Ascot Lloyd

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QUARTERLY NEWSLETTER **AUTUMN 2018**

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Welcome to the **Ascot Lloyd Newsletter**

Welcome to the Autumn edition of the newsletter. We have had some great weather over the last couple of weeks and I hope you have all been making the most of it. It is set to last for another couple of weeks, which I am sure is welcome news to us all after the snowstorms earlier this year.

With speculation of a rise of interest rates in apparent discussion, a loss of confidence in Theresa May's Leave vote and the ongoing Brexit negotiations, spirits raised by England's World Cup performance may start to dampen.

In further developments, as you may have seen in the news, Boris Johnson resigned from his position as Secretary of State for Foreign and Commonwealth Affairs. It is yet to be seen how this may impact Brexit negotiations and the markets moving forward, however we will keep you informed of any impacting fluctuations.

In Ascot Lloyd news, we continue to strengthen our presence across our localities to provide greater reach and accessibility for our clients within the Yorkshire region. Following the acquisition of the Pantheon Financial Group in February 2018, the Leeds office has now moved to a new location at the heart of the city centre; the occasion was marked with an opening party attended by a number of our executive team members, clients and advisers. It was a great success and we look forward to what the future may hold on our new premises.

In the last issue, we revealed we would be launching a new Ascot Lloyd app in the summer and we are pleased to announce that it is now ready to download onto your device. In our article on pages 4-5 we give you a breakdown of how to use some of its key features and how to download it.

In this issue of the newsletter, we focus on a number of key areas, including retirement living, long-term care planning and how to manage your pension funds against the lifetime allowance. Our Avellemy Investment Manager also explores the weakening of Emerging Markets on page 7.

In our article 'The Importance of Working Together for a Better Future', we explain how working with your adviser can relieve some of the pressure that comes with a changing situation related to retirement planning. You can find out more on how we can help on page 6.

In fact, preparing for your retirement should always form part of your financial planning strategy and working with your adviser is key. In our article by Caroline Castle, we explore the impact of reaching the limit of your pension pot. For more on the lifetime allowance, turn to page 10.

Please take the time to read the information enclosed within the newsletter - there is a lot to take in but we know you will find it of use.

I hope you enjoy the remainder of your summer and I look forward to covering more updates in the next issue.

Nigel Stockton CEO
Ascot Lloyd

Market Overview

In the UK, the government managed to pass amendments to the EU Withdrawal Bill through parliament after assuring rebel MPs that they would have a meaningful say on the process.

The victory was seen as pushing the UK towards a 'soft' Brexit, while endorsing Theresa May's position as Prime Minister. However, there is still significant uncertainty over how the Brexit negotiations will play out.

In terms of the economy, growth decelerated to its slowest rate since 2012 (Figure 1). On top of transitory weakness attributed to poor weather conditions, household spending continues to be held back by weak real wage growth and investment spending remains curtailed by Brexit-related uncertainty. However, forward-looking data suggests that economic momentum will firm up in the coming months and, with inflation also above the BoE's target rate, policymakers were faced with some difficult decisions.

Indeed, the Monetary Policy Committee (MPC) appears to have swayed from a dovish tilt at the start of the quarter to a more hawkish position in June, with three members of the nine-strong Committee, including Chief Economist Andrew Haldane, dissenting on the decision to keep rates on hold in June. Market pricing now suggests that UK rates will be increased in August.

UK political risk appears to have fallen after the government managed to amend the Brexit Bill.

The effects of Brexit continue to weigh on UK consumption and investment

Both the economy and policy makers continue to face difficult challenges.

UK equities led the market, buoyed by the positive Brexit news and expectations that policy will remain accommodative. Rising oil prices were also advantageous, given the large exposure of UK stock markets to the energy sector. Furthermore, sterling came under pressure as gilt yields declined amid risk aversion associated with political developments in Europe; this helped the performance of UK-based multinationals.

However, UK assets were among the strongest performers over the quarter.

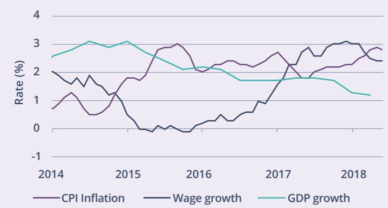


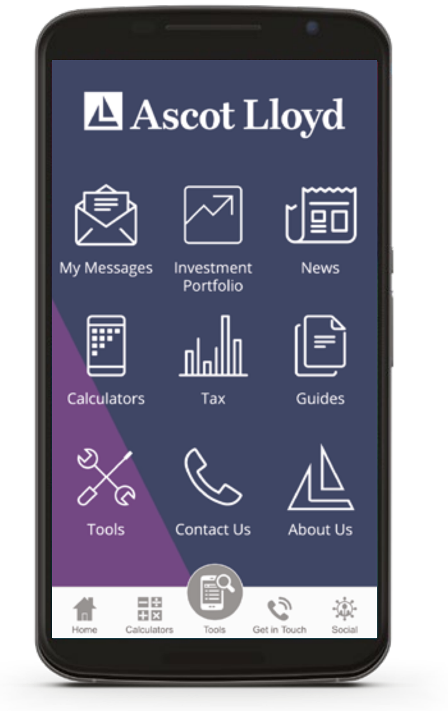
Figure 1: UK growth, wages and inflation

Although the real wage squeeze has ended, with the rate of inflation now lower than that of nominal wage growth, UK economic growth continues to slow as a result of Brexit-related headwinds.

Source: Thomson Reuters Datastream

Introducing the New Ascot Lloyd App

In our last issue, we revealed that we would be launching a brand-new Ascot Lloyd app for our clients. After months of research, development and testing, we are excited to announce our app is now ready for you to download. This comprehensive mobile app offers many new features including calculators, tools and guides for users to explore.



Protecting your security is highly important to us, so please remember your login information when you sign up

Key Features

Your profile on our app can be set up quickly and easily, after you've registered you can benefit from a variety of features:

24/7 comprehensive access

Our goal was to create a mobile-friendly app that our clients can access 24/7 on the go, and one which provides a comprehensive user experience.

A user friendly experience

You will find each section easy to navigate to via the home screen, and each feature has been carefully created to reflect what we feel our clients would benefit most from.

Tax calculations made simple

One of the most significant features on the app is the Calculator section which has been divided into England, Wales & NI, and Scotland to ensure your calculations are in line with the tax rules appropriate for your place of residence. There are several calculators to choose from including VAT, Corporation Tax and Income Tax, amongst many others.

Stay informed

The News section is updated regularly in line with our website to keep you informed of latest news and information, allowing you to read articles on the go.

Personal Finance Portal integration

For clients who use the Personal Finance Portal, you can now directly access your investments through the Ascot Lloyd app, which means you do not need to switch platforms. Just select the investment portfolio icon within the app and login with your usual portal details. Clients will need to be registered to the portal in order to access this section.

Please let us know if this is a feature you would like and we can look into access on an individual basis for you.

Download MyIFA today

Available on the App Store | ANDROID APP ON Google Play

How to download

1) Go to the App Store/Google Play Store
2) Search MyIFA (no spaces)
3) Download the app
4) Enter the code 'Ascot' when prompted
5) Register your details – these will only be requested once upon initial sign up
6) Enjoy using the app

Meet the team

Our clients are at the core of what we do. In order to ensure you are being looked after by the right person our Meet the Team section has been divided according to county, so you can find the adviser closest to your location. It's easy to contact us directly via the app using the messaging service and our office contact details can be found in the Get in Touch tab at the bottom of the screen.

If you have any questions about the app, or would like more information on how to use it and maximise its benefits, then simply contact your Ascot Lloyd Financial Adviser and they'll be able to assist you.

The Importance of Working Together for a Better Future

By John Aubrey, Independent Financial Adviser

It is often assumed that the primary role of a financial adviser is to help people save for their retirement, but in reality, over 70% of our clients are already retired and have very different concerns and objectives for the future.

With the rise of an ageing population, the topic of retirement living is becoming a major talking point within client meetings, and we are being asked more and more each day about how we can help. With 20% of the UK population expected to reach the age of 100, this is only going to become a greater issue.

Finding care can be complicated and time consuming, leaving families unable to make a final care decision. As their trusted financial adviser, we may be drawn into complex care matters and it is important for us to be able to offer reassuring support when it is needed.

We are therefore investing a lot of time and energy in to expanding and specialising the support we can offer in this area, by building relationships with a number of networks who can assist with specific services during the different stages of financial planning.

We have a number of SOLLA (Society of Later Life Advisers) qualified individuals at Ascot Lloyd who are now working with several local authorities to provide support for 'self-funding' individuals that are moving in to privately-funded care. We are also now building a team of advisers at Ascot Lloyd that will work with vulnerable clients, as we appreciate that this is a more specialised area of the business.

Independent financial advice relieves clients of much of the pressure that comes with a changing situation, such as funding income in retirement and managing finances when moving into retirement or care accommodation. It helps families and older people move forward and make informed decisions on how they can manage their finances to maximise their options.

We have invested in new technology that allows us to build a clear financial forecast/plan and provides a bespoke picture of a client's future needs including how these can be achieved, factoring in multiple considerations such as:

- Long-term care planning
- Investing assets to provide vital additional income (for example funding new accommodation)
- Inheritance Tax and trust planning (including succession planning)
- The role of the NHS and Social Services
- Care allowances and benefits
- NHS continuing healthcare funding

As our business grows we can now also provide additional support to our elderly clients using the links to our own internal specialisms and market leading external providers. For example:

1) Our internal specialist Tax and Trusts team
2) A panel of approved legal firms who can help with Wills, Trusts and Power of Attorney work
3) Links to specialist care advisory businesses that can help with any non-financial considerations clients may have
4) Links to providers of retirement living
5) Lifetime planning, provided by cash flow modelling, is one of the key tools for working out how long capital or income will last and building in the costs of life events
6) Links to both internal and external actively managed investment services

Understanding the Weaknesses in Emerging Markets

By Steven Lloyd, Avellemy Investment Director

In essence, there are a number of factors that are driving recent weakness in Emerging Markets (EM), and whilst trade wars are one, others are potentially more fundamentally important and also more specifically related to markets.

Trade with the US accounts for a very small portion of Chinese GDP growth, and some estimates of the overall impact of the current sanctions make it fairly meaningless. The risk of a trade war that encompasses more than just China, specifically Germany amongst other countries too, could have a more meaningful impact on world growth; it has the potential to dampen global GDP growth by a similar amount to a world recession. Whilst this would be more worrying, it is still a bit of a tail risk and would affect all markets, not just China.

With respect to China, the more significant events are US monetary policy and Chinese credit.

As you know, US monetary policy is ramping up, with higher interest rates and an expectation of much more quantitative tightening, particularly starting in the fourth quarter of this year. The effect of this is a higher treasury yield curve and a stronger US currency. This together has an impact on those EM countries who have large amounts of debt and become more vulnerable to the increased cost in servicing as a result of the currency and interest rates.

With respect to the internal challenges for China, they have been pairing back the credit conditions within the country, slowing down the credit growth.

Fundamentally this will have more of an impact on GDP growth given the transition of the economy towards being consumer led.

For all of this, the effect on markets is unknown but should also be looked at with respect to current valuations, expectations priced in and volatility as a result of risk premia.

With regards to the UK, impact from the recent political merry-go-round is even harder to predict. We just don't know how it will play out, with scenarios ranging from a hard Brexit push to a Labour government.

The markets haven't moved too much as a result – currency is the key barometer – but equally they have been sanguine before most political events over the past 2 years and have got half of them wrong. Perhaps like me they have no real way to estimate both the probability of the different outcomes or the macro/micro resulting impact.

That is why it is so important to invest via multi-asset portfolios. Our Avellemy portfolios are risk targeted to ensure that they match specific levels of risk. Additionally, our focus on the downside when selecting fund managers means that the portfolios have lower than average volatility than our peers.

If you'd like to learn more about Avellemy, whether you're an existing Avellemy client or not, your Financial Adviser can discuss various options which may be suitable for you.

Retirement Living with a Difference

By Glenn Barrett, Chartered Financial Planner

For some people, the prospect of moving home can often be associated with a mixed bag of emotions, and at times some practical problems.

Often the good feelings we experienced when we were younger, as we moved to a better neighbourhood, or a better house, reminds us that as we move into retirement our priorities and needs have changed and we are entering the next stage of our lives.

We completely understand the unease some clients may feel when they move into retirement living, but more worryingly we speak to clients on a regular basis who have remained in their own homes, despite it being no longer suitable for their needs. This can be for many reasons, such as not wanting to leave a home filled with a lifetime of family memories or being reluctant to give up their dream home bought years ago at the start of retirement.

The practicality of moving into a retirement environment whilst you are still able to is crucial, however many individuals may unknowingly overlook this move.

However, if you get it right with the right accommodation, the right place and with the right support (if required), then the experience becomes a whole new beginning, not the start of the end. In fact, getting it right is the difference between a 7 day a week holiday, or a life sentence.

There are so many areas to consider before making any decision to move. We've highlighted some of these to the right, however your adviser can discuss this and more with you further.

Have you chosen the right kind of property?

Retirement living can be extremely positive and an indulgent, upmarket experience; it no longer needs to be just a downwards step to a smaller property.

How will you fund the property?

It can help if you already have enough in investments, but it raises further questions such as what to cash in (bearing in mind any tax problems that might arise); in some cases, short-term borrowing from the bank or from family can avoid the tax consequences of cashing in, and the costs of re-investment.

Have you thought about whether you need to sell your existing property to fund the new purchase, or does the seller of the new property offer a part exchange scheme - and if so, should you take that?

Is a mortgage required?

The move may have Inheritance Tax (IHT) consequences; this might be a good thing as any lump sums from sale might be available for some creative estate planning.

Is your Will going to need updating if it specifically refers to your house?

Indeed, on this point, when was your Will last looked at? Many Wills written over 10 years ago might have a provision called a Nil Rate Band trust, and whilst sensible then it could cost an extra £100k in IHT now if you lose out on the new Residential Nil Rate Band allowance.

For some individuals, a review of your finances with your Financial Adviser may mean that you could afford more than you think you can. This may involve a reorganisation of assets to provide more income.

However, when clients are asked why they have a large sum of money sitting in the bank, or unused in investments, the answer is that the money is there 'just in case'. It is here that cash flow forecasting can be a great aid as it can 'map' your funds for retirement. Knowing that there will be enough even if you start spending more money on yourself now, or if some unexpected future scenario comes to pass, can help you feel comfortable to spend and enjoy your nest egg. It might mean you are able to live beyond the means you thought you could, so it's all about planning and taking advice at the right time.

Your Financial Adviser will not only help you accumulate money, but when the time is right they will encourage you to spend it. For example, during a recent discussion with a client who had just returned from visiting her family in New Zealand, she mentioned that whilst she enjoyed it immensely she wouldn't go again because the flight was so long and cramped. After her review, she is now looking to go again next year but with an expensive upgrade to the flight she can well afford.

Having a retirement financial health check is so important, and as advisers we can't stress that enough. Even if you walk away with reassurance that you are on track to achieve your goals then it's meeting well worth having. This can be discussed at your next meeting, or alternatively you can give us a call.

PegasusLife

PegasusLife

PegasusLife was created to rethink and reinvent the places and ways in which we live as we get older. Through providing high-end retirement housing, it helps prevent some of the largest hurdles facing elderly people in the UK today, providing support on a physical and emotional level, and improving the health, security and overall well-being of those who live there.

Please visit the PegasusLife website here if you'd like more information, **www.pegasuslife.co.uk**

Retirement planning not only helps you to enjoy you enjoy the later stages of your life, but it can ensure you leave a legacy to the ones you love the most. Our Ascot Lloyd Financial Advisers are experts in number of areas including planning for your retirement.

If you'd like more information, please contact us on 0345 475 7500.

Escaping the Pension Tax Charge

By Caroline Castle, Corporate Financial Adviser

For most people, too much money in pensions would be considered a nice problem to have. However, some individuals who would not consider themselves to be 'well off' can find that they are impacted by the limit on how much they can hold in pensions, without even being aware they are implicated.

The lifetime allowance was introduced in 2006 to contain the maximum amount that can be held within an individual's tax privileged pension pots. Having been originally set at £1.5 million this then increased to £1.8 million in 2011, it has since been progressively reduced until it became £1 million in 2016. April 2018 saw the first increase in 7 years, albeit modest, and the limit now stands at £1,030,000.

So how can someone unwittingly fall into this trap of having a pension pot that exceeds this allowance? After all, even £1,030,000 sounds like quite a large amount.

Whilst there are many ways of being exposed to this potential tax charge, there are **two reasons** which may stand out:

1) Defined Benefits Pension Schemes

Commonly known as Final Salary Pension schemes which provide an income in retirement rather than a pension pot. An individual may have left a company many years ago having earned entitlement to what might be considered a modest pension. That pension will have been indexed by inflation, or even better since the date they left service. It could therefore be a far greater value than expected. Once this annual amount is multiplied by 20 for the purposes of assessing its value against the lifetime allowance, what might have appeared as a modest annual amount suddenly takes on a new significance.

2) Death in Service Benefit

Where a multiple of salary is payable on death of an employee to a nominated beneficiary, within a traditional 'registered' company Group Life scheme. This also requires that the payment is included within an individual's lifetime allowance, a fact that is not generally recognised. So, whilst an employee might believe their family would be well provided for in the event of their premature death through a combination of a Death in Service payment and return of pension funds, they may not be aware of the significant 55% tax charge that could eat into these legacy payments.

Advice is key in both areas, as in many cases there are ways and means of mitigating if not eliminating any potential tax charge. However, the advice needs to be taken to restructure before any potential event which would result in the charge. Ascot Lloyd Corporate Financial Advisers hold the expertise to support both individuals and companies manage either of the above scenarios.

Be wise and take control.
With our help, you can avoid such unexpected pitfalls.

Multi-Financial Planning: Up and Down the Generations

By Glenn Barrett, Chartered Financial Planner

If we could, we'd all like to be able to look after our parents, grandparents, children and even grandchildren, ensuring their finances are sound, they are spending enough money on themselves and any money they hope to bequeath is managed in the most appropriate and tax efficient manner possible.

The term 'multi-generational planning' is a key part of the financial planning process and works up and down the generational scale.

When planning for their parents, clients shouldn't be concerned about age. As an adviser for Ascot Lloyd I'm working with a client at age 72 looking after the affairs of his 101-year-old father and 91-year-old step mother who went into care only last year. By creating a plan suitable for this individual client's needs we have already increased his inheritance by over £100,000 due to tax planning.

In another case, I have been advising a much younger client who is married with a young son and has had to put their 63-year-old mother into care. Life is unpredictable and you can never know when these events might happen, but if they do it is far better to have a plan in place, or at least know that by having a financial adviser you are best equipped to manage any uncertainties.

Some individuals might not be aware but there are certain complexities involved when looking after an elderly parent, or their affairs. For example, do you know if there is a Power of Attorney (POA) in place? If there isn't, then you would need to go to the Court of Protection for a Deputyship Order, which is much more expensive to do alone and can be more time consuming.

On the other side of the spectrum you may need to look at the other end of the generation scale to see whether any children or grand-children require financial support. When meeting with your adviser it's a good idea to discuss this during your review meeting.

In some cases, the plan may not involve the children at all; a solution as simple as saving into a pension and/or a Junior ISA on their behalf can be beneficial for some. For example, did you know that you can start a pension savings plan for an infant child? Many clients favour the idea of putting money away for a child's future, as a pension cannot be spent until the child reaches retirement age.

At Ascot Lloyd, we are experienced in managing a range of client scenarios – sometimes dependents are involved and in other cases not. We also understand the difficulties for those at the start of their working life to get good financial advice. Talk to your adviser about how they might be able to help you plan in multi-dimensions.

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Call 0345 475 7500

Visit www.ascotlloyd.co.uk

Email info@ascotlloyd.co.uk