schemes and unregulated shares. Many of these investments will not fail and could well produce returns in line with expectations, but there are an equal number that will not produce returns and may not even return the original investment.

Trustees and Providers are being criticised for allowing members to hold such investments in their SIPPs and SSAS. The FCA has become nervous about the potential failure of SIPP providers, in particular, and so introduced a requirement in 2016 for providers to hold specific amounts of capital. The capital that must be held is linked to the value of assets under management, such capital to be used in the orderly wind up of a business and to help ensure that clients' pensions would not be detrimentally affected.

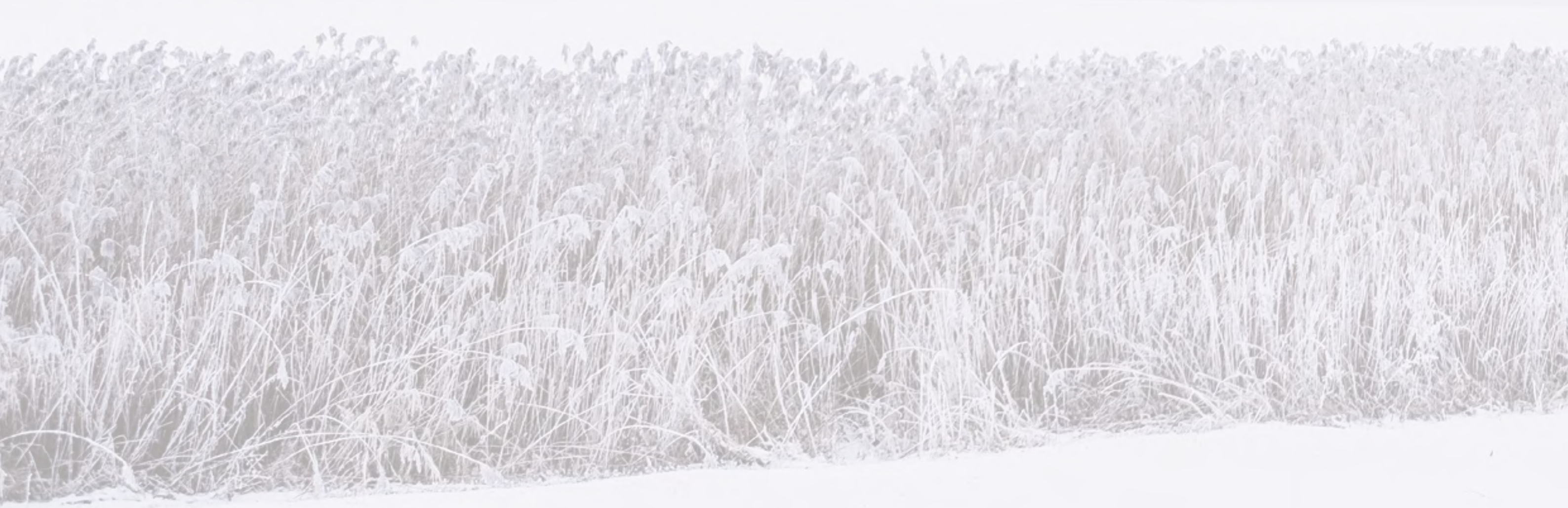
At the same time, the FCA introduced the concept of 'non-standard investments' to SIPPs, which if held means that the SIPP provider must hold additional capital. Non-standard investments include unregulated assets, non-listed shares and anything which cannot be 'realised within 30 days', which includes fixed term deposits of more than 30 days. Commercial property is an exception to this rule, and although unlikely to be 'realised within 30 days' is still classed as a standard asset.

Two other cases which are going through the High Court at the moment are also linked to non-standard investments being held inside SIPPs, the outcome of which may have further implications for the SIPP Market.

Boolers' stance

So what is our position, as Trustee and Provider? Given the risk to members from loss of capital and/or poor yield on investments, we have taken the view that we will not allow 'non-standard' assets within our SIPP or SSAS plans. Indeed, even when the Regulator's view of these was more 'relaxed', we never recommended any such schemes to clients, generally advising them to steer well clear. We are conservative in our approach and maybe boring at times, but our aim is to try to protect pension assets so that funds are available to provide income in retirement.

We meet the FCA's capital requirements as a business and will continue to provide strong and stable pension services and advice to you into the longer term.



Property Insurance and Management

If you hold commercial property within your SIPP or SSAS arrangement, then you are either acting as Property Manager or you have appointed another company to undertake that role.

Part of the Property Manager’s role is to insure the property and we ask you to confirm and provide evidence to us each year that insurance is in place.

We have recently become aware of instances where the property insurance levels are insufficient. There has, over recent years, been a widening of the gap between the value of property and the cost of rebuild in the event of a catastrophe. The gap is currently very wide – we have recently been made aware of a property with a market value of £1.1 million, but a rebuild cost of £1.9 million.

When insuring a property, please obtain a rebuild/reinstatement value and ensure that you arrange cover at this higher level. Please also review your instructions to your property managers to be certain that their approach is also to insure the property at the higher value.

VAT – Making Tax Digital

Those of you involved in running businesses will be aware of the changes that HMRC are introducing to the payment of tax, moving away from the Government Gateway route and instead introducing digital reporting. VAT is the latest tax to be affected by this change. With effect from 1 April 2019, all VAT returns must be submitted digitally, which does not mean inputting data onto a website, but rather ensuring that your data is digitally submitted via suitable software.

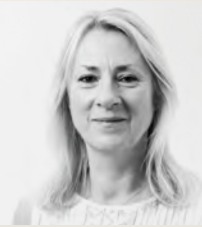
Where you hold a property within your SSAS or SIPP which is opted to tax, the scheme will also be registered for VAT and has a responsibility to submit VAT returns. If you have appointed an accountant to complete and submit your SIPP or SSAS VAT return, you should check that they are ready for the new ‘Making Tax Digital’ requirements and have the necessary software to submit your returns on this basis from April 2019.

We do not have the ability to offer this facility to members, so from April 2019 we will no longer be able to submit VAT returns for clients.

Our Fees

Lastly, fees. We have taken the decision to increase our SSAS and SIPP fees with effect from 1 January 2019 and have written to you separately about this. Whilst conscious of fee pressure in the market, our fees have not increased since January 2011, in the meantime we have absorbed the ever-increasing costs of regulation, compliance and staffing. Ongoing and to provide greater certainty, we will review fee levels every three years.

We will be writing out to you separately where you are affected by any of these matters.



Jo Clamp
HR Manager

OFFICE NEWS

Office refit

2018 has seen a major refit of our offices, new décor, desks, reception areas and meeting rooms - a full refit from top to bottom. The offices had remained largely unchanged since our move to Grove Park in 2007, so in order to continue to comfortably accommodate our expanding numbers of staff and to aid the progress of our move to more sophisticated digitalisation a significant refit was overdue. The new arrangements not only provide a very attractive and functional environment to work in but also one more suited to accommodating client meetings.

Special thanks go to Louise Hazelman, our Office Manager, who expertly co-ordinated a whole host of different craftsmen and fitters to carry out the refit with minimal disruption to business and in doing so provide a working environment of which we are all proud.

New Team Members

Since our last newsletter, there have been a number of new recruits to the Business and changes brought about by exam success and development.
Key changes include:

Financial Planning

Sian Kent
Sian joined Boolers in July 2018 as a Chartered Financial Planner; she has over 18 years' experience within the financial services industry, achieving her Chartered Status in 2011 and becoming a Fellow of the Personal Finance Society in 2015. She is also a Member of the Chartered Institute for Securities and Investment.

Abbee Scott
Abbee joined in September 2018 having previously worked with a Wealth Management firm where she completed her Diploma in Regulated Financial Planning. She is now working hard towards Chartered status.

John Allen
We are delighted that John has successfully completed his Diploma in Regulated Financial Planning. This, together with the satisfactory completion of his comprehensive in-house training programme, means he has now joined the financial planning team as a 'fully fledged' Financial Planner. Congratulations John.

Business Support

Tilly King
Tilly joined us in July 2018 as a Human Resource (HR) and Office Assistant. Tilly has worked in junior management roles in retail and has already become involved in a wide variety of HR and general office duties in support of the Business.

Graduate recruitment

Our direct links with the University of Leicester remain and our ongoing programme of recruitment of high calibre graduates from the University has continued. Latest recruits to join us are:

Bilal Farooq
Bilal joined the SIPP team in September 2018 as a Graduate Trainee in Pensions after recently graduating with a First Class Honours' degree in Financial Economics.

Tesfa Abrahaley
Tesfa also joined in September 2018 as a Graduate Trainee, after graduating with a degree in Economics and he has joined the Investment team.

Both graduates will be supported through a comprehensive induction, training and development programme and as the Business continues to grow and develop they will hopefully grow with it!

Pensions news

Sarah McMullan
Sarah – the SSAS Team Leader, had a beautiful baby girl, Orla, in June and is currently on maternity leave and will be returning in the New Year.

Linda Smukste
Linda joined the SIPP team as an Accounts Executive in November 2018. She comes to us with over 2 years' experience working within the Pensions administration field. She will be gradually taking on a portfolio of SIPP clients and is currently looked after by Amy Wood who I am delighted to report is having a baby girl in February and will be off on Maternity Leave.

Alex Williams
Alex – a SSAS Accounts Executive, is now Diploma qualified having successfully completed all her six CII examinations.

Charity Events

Since our last newsletter we have again sponsored and supported a range of events and charities such as Treats, NSPCC and Derby Book Festival, and a number of our staff have taken part in fundraising events.
These include:

Macmillan Coffee Morning:
Friday 28th September 2018, raising a whopping £615.

LOROS Marathon:
A number of our staff took part in a relay marathon around Leicester on Sunday 14th October 2018. Well done to all of them who raised £344 for LOROS who are a local charity that provide care and support to the terminally ill.

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