WEALTH PERSPECTIVES

Summer 2016

One year on from FREEDOM!

What do the pension freedom changes really mean for you?

MARKET Overview

Markets have been relatively tame this quarter, compared to the roller coaster start to the year.

2016 BUDGET

Will the important tax changes featured in the March Budget affect your long-term financial planning?

PENSION + ISA =LISA

Could the Lifetime ISA be an alternative to a pension?

Campbell Alexander Financial Management Ltd
Personal and Corporate Financial Planning

CAERUS Capital Group

WELCOME TO THE LATEST EDITION *of* WEALTH PERSPECTIVES

in which we focus on the issues that affect your finances.

Two very high-profile, but very different events
The March Budget and the Grand National.

Market overview
The last quarter has seen many ups, downs, and even some surprises, in the markets.

One year on from freedom!
With the pension freedoms now over 12 months old, are you really aware of the impact they could have on your retirement plans?

Pension + ISA = LISA:
A surprise move by the Chancellor saw the announcement of the Lifetime ISA being introduced in 2017. Could this be a pension alternative for the under 40s?

2016 Budget
This year's Budget brought about many important tax changes, affecting individuals and companies, both now and with long-term financial plans.

Can inheritance tax still be described as 'voluntary'?
Billions could be saved each year with some careful planning, to take advantage of the many ways of reducing inheritance tax liability.

The Social Security Safety Net
Whatever your view about the principle of providing people with social security benefits if they are ill or unemployed, it is inadvisable to try living solely on what the State provides.

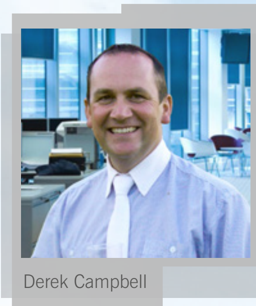
Investing for children
New tax rules introduced in April have changed your options when investing for children.

If you wish to discuss your finances or any of the issues raised in this edition, please do get in touch.

Best wishes

Derek Campbell

Derek Campbell
Campbell Alexander
Financial Management Ltd


Derek Campbell

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CAERUS
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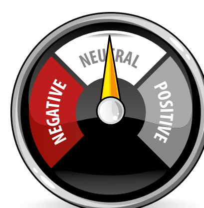
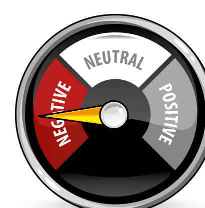
The CAERUS Sentiment Dashboard provides, in a single view, current attitudes to the main asset classes.

Cash

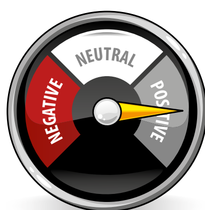
Government Bonds



Other Bonds



Property



UK

Developed Markets ex-UK

Emerging Markets

Please note, this information is for indicative purposes only.

TWO VERY HIGH-PROFILE, *but very* DIFFERENT EVENTS

The March Budget and the Grand National

The March Budget was preceded by speculation over the removal of tax relief for those providing for their retirement via a pension tax wrapper. In the event, the speculators got it wrong, but that option remains in the Chancellor's armoury. The Chancellor did, however, deliver a number of other changes, all of which impact in some way on most of us. We take a detailed look at these elsewhere in this edition.

Not many 'speculators' called it right on the horses in the Grand National. An outstanding and emotionally charged day for David Mullins, taking his first National victory at just 19, and for Mouse Morris, trainer of the real hero, Rule the World. At 33-1, this magnificent horse brought a smile – and a pocketful of cash – to those who backed him. Of course, many more will have lost out, but that is the excitement and the disappointment of any speculative wager.

Horse racing, along with many other 'bettable' activities, would be classified by the majority of Investment analysts as high risk; right off the scale for those who need to provide for future events requiring specific cash flows or lump sums. Sporting events, by their nature, are 'sudden death' and mostly short term.

In contrast, buying specific shares is usually done with a longer time frame in mind. Moreover, if the chosen stock starts to lose, the speculator has the option to exit the 'wager' and limit the loss. That's not an option for the Grand National!

The temptation to speculate is reinforced by the almost overwhelming volume of information available to all of us; whether it is 'form' as background to any sporting event, or the mass of commentary and suggestion about shares in quoted companies. All very informative, but they are produced with the benefit of 20/20 vision. The caveat, which the Regulator makes mandatory in Financial Services, is straightforward and to the point. In essence, we must remind everyone that 'Investments can fall as well as rise; past performance is no indicator of the future'.

Horse racing, along with many other 'bettable' activities, would be classified by the majority of Investment analysts as high risk

With that in mind, it is reassuring to have access to Investment options that, whilst they can never be guaranteed, are designed and managed to deliver performance based on the level of risk the Investor is willing and able to accept. Whilst it is unlikely that any such Investment will come in at 33-1, it is highly unlikely that it will fall at the first.

Keith Carby
Chairman and CEO
CAERUS Capital Group

After a roller coaster start to the year, markets seemed relatively tame, with only Japan and Asia Pacific ex-Japan producing sterling returns outside the range +1.5% to -1.5%.

The spread of returns, year to date, narrowed somewhat as those markets which performed more strongly in the first quarter of the year, Emerging Market Equities and Gilts, saw some profit taking, while the underperformers, Japan and UK Equities, produced the best returns.

First readings for economic growth over the first quarter of 2016 were 'soft', even taking into account the usual seasonal drop between Q4 and Q1. UK growth slowed to just 0.3% from 0.7% at the end of last year, while the pace of expansion in the US slackened to 0.5% from 1.4%.

However, this deceleration was not as sharp as some of the worries swirling through markets in January had predicted, and so markets were not too perturbed.

Sterling Corporate Bonds were the best performers among the Fixed Interest sub asset classes, returning 0.69%. Global Bonds eked out a very small positive return, while Gilts and Index Linked Gilts gave back some of their earlier performance. However, these four rank 2-5 in the list of best performing asset groups this year to date, just behind Emerging Market Equities.

United Kingdom

Commentary in the UK centred on the question of whether the electorate would vote to leave the European Union at the June 23rd referendum. The FT has been tracking the polls and produces a chart found at **https://ig.ft.com/sites/brexit-polling/** which shows a stronger vote by those to remain than the average. However, regular updates of the polling figures do show the 'Leave' campaign closing the gap, albeit that bookmakers are actually pricing in a lower chance of an exit vote now than they were back in November 2015.

UK growth slowed to just 0.3% from 0.7% at the end of last year

All this uncertainty has left corporate management teams understandably reluctant to commit to any long-term Investments – be it in capital assets or human resources. Perhaps surprisingly given this backdrop, the UK Equity market actually rose 1.5% and sterling strengthened against both the dollar and the euro.

United States

The North American market rose slightly in dollar terms, but the fall in value of the dollar relative to sterling meant UK Investors actually received a return of -1.1%. The economic news was more or less in line with expectations, although towards the end of April, data on employment, consumer confidence and manufacturing all looked somewhat weaker than the market had been hoping for. Nevertheless, several members of the US Federal Reserve went out of their way to warn that the market was under-pricing the chance of an interest rate hike at their June meeting. Their assessment must be that the US is more resilient than the most recent batch of data implies.

Europe

Europe has finally produced better growth figures than the UK or US, albeit at a time when growth has stumbled in the latter. Consumer confidence does seem to be improving – suggesting that Europeans either fear no ill-effects from a UK exit from the European Union or are simply unaware that it could possibly happen. For the European Central Bank (ECB), trying to loosen monetary policy to stimulate growth, it must be rather frustrating to find the exchange rate rising and acting as a brake on export potential, while encouraging the import of goods from elsewhere.

Japan

Japan was hit by the Kumamoto Earthquake, leaving nearly 200,000 people displaced and sheltering in evacuation centres and causing a sharp slowdown in manufacturing in that region. Tokyo has been the worst performer this year, falling more than 13% in its own currency terms – but the relative strength of the yen has supported returns for UK Investors, limiting year to date losses to just 1.6% after profits, 2.7%, better than any other market. This was despite significant selling by international Investors, judging by data on Exchange Traded Funds flows, although there seems to be some offsetting support from the Bank of Japan. Businesses have responded to the radical move by the Bank of Japan to adopt a negative interest rate policy by reducing their forecasts for inflation, which hampers Abe's plans to bounce the economy out of its low growth, low inflation phase using monetary policy. The next step must be to improve corporate governance, something fund managers say appears, at long last, to be underway. Demographics are not helping Japan move forward, with 2015 being its 35th consecutive year for falling numbers of children.

Emerging Markets

Perhaps the biggest news in Emerging Markets was the first bond issue by Argentina since their 2002 $100 billion default. This opens the way to major reforms now that the capital markets have re-opened. Improved sentiment towards Latin America generally (and a near 20% increase in the oil price, despite Saudi Arabia and Iran being unable to agree supply restrictions) boosted Brazil's monthly equity market return to over 8%, despite the impeachment of its President.

Returns in Asia were the weakest of the lot, despite on-going improvements in Chinese data, which have caused those New Year worries about a sharp slowdown to recede rapidly.

Parmenion

Emily Booth
Senior Investment Manager
Parmenion Investment Managers

* All performance data quoted in this article is derived from FE Analytics

One year on from FREEDOM!

The 'pension freedoms' changes came into force on 6th April 2015. More than 12 months on, it is, perhaps, timely to review what some of the changes really mean for you when planning your retirement strategy with your Financial Adviser?

There were many changes but I will focus on the main issues and cover a few of the confusing terms you may encounter.

Uncrystallised Funds Pension Lump Sum (UFPLS)

This is one of the biggest pension freedom changes. Policyholders (who are normally over 55) can now take all, or some, of their money out of their fund without ever buying a pension product. Previously, people had to buy an income for the rest of their lives, i.e. purchase an annuity or they had to buy a drawdown product, which allowed them to take regular (or ad-hoc for drawdown) payments from their pension pot.

However, this freedom does depend on whether the policyholder's pension scheme allows it and there are some restrictions.

How does an UFPLS work?

Each amount paid to a policyholder as an UFPLS will have 25% of the sum completely untaxed. The rest will be taxable as pension income. This shouldn't be confused with the tax-free cash element of taking an annuity or going into drawdown.

Why is this important? If you just want tax-free cash on a one-off basis to supplement your earned income, then you may not want more taxable income. In this scenario, taking your pension as an UFPLS would see a great deal of your remaining pension being subject to tax. If you want the tax-free cash and no additional income from your pension immediately, then moving money into drawdown is still the only option to consider.

On a practical point, most people will initially pay 'emergency tax', which is usually much more tax than they should. In the example, below, where the full amount is withdrawn, this could mean around an extra £13,500 in tax being paid. Although any overpaid tax can be reclaimed, it may not be received until the end of the tax year, so you should avoid relying on the full amount of money taken from your pension until the tax position is sorted out.

Peter is 55 and has no income. He wants immediate access to the full fund now:-

Pension fund value:	£120,000
Minus tax-free amount:	£30,000
Taxable income of:	£90,000

(This is above the higher rate of tax – even if this is the only income the Peter has.)

£90,000 is taxed as follows:-

£79,000 is taxable once the annual personal allowance of £11,000 has been used

- £6,400, which is 20% of the first £32,000 at the ordinary rate of tax
- £18,800, which is 40% of the remaining £47,000 taxed at the higher rate

= £25,200 total tax paid.

£94,800 is the total received from the £120,000 after tax.

This is one of the biggest pension freedom changes. Policyholders can now take all, or some, of their money out of their fund without ever buying a pension product.

Peter could consider accessing the full fund by taking £12,000 per year for 10 years:-

If it were Peter's only income, £12,000 each year would not be taxed because of his personal annual tax-free allowance and the 25% tax-free element of each payment.

£12,000 annual UFPLS payment

£3,000 is the 25% tax-free sum allowed on every annual UFPLS payment

£9,000 is the remaining income, which is less than the personal allowance (£11,000)

£12,000 each year for 10 years untaxed.

£120,000 is the total received from the £120,000 after tax.

Flexi-access drawdown

If you want to start taking money out of your fund but leave the rest invested, or want tax-free cash but don't need any income, then drawdown can be used. Since 6th April 2015, there has been a new form of drawdown called flexi-access drawdown. Compared to taking an UFPLS, there is more choice with this method, as you can tailor how you take the cash to suit your individual needs e.g. tax-free cash with no income or regular payments, which each includes some income and tax-free cash, or you can take the whole fund.

You need to be aware that taking your money out using UFPLS and flexi-access drawdown might mean that you can't pay as much money into your pension, if you are also receiving income from employment.

Guarantees and Advice

One area of concern over the new rules is the regulatory requirement for individuals to take Financial Advice before they can cash in a pension worth £30,000 or more, if it has built-in guarantees.

This is a regulatory requirement under the new reforms and provides that Advice will be given before valuable pension guarantees are given up.

Death benefits – changes to defined contribution schemes

Under the new rules, the main factor is the age of the member of the scheme and not where the money is invested. Where the member dies under age 75, the benefits can generally be paid free of tax to a chosen beneficiary (with some restrictions). For members aged 75 and above, income paid out will be taxed at the beneficiary's (or beneficiaries') marginal rate of tax.

There is also more choice as to how the money is paid out. A lump sum can be paid out, but beneficiaries can have their own drawdown account and take income if they need it. They could also use the funds to purchase an annuity. They may even decide to leave it and it can be passed on again and again and again.

It is important, therefore, for pension savers to remember to keep 'expression of wish' forms up to date, which means being clear on who you would like to receive the pension benefits if you should die. Although the pension scheme will actually make the decision, as this 'discretion' means that inheritance tax isn't normally payable, a recent and clear expression of wish form will allow the pension scheme to know what you wanted to happen.

One important point to note is that although the law allows payment of income to beneficiaries, the scheme does not have to allow this. It is worth checking, as it would be too late when you die.

In summary

The pension changes are complex but, working with your Financial Adviser, you can achieve an understanding of the implications of these changes in relation to your own circumstances, and the retirement planning opportunities they may provide.

Decisions taken, now, can have wide-ranging implications later.

Clare Moffat
Technical Manager
Prudential UK

PENSION + ISA =*LISA*

Will next year's Lifetime ISA be a real pension alternative?

The rumour machine that operates before each year's Budget went into overdrive in 2016. First, there was a steady flow of stories about changes to pensions that would see flat rate tax relief replace full income tax relief on pension contributions. Then, shortly before the Budget, there was a widely covered unofficial statement that the Chancellor had decided to make no changes, lest he upset the electorate ahead of the Brexit vote. As it turned out, both rumours had an element of truth.

The good news is that full tax relief on pension contributions remains available for now, but Mr Osborne did not completely abandon tax reform of retirement savings. In a surprise move, he announced the launch of the Lifetime ISA (LISA) from April 2017, which will only be available to the under 40s.

The LISA will give Investors a 25% government bonus on their contributions, up to an annual maximum of £1,000 (this being the amount of bonus payable on the maximum Investor contribution of £4,000 a year). That's the equivalent of 20% basic rate tax relief. No bonus will be paid once an Investor has reached age 50.

Provided the LISA has been held for a minimum of 12 months, the Investor can use the funds to buy a home, or withdraw them from age 60 and use the funds towards retirement. As with existing ISAs, LISA Investments will be free of UK tax and all withdrawals will be tax free, but the LISA bonus will be lost and a 5% charge will apply if the funds are withdrawn before age 60 and not used for a house purchase.

Many commentators observed that the new LISA looked remarkably similar to ideas for a Pension ISA that were floated by the Treasury last year. Some also saw the LISA as a 'stalking horse' for pension tax reform. It is not beyond the realms of possibility to imagine the LISA being made available to all Investors in some future Budget, and tax relief on pension contributions being replaced by the LISA's 25% bonus. In other words, the survival of higher rate relief may have been just a stay of execution.

Budgets have become a regular feature of the financial landscape. The March 2016 Budget was the third in 12 months and it revealed some important tax changes:-

Income tax For 2017/18, the personal allowance will rise by £500 to £11,500 and the higher rate tax starting point will increase by £2,000 to £45,000. This means the higher rate threshold will finally rise above its 2009/10 peak of £43,875. The Chancellor confirmed his goal of a personal allowance of £12,500 by the end of the Parliament (2020/21), but he made no comment about an earlier pledge to raise the higher rate threshold to £50,000 by the same time.

Capital gains tax One unexpected change was an 8% cut in the rates of capital gains tax, starting in the current year 2016/17. Gains that fall within your basic rate tax band are now generally taxable at 10%, while gains in higher and additional income tax bands suffer 20% tax. However, gains made on residential property (e.g. buy-to-let and second homes) do not benefit from this reduction, and continue to be taxed at the old 18% and 28% rates.

ISAs The ISA contribution limit for 2016/17 is unchanged at £15,240, due to the fact that inflation was negative last September, but the Chancellor announced the limit would jump to £20,000 for 2017/18. He also promised the launch of a new Lifetime ISA (LISA) from 2017/18, which is designed to encourage saving by the under 40s. The LISA offers the equivalent of 20% tax relief on up to £4,000 of savings each year, until the age of 50.

Corporation tax Mr Osborne had already earmarked a cut in corporation tax to 18% in 2020, but in the Budget he shaved another 1% off the rate, taking it down to 17%. However, he also proposed a number of technical changes to corporation tax, which will increase the Exchequer's tax take from some larger companies.

Other tax changes, which were announced in earlier Budgets, are being legislated for in the Finance Bill, currently going through Parliament. Some of these need to be considered alongside the March 2016 measures. For example:-

Dividend taxation The £5,000 dividend allowance, which was introduced from 6th April 2016, adds to the appeal of investing in shares and share-based funds. Not only will some Investors escape tax on their dividends altogether, the most tax any individual will pay on capital gains is now 20%.

The dividend allowance and future changes to corporation tax are also relevant to the way in which any business should be structured, and whether or not taking dividends is the best way to extract profits, going forward.

Pension protection A 20% cut to the lifetime allowance (to £1m) was announced in the March 2015 Budget, along with two new transitional protections that can be claimed by those affected. These took effect from 6th April 2016.

If you think any of these changes could affect you, now is the time to talk to us about what actions you should take, if any.

Can INHERITANCE TAX still be described as 'VOLUNTARY'?

Inheritance tax was once famously described as "a voluntary levy paid by those who distrust their heirs more than they dislike the Inland Revenue" by Roy Jenkins, a former Chancellor of the Exchequer.

When Gordon Brown was Chancellor of the Exchequer, he called inheritance tax a 'voluntary tax' because he said there were many ways to avoid it.

Being famous is no protection

It is clear, however, that not everyone has taken this message on board. The details of the estate of a well-known and recently deceased figure in the world of entertainment were recently published. In the will, just £15 million was to be divided between three children. Each son will receive just over £3 million, but the biggest beneficiary will be the Exchequer, in the shape of a huge inheritance tax bill of nearly £6 million.

The billions that could be saved

The Office for Budget Responsibility released figures in 2014, in which they estimated that 1 in 10 deaths would be subject to inheritance tax in the 2018/19 tax year. The reason for this increase is mainly the surge in house prices, which prompted the Chancellor to announce the main residence nil-rate band in the Summer Budget 2015.

This is eventually expected to reduce the number of estates subject to inheritance tax by a third, but the Exchequer will still receive around £5.6 billion of inheritance tax by 2020/21. That is a very large amount for a 'voluntary tax' and more than double the £2.7 billion of inheritance the government received in 2010/11.

The best time to start your planning is today

If you aim to take advantage of the 'voluntary' nature of inheritance tax, it is essential to do your tax planning in good time. That means starting now – as soon as possible – because most of us cannot forecast when we are going to die.

The first step is to make an appointment with your Financial Adviser, to provide an estimate of the current potential inheritance tax liability on your estate and put in place a plan of action. This is likely to involve a number of aspects of your financial arrangements, including the following:-

- **Will –** It is essential to have an up to date and valid will.
- **Exemptions –** There are various valuable exemptions you can use to pass money on to your family or others, free of inheritance tax.
- **Gifts –** You may have assets you can give away now so that you could see your heirs enjoying the benifits during your lifetime.
- **Pensions –** Personal pension funds have taken on a new role in inheritance tax planning, following recent changes. It might be worth delaying withdrawing funds.
- **Trusts –** The use of trusts can make a lot of sense, especially for larger estates.
- **AIM ISAs –** Normal ISAs form part of your taxable estate, but if they are invested in AIM shares their value should be tax free after you have held them for two years. Of course, AIM shares are generally more volatile than other equity-based Investments.
- **Business Property Relief –** Many Investments will allow you to make use of this particularly beneficial relief from inheritance tax.
- **Life assurance –** Insurance cover can be a helpful way to build up tax-free assets outside your estate, by using your annual exemptions. You can use relatively small regular payments to provide a much larger tax-free capital sum. Life policies do, however, need to be in trust to avoid making the inheritance tax problem worse.

The Financial Conduct Authority does not regulate will writing, tax or trust advice.

The SOCIAL SECURITY Safety net

Whatever your view about the principle of providing people with social security benefits if they are ill or unemployed, it is inadvisable to try living solely on what the State provides in such circumstances. The so-called 'safety net' is lower than you may think.

After the recent U-turn on the Personal Independence Payment (PIP), the government has said there will be no more benefit cuts beyond those already planned. But that does not mean you or your family could comfortably rely on State support to make ends meet during periods of ill health or unemployment.

An overview of the main benefits is as follows:-

Ill health – If you are unable to work because you are sick or disabled, you may be able to claim Statutory Sick Pay (SSP) or Employment and Support Allowance (ESA). SSP is paid at a fixed rate of £88.45 a week for the first 28 weeks of sickness, if you work for an employer. Otherwise, you should claim ESA.

Personal Independence Payments (PIPs) are an additional benefit for people aged 16-64 with a long-term health condition or disability, who need help with everyday tasks or getting around. PIPs help with some of the extra costs inevitably incurred as a result of long-term ill health or a disability. The standard daily living component is £55.10 a week and this can increase by the addition of a standard mobility component of £21.80 a week. There are enhanced PIPs if you are not expected to live more than six months.

Unemployment – You will need an assessment to work out the level of help you are entitled to receive, and your rate will be regularly reassessed. If you are 25 or over but have not reached your State pension age, you will receive a maximum of £73.10 a week Jobseekers Allowance while you are actively looking for work. The rules are different in Northern Ireland.

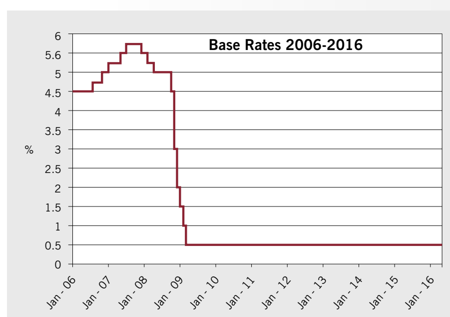
Retirement – The full new State pension, which started on 6th April, is £155.65 a week. Your National Insurance record is used to calculate your entitlement, and you will usually need 10 qualifying years to qualify for any new State pension, and normally 35 years to claim the full amount.

Death – You might be able to claim Bereavement Allowance if you are widowed between 45 and State pension age. You can receive this benefit for up to 52 weeks from the date your husband, wife or civil partner died. The maximum rate is £112.55 a week if you are aged 55 or over. If you are bringing up children, you would receive Widowed Parent's Allowance instead, but the maximum weekly benefit is the same. You may be able to get a one-off £2,000 bereavement payment if you are under your State pension age when your husband, wife or civil partner has died.

This brief list of some of the main benefits is by no means exhaustive, but it should be enough to indicate that the amounts payable are probably too low for you to maintain the standard of living that you would wish for yourself and your family. A range of plans can help bolster your financial defences. They include life and health insurance cover, as well as capital accumulation programmes.

Lower for longer...

March 2016 marked the seventh anniversary of a 0.5% Bank of England base rate, but other interest rates are still falling.



Source: Bank of England

'Lower for longer' is now a commonly used phrase when economists and bankers discuss the future of interest rates. The view is supported by banks and other deposit takers, which continue to reduce savers' rates. Shortly after Easter, National Savings & Investments (NS&I) joined the rate cutters. From this June, Income Bonds and the Direct ISA will pay only 1%. In its announcement, NS&I said *"...downwards movements in interest rates across the cash savings market mean that our rates have risen in the competitor tables"*.

If you need income, then the continued downward pressure on deposit rates is unwelcome news. However, if you are prepared to forgo capital security, there are plenty of Investment options capable of providing a higher income return. For example:-

- UK equity income funds typically yield around 4% and offer potential for long-term growth in income. The reforms to dividend taxation that took effect at the start of this tax year mean your first £5,000 of dividends now attracts no personal tax, regardless of your marginal tax rate.
- Global equity income funds generally have a lower income yield than their UK counterparts, but offer a valuable element of diversification.
- Property funds, which invest directly in property (rather than shares in property companies), offer attractive yields. The current rental return on commercial property is around 5% according to Cluttons, the property agents.
- Fixed interest funds, such as sterling corporate bond funds, have long been popular with Investors seeking income. The range of income yields on offer is wide, with the highest income generally coming from funds investing in the lowest quality bonds.

If any of these Investment opportunities interest you, do make sure you take Advice before investing: simply picking the funds with the highest initial income is not a recommended option.

Investing for CHILDREN

New tax rules introduced in April have changed your options when investing for children.

If you give money or Investments to your unmarried minor child, then the tax rules can catch you out. HM Revenue & Customs (HMRC) is suspicious that such gifts are an attempt to avoid tax on the part of the donor, so the law says that if the total income generated from all such gifts exceeds £100 in a tax year, that income is taxed as that of the parent. The rule operates on a per parent, per child basis, but it can still be difficult to avoid crossing the £100 threshold.

Several ways of sidestepping the problem have been developed over the years. The government has provided a partial solution by introducing the Junior ISA, which allows up to a total of £4,080 per tax year to be invested, with no tax consequences upon parental donors, and no personal UK tax on the underlying Investments.

Two new tax allowances, which came into effect at the start of this tax year, have changed the picture somewhat:-

- The personal savings allowance means that if you are a basic rate taxpayer you can receive up to £1,000 per tax year, of interest free of tax. If you pay tax at 40%, the allowance is £500, but there is no allowance if you are a 45% taxpayer.
- The dividend allowance gives you up to £5,000 of dividends free of personal tax per tax year, regardless of your tax rate.

Both allowances could be useful if a gift to a child would lead to the £100 threshold being breached. Unless the relevant allowance is exceeded, based on the total of your and your child's income, there will be no income tax to pay. However, direct Investment in the name of a child is not always an ideal solution, as it gives the child access to the funds when they reach the age of majority, and there could be inheritance tax consequences. You should, therefore, always seek Advice before making gifts to your children.

The government has provided a partial solution by introducing the Junior ISA, which allows up to a total of £4,080 per tax year to be invested

LEADING *indicators*

United Kingdom Stock Markets	3 months	6 months	1 year
FTSE 100[1]	4.21%	0.71%	-6.64%
FTSE 250[1]	4.89%	0.33%	-2.53%
FTSE All Share[1]	4.37%	0.67%	-5.79%

Source: Financial Express Analytics 31st May 2016

American Stock Markets	3 months	6 months	1 year
NASDAQ 100[1]	7.79%	-2.60%	1.42%
S&P 500[1]	9.23%	2.03%	1.81%

Source: Financial Express Analytics 31st May 2016

European Stock Markets	3 months	6 months	1 year
CAC 40[1]	6.09%	-6.48%	-6.56%
DAX[1]	7.74%	-9.01%	-7.98%
DJ Euro Stoxx[1]	7.13%	-9.67%	-10.58%

Source: Financial Express Analytics 31st May 2016

Other Stock Markets	3 months	6 months	1 year
Hang Seng[1]	8.95%	-5.28%	-22.07%
MSCI Emerging Markets[1]	7.20%	0.66%	-11.07%
Nikkei[1]	6.50%	-13.57%	-17.00%

Source: Financial Express Analytics 31st May 2016

Gilts	3 months	6 months	1 year
FTSE British Government 10 – 15 years[1]	-0.48%	4.37%	6.08%

Source: Financial Express Analytics 31st May 2016

Property	3 months	6 months	1 year
Halifax Property Index[1]	1.43%	3.66%	7.85%
IPD UK All Property[1]	0.36%	0.38%	0.76%

Source: Financial Express Analytics 31st May 2016

Savings	3 months	6 months	1 year
Moneyfacts Instant Access[1,2]	0.15%	0.32%	0.66%
Moneyfacts 90 days notice[1,3]	0.19%	0.45%	0.87%

Source: Financial Express Analytics 31st May 2016

Inflation	3 months	6 months	1 year
UK Consumer Price Index	0.40%	-0.10%	0.10%

Source: Financial Express Analytics 31st May 2016

Interest Rates	3 months	6 months	1 year
Bank of England	0.12%	0.24%	0.50%

Source: Financial Express Analytics 31st May 2016

Notes

1 Gross return bid-bid, annualised.

2 Moneyfacts Average of instant access accounts, £10,000 invested, total return, gross.

3 Moneyfacts Average of 90 day notice accounts, £10,000 invested, total return, gross.

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