SPRING 2017

WEALTH PERSPECTIVES

Volatility – FRIEND ON THE UP, FOE ON THE FALL

Why is sensitivity to loss generally greater than satisfaction from profit?

YOUR TAX YEAR-END CHECKLIST – TIME TO FOCUS

Early tax-year-end planning looks to be all the more important in 2017.

DON'T DRAW YOUR PENSION

From an estate-planning point of view, leaving your pension alone could be sensible.

BUY TO LET – A TAXING ISSUE

Tax changes are reducing the appeal of BTL for many Investors.

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.

The value of Advice
Few people can ever be crystal clear about what they want to achieve from their Investments, which is why sound Advice is always of benefit – particularly in an increasingly uncertain world.

Market Commentary
An overview of the many ups, downs and surprises of the last quarter.

The benefit of transfers
The value of pension transfers is rising, but with most people wanting a guaranteed and increasing income for life, it doesn't follow that higher values mean more should transfer.

Buy To Let – a taxing issue
With more adverse tax changes on the horizon, the appeal of BTL is significantly reducing for many.

Volatility – friend on the up, foe on the fall
As humans, we are wired to feel loss aversion as a kind of stress. So how can we avoid panicking when markets wobble?

Your Tax Year-End Checklist – time to focus
While the 2016/17 tax-year-end checklist starts with pensions, there are several other areas you need to examine too.

Don't draw your pension!
Strange as it sounds, when it comes to estate planning your pension could be the last thing you should think about drawing on in retirement.

Your shrinking pension allowances
With changes to the two main pension allowances making retirement planning even more complex, the sooner you start, the better.

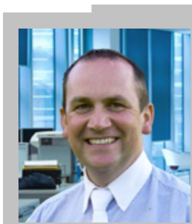
Individual Savings Accounts (ISAs) and estate planning
Previously deemed as having a negative effect on estate planning, recent changes to ISAs have made them far more useful.

Automatic Enrolment fines escalate – don't join the list!
The Regulator is busy chasing those who've missed their deadlines for workplace pensions, so it's crucial for small employers to be on top of their duties.

Deposit protection returns to previous £85,000
If you are holding high levels of cash, it's worth reviewing how much money you really need on deposit.

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

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IN THIS ISSUE:

THE CAERUS SENTIMENT DASHBOARD

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.

THE VALUE OF *Advice*

In a perpetually uncertain world, professional Advice is always of benefit

There aren't many days when we don't read or hear that the level of uncertainty in our lives grows ever greater. A new and radically different occupant of the White House, Brexit, the Middle East, North Korea, Russia, etc., etc. It certainly seems as if there are more 'macro' causes for concern than usual.

However, it would not be accurate to portray this as a shift from an era of near certainty to one of, 'we're doomed!'. And, whilst each one of us might not have a big influence over 'macro' events, we have never known, and will never know, exactly what tomorrow will bring – for each of us as individuals or for humanity as a whole. And in Investment, only rogues or idiots will claim they are certain about how markets will perform in the months and years ahead.

But as shown in the chart, Harry Garrett includes in his piece in this edition of Wealth Perspectives, over time, equity markets do tend to deliver. And, in general, professionally guided Investment tends to deliver.

The extent to which any of us, as individuals, benefits from that 'delivery' does depend, in large part, on when we buy and when we sell.

There is, however, a body of expertise that can help optimise the chances of Investment serving the interests of the Investor. For example, an understanding of how different asset classes perform in different economic conditions makes it possible to opt for asset allocation that mitigates against 'volatility' in markets.

And, when that body of knowledge is correctly tailored to the specific circumstances of an individual – his or her objectives, timeframe, needs, wants and context – that individual is much more likely to get an outcome that matches or exceeds expectations.

This is the terrain in which fully regulated, qualified Financial Advisers can flourish. They can help a Client decide exactly what needs to be achieved, and by when. An Adviser can then identify the best way of achieving those outcomes, in the light of the Client's personal circumstances.

'Personal' includes the Client's 'Attitude to Risk' (ATR). Different people, having the same level of affluence, can have very different Attitudes to Risk. This is an important factor in deciding on an appropriate Investment strategy.

Psychometric tests are invariably used in assessing ATR. These and other instruments can provide a valid indication of what sort of Investment strategy should be adopted but, in most cases, the Adviser will need to call on personal, professional expertise, built up over years of education, training and practical experience, to make the informed judgement calls, which invariably make the difference between relative success and relative failure.

'Soft facts' are important and interpersonal skill is often necessary to elicit them. Not all Clients are crystal clear about what they really want to achieve. Moreover, they may not be aware of the consequences of some of their personal circumstances. The vast majority will not have a good understanding of the technical aspects of Investment, nor of what constitutes good value for money in this context.

Once a Client has gone through the Advice process, he or she should be clear about these matters and have been impressed with the Adviser's capabilities. He or she should understand what is being recommended and why. He or she should also know how the Adviser is going to support them. He or she will usually have developed a degree of trust in the Adviser and, going forward, will be much less likely to lose sleep over money matters.

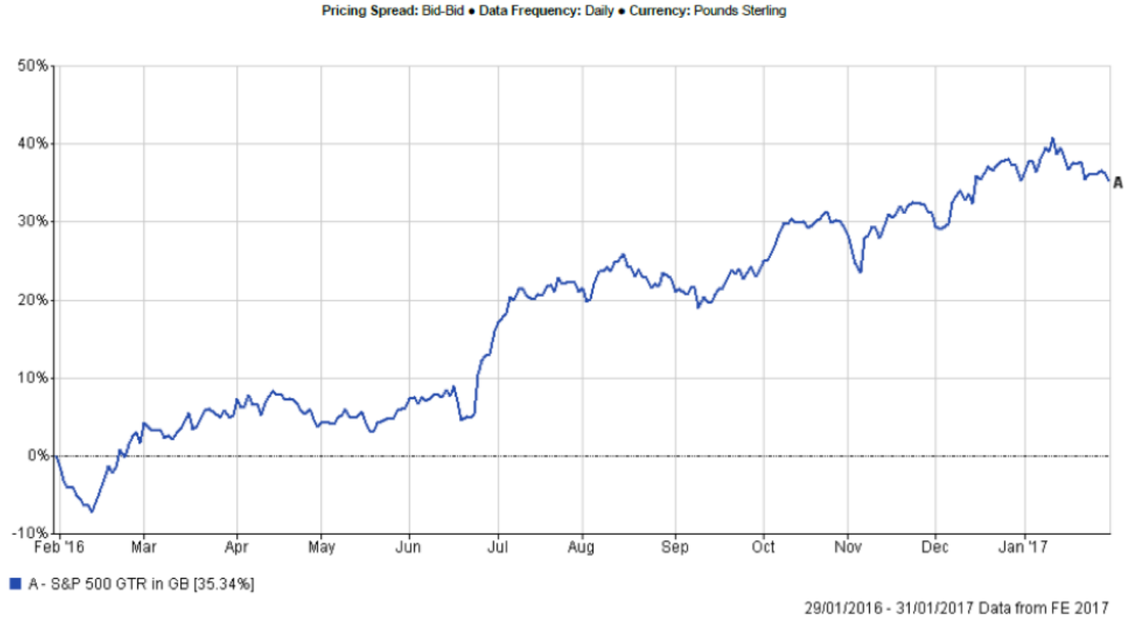
In a perpetually uncertain world, professional Advice is always of benefit. At times of greater uncertainty, Advice on personal finance is even more valuable and more beneficial to the consumer.

CAERUS Capital Group

Keith Carby
Chairman and CEO
CAERUS Capital Group

market COMMENTARY

A modest start to the year, with a rise of 1.47% for the FTSE World Index. However, there were good performances from Emerging Markets (up 3.65% in sterling terms) and Japan up 2.8%. Modest rises were recorded for the United States and Europe at 0.87% and 0.74% respectively, whilst the UK actually suffered from a small fall of 0.17%.



The chart, above, is the trade-weighted value of the US dollar. It may be the most important factor in determining returns in the year ahead, as explained below.

United States

The Dow Jones of 30 leading US companies has made 19 new highs since the Presidential election. 'Animal spirits' have been revived with the election of Trump, as the markets anticipate an expansionist programme of infrastructure spending, less regulation, tax cuts and reduced health costs for smaller companies. Whether all this will be achieved and by when is a moot point. Watch out for interest rate rises from the Federal Reserve, up to four are expected this year, as inflation is expected to rise as a consequence of the mentioned policies. It may be a bumpy ride this year.

United Kingdom

The UK economy continues to grow, with GDP up 0.6% in the final quarter of 2016. It appears that the consumer continued to spend and even business confidence turned positive. However, in 2017 the effects of a weaker pound will begin to feed through to inflation, with forecasts predicting a figure above 2%, and some commentators even expecting 4%. How a rise will affect the behaviour of both companies and the consumer remains to be seen. On the UK leaving Europe, it appears the government position will be to leave the single market, the so-called 'hard Brexit' option. At the moment, before the triggering of Article 50 most likely in March, it is speculation as to how both the EU and the UK will approach the negotiations and the eventual deal to be struck.

Europe

Europe starts the New Year with improved sentiment, with consumer inflation expectations rising. This is important for Europe, as much of the last few years have been trying to avoid deflation. It will also be pleasing to the European Central Bank, which has spent billions buying government bonds to inject monies into the banking system to encourage lending. Of particular note was the growth in Spain of 3.2% in 2016. However, the region is facing some headwinds with three elections in the coming year in the Netherlands, France and Germany.

Japan

With interest rises in the United States strengthening the dollar against the yen, a weak yen should boost Japanese exports and thus the earnings of those companies. However, with the abandonment of the Trans-Pacific Partnership (TPP) by the new Trump presidency, Japan may have to forge new trade deals.

Emerging Markets

After a good year in 2016, Emerging Markets may face challenges. If, as expected, the dollar continues to strengthen with interest rate rises in the US, then Emerging Markets may struggle. As commodities are priced in dollars, their value will go down if the former rises in value. Another headwind may be the imposition of tariffs by the US. An example would be Mexico and a potential border tax. However, it is not all bad news. If the US economy does grow, that is good for growth within Emerging Markets.

Asia Pacific

The abandonment of the TPP by the United States is a blow to the Asia Pacific region. Twelve countries signed up to the TPP in early 2016. The objective was to boost economic growth, by reducing tariffs between the members, and create a single market. Not only did the TPP include Japan but also Malaysia, Singapore, Australia, New Zealand and some countries in Latin America.

All performance data quoted in this article is derived from FE Analytics
All data as at 31st January 2017

The benefits OF TRANSFERS

The overwhelming majority of people who have been fortunate enough to be a member of a defined benefit (also known as 'final salary') occupational pension scheme should stay with it. After all, there is not much wrong with a guaranteed, inflation-linked income, which you cannot outlive.

However, wealthier Clients may be more concerned about inheritance tax and the amount of income tax they pay, rather than the prospect of running out of money. For such people, the higher transfer values currently available will be good news.

There are three factors that are driving up transfer values but the first, falling interest rates from UK government bonds – gilts – is having the greatest impact.

Falling gilt yields

The economic uncertainty produced by the vote to leave the EU has seen Investors moving into safe havens; gilts have been a major beneficiary of this trend. The increased demand has pushed prices high and, as a result, reduced gilt yields to historic lows. With the lower expected future returns from gilts, pension schemes have had to assume higher current values to provide the guaranteed future benefits – which, in turn, have resulted in higher pension transfer values. With Brexit expected to be no earlier than March 2019, these conditions are likely to continue for some time.

Lower expected Investment returns

We currently live in an economy with low inflation and low interest rates. This doesn't just drive up pension transfer values. In addition, defined benefit (final-salary-based pension schemes) are paying out more of their funds in retirement benefits to pensioners. So, they are expected to take less Investment risk by reducing the proportion of their funds in equities and switching to gilts and fixed-interest stocks.

Improved life expectancy

Life expectancy at older ages in England has risen to its highest ever level. This is a generally welcome development, but it can be a headache for pension schemes that must now expect to pay pensions for longer and this is, again, reflected in higher transfer values.

It does not follow that higher transfer values mean that more people should transfer. After all, what most people want is a guaranteed and increasing income for life, when they are faced with living longer and getting lower Investment returns. But for those with enough wealth to be really confident about their own future financial security, the present transfer values could be worth considering.

Occupational pension schemes are regulated by The Pensions Regulator. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.

Buy To Let – A TAXING ISSUE

April will mark the start of another measure designed to increase tax for buy-to-let (BTL) Investors.

The BTL sector is about to experience the start of a third adverse tax change in April. Last year saw an increase in stamp duty across all of the UK and the end of 10% wear and tear allowance, both of which have already started to alter the economics of BTL Investment.

From 6th April 2017, only three quarters of interest on any BTL mortgage can be against rent for tax purposes, with a 20% tax credit given for the remaining quarter. By 2020/21 there will be no offset and in its place will be a 20% tax credit for all interest paid, equivalent to basic rate relief.

If you are a higher or additional rate taxpayer, this will mean a drop in net income. A typical example based on rental income of £10,000 and interest of £6,000 paid by a higher rate taxpayer is shown below.

	2016/17 £	2020/21 £
Rental income	10,000	10,000
Interest paid and offsetable	(6,000)	–
Taxable income	4,000	10,000
Taxable @ 40%	(1,600)	(4,000)
Interest paid not offsetable	–	(6,000)
Interest tax credit @ 20%	–	1,200
Net income	**2,400**	**1,200**

The fact that by 2020/21 your full rental income (less expenses) will be taxable means an increase in your total taxable income. This could mean you cross an income threshold, triggering extra tax, or you are pushed into a different tax band.

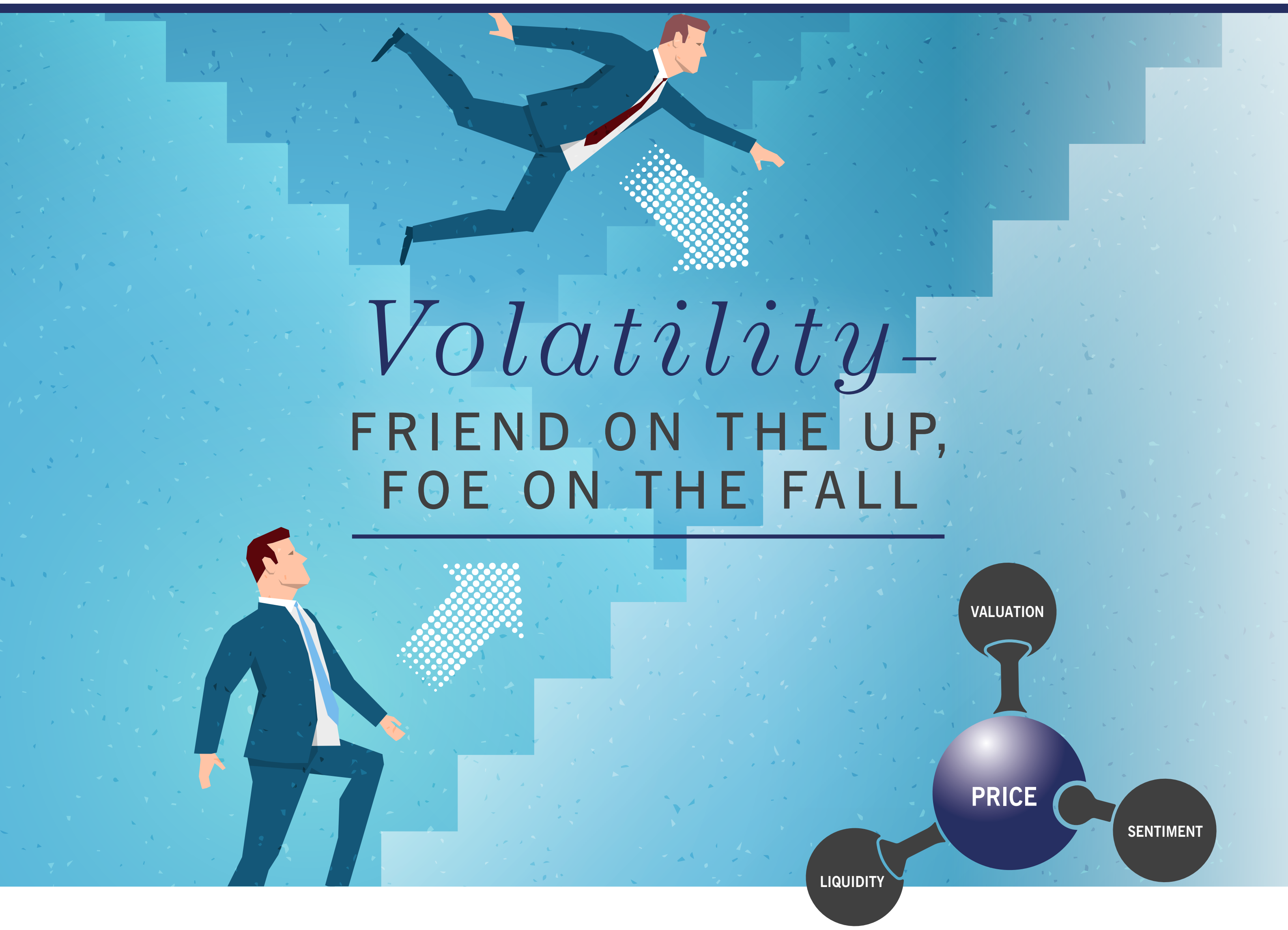
And before you think, "I'll sell up", remember that the capital gains tax (CGT) rates were not cut for residential property; they remain 18% within the basic-rate band and 28% above. Worse still, from April 2019, CGT on residential property will be payable within 30 days of sale.

All these tax changes have significantly reduced the appeal of BTL for many, even before you consider the possibility that interest rates could start rising in the future.

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.

Your home may be repossessed if you do not keep up repayments on a mortgage or other loans secured on it. Think carefully before securing other debts against your home. Business buy to let and commercial mortgages are not regulated by the Financial Conduct Authority.

"Tax changes have significantly reduced the appeal of BTL for many, even before you consider the possibility that interest rates could start rising in the future."



Volatility – FRIEND ON THE UP, FOE ON THE FALL

Across the retail market in funds and portfolio solutions, volatility has become an accepted measure of relative riskiness, proving its usefulness in classifying Investments. It is a term which is now in everyday, professional use by Advisers and wealth managers and is becoming widely understood by more sophisticated Clients. It is a measure of the degree to which a price has varied around its average value over a period of time. (In statistical terms, volatility is expressed as the standard deviation of a sample.)

Price changes create volatility

We expect prices, especially the prices of equity Investments, to vary a reasonable amount. After all, their price is the product of a number of uncertain, ever-changing factors. The three key factors are the shifting expectations of market prospects, or sentiment, the assessment of an individual company's valuation, and the level of liquidity seeking to buy into the market (or the weight of money looking to exit).

All three factors will have a bearing on prices today, however, the position may be quite different tomorrow. The perceptions of individual Investments ebb and flow.

Taken all together they generate, by their net movements, the overall level of a market, which we measure through time for volatility. In building our portfolios, PIM will seek to select, at each risk grade, the best mix of assets based on historic performance at each incrementally higher level of risk, defined as volatility.

Prospect theory

But wouldn't it be so much nicer if Investments only went up in value? It is one thing to appreciate why markets may go up and down in theory and to know how to calculate these movements, and it's great when our portfolios are rising in value, but when the music stops, and values fall, why does it all seem so bleak? The answer is that our behavioural minds do not see risk in a symmetrical fashion. Generally, for most private Investors, our sensitivity to loss – even to potential loss – is much greater than our experience of satisfaction from a prospective profit.

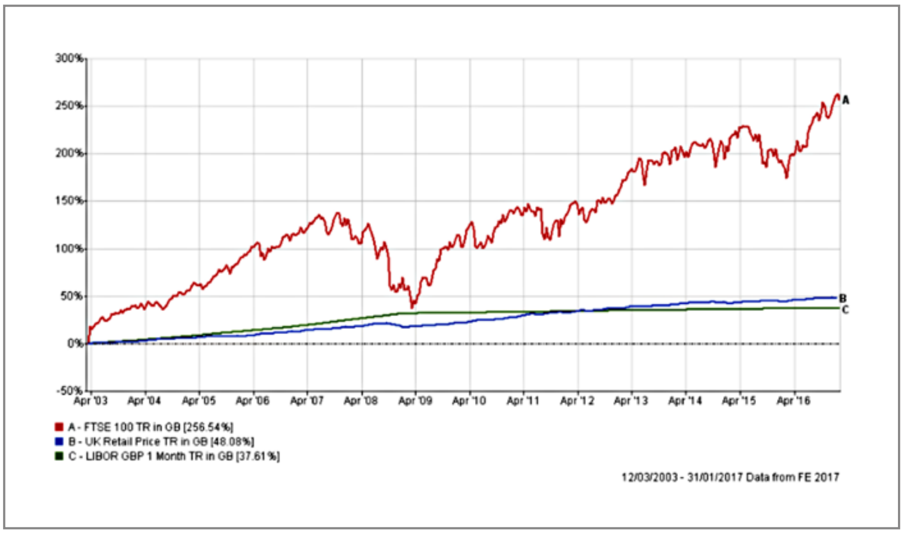
This area has been deeply explored by Nobel laureate Daniel Kahneman, in his work on Prospect Theory. He suggests that the negative psychological impact of a prospective loss is 2.25 times greater than the positive glow experienced contemplating anticipated success. Kahneman, incidentally, has ascribed his interest in his chosen field to a life-and-death childhood experience in occupied France. After being stopped by a member of the Waffen SS after curfew, instead of being detained as a Jewish kid out late without his papers, he got a hug and given some money. People, he learned, are infinitely surprising.

Loss aversion

Is there any way to avoid panicking when markets wobble? Or worrying that markets have had a good spell, so is it time to cut and run? There is probably no answer to these questions that isn't specific to an individual. Because we are wired as humans to feel loss aversion as a form of stress, these feelings can't be simply made to go away. What we can do is learn to understand ourselves a little better, so that we may adopt a more rational course of action, when under stress. It's rather like the way we come to terms with the risks of driving. Most youngsters sit nervously behind the wheel for their first lesson, but after a few stalls and more practice, learn to control those feelings. How can we seek to rationalise our carefully judged level of risk exposure when our psychology comes into play?

Diversification

Our first line of defence is that our professionally constructed portfolio is diversified in a number of ways, to make it less susceptible to threats. Asset classes do not move up and down in lock step. Their movements are not perfectly correlated. So in general, when our equities are running ahead, our bonds can't keep up. The reverse is true when the equity market weakens, when we expect our lower risk cash and bonds to sustain portfolio values. Also, our portfolios are geographically spread so, for illustration, a blip in Japan shouldn't hit our European stocks.



Evidence of the reward for risk

Another convincing argument to help us see beyond the short term is made by a simple chart (above) of the long-term cumulative, total return of the equity market.

Very few of us are so aggressive as to want a portfolio made up entirely of shares – we generally want to mix in bonds and property – but the case that over the long term equities will outpace cash is supported by over 100 years of data. If we aren't saving for a particular goal at a particular date, we can 'see through' volatility as a side effect of the process of price setting in markets, and keep our focus on the greater rewards available from taking on a degree of market risk.

Know your limits

Finally, let's remember that under stress we sometimes act rashly. One of the worst snap decisions is to mistake feelings of caution for a sense we have the ability to be a trader. When an Investor's goals are set in the longer term, any decision to pull back from risk necessitates a second decision – to re-invest – at some point. That's often very hard to execute because markets and the portfolios which reflect them snap back to trend quickly once they find their feet.

Also, few non-traders have mastered a methodology to control that process. Once on the sidelines, the temptation is to do nothing.

Safe journey

Faced with these behavioural challenges, we should think back to the experience of learning to drive. We couldn't quite see around the next bend but it didn't stop us pulling out and setting off on our travels.

Parmenion
It's your future.

Harry Garrett
Investment Analyst
Parmenion Capital Partners LLP

YOUR TAX YEAR-END CHECKLIST – *time to focus*

"As ever, your year-end tax planning is best completed before the Chancellor reaches the despatch box."

The one major surprise in Mr Hammond's Autumn Statement, last November, was that he would be reverting to autumn Budgets, last seen under Ken Clarke in the 1990s. So, the 2017 spring Budget is the last of its type and is the first of two Budgets this year.

The 2016/17 tax-year-end checklist starts with pensions, but there are several other areas that also need examination:-

Pensions

In a paper published alongside the 2016 Autumn Statement, the Treasury noted that:- *"The cost of tax and National Insurance contributions relief on pension savings is one of the most expensive sets of relief offered by the government. In 2014 to 2015 this cost around £48 billion, with around two thirds of the tax relief going to higher and additional rate taxpayers"*. The Treasury paper then remarked, *"… it is important that resources focus where there is most need"*.

Mr Hammond's predecessor came close to ending higher (and additional) rate tax relief on pension contributions in 2016. Given that £48 billion cost and the Treasury's need for additional tax income, Mr Hammond may be tempted to venture where Mr Osborne held back.

Individual Savings Accounts (ISAs)

The current ISA contribution limit is £15,240, which will rise to £20,000 in 2017/18. Maximising your ISA contributions remains important if you are a higher or additional rate taxpayer or pay Capital Gains Tax, even though this tax year's savings and dividend tax changes may have cut some of your Investment tax bill:-

- All income within ISAs is free of personal UK tax and does not count towards the dividend allowance or personal savings allowances.
- An ISA and all its tax benefits can effectively be inherited by a surviving spouse or civil partner.
- Gains made within ISAs are free of Capital Gains Tax (CGT).
- There is nothing to enter on your tax return.

CGT annual exemption

UK Investors saw some useful gains in many of the major stock markets in 2016, partly because of sterling's post-referendum fall. If you have profits from your Investments, as a broad rule you should consider whether it's worth realising some of your gains to use your annual CGT exemption. In 2016/17 you can realise gains of up to £11,100 without any liability to tax – a potential tax saving of up to £2,220 (£3,108 for residential property, which doesn't benefit from another tax relief, such as principle private residence relief). Crystallising gains could provide you with cash to make a pension or ISA contribution.

Inheritance tax (IHT)

The main IHT nil-rate band of £325,000 has been frozen since 6th April 2009 and will remain so until April 2021 – making it all the more important that you use your annual inheritance tax exemptions. These include the £3,000 annual exemption, both for 2016/17 and any unused amount from 2015/16, and also the often-forgotten normal expenditure out of income exemption. The tax year end is also a sensible time to review the impact on your estate planning of the main residence nil-rate band, which starts life at a maximum of £100,000 in 2017/18. Get in touch with us if you have any questions on this new relief.

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax and trust advice.

Don't draw your PENSION!

It may sound strange, but your pension could be the last thing you should draw on in retirement.

Inheritance tax (IHT) is one of those taxes that has been quietly ratcheting up its share of total government revenue. Over the last five tax years the amount paid in IHT, nearly all of which is collected on death, has risen by more than 70%. There are several reasons why IHT has been rising up the Exchequer's league table:-

- The IHT nil-rate band has not moved from £325,000 since 2009. If it had been linked to RPI inflation it would now be around £390,000.
- The annual exemption of £3,000 and small gifts exemption of £250 have been frozen for many years.
- A steady flow of new rules has reduced the scope for avoiding IHT. These rules have had a cumulative effect, increasing the amounts subject to tax.

But there is one area where the IHT rules have recently become noticeably more favourable – pensions. The reforms previous Chancellor, George Osborne, introduced have made defined contribution (money purchase) pensions, such as personal pensions, a valuable tool in estate planning. The broad rules are now:-

- Lump-sum and pension death benefits are generally free of IHT, whether death occurs before or after any pension benefits are drawn.
- If death occurs before age 75, any benefits – lump sum or as income – are also free of income tax
- On death on or after age 75, benefits are subject to income tax, based on the beneficiary's tax position.

- It is possible to pass a drawdown fund down through generations, enabling you to provide an income for your children and then your grandchildren.

The freedom from IHT and (before age 75) income tax means that from an estate-planning viewpoint, leaving your pension untouched until at least your 75th birthday will often be the sensible course of action. If you are thinking, “Good idea, but what do I live on?”, then the answer depends upon a variety of factors, including your other Investments.

For instance, if you have a portfolio of collective funds such as unit trusts, you could steadily liquidate that to provide the spending monies you need. The process is very similar to income drawdown, but instead of taking taxable income from an IHT-free pension fund, you would be drawing mostly (or entirely) tax-free capital from Investments that potentially suffer IHT. Over time, the difference in what your beneficiaries receive could be significant, as the example shows.

Pensions v Investments – the IHT case

Gordon, a single man, has an estate worth £800,000, including £350,000 in a portfolio of funds, and another £350,000 in a self-invested personal pension (which is excluded from the estate). He needs an extra £20,000 a year after tax to top up his existing pension income.

We will assume Gordon pays basic rate tax on the proceeds he withdraws from either his pension pot or his portfolio, and that he can take 25% tax free from the pension, and can use his full CGT allowance against withdrawals from his portfolio.

He will need to take £21,800 gross from his portfolio, or £23,594 gross from his pension pot to achieve his net £20,000. (Figures are for illustrative purposes only.)

If Gordon takes the withdrawals from his portfolio and dies before age 75, after taking the £20,000 a year net for 10 years, (and ignoring any Investment returns or changes in the nil-rate band) his beneficiaries would have £829,200 instead of just £724,060 – an increase of £105,140 or over 14.5%.

Income source:	Portfolio	Pension
Value of estate	£582,000 (after taking withdrawals from portfolio)	£800,000
Less IHT tax-free allowance	£325,000	£325,000
Taxable estate	£257,000	£475,000
IHT at 40%	£102,800	£190,000
Net estate	£154,200 + £325,000 = **£479,200**	£285,000 + £325,000 = **£610,000**
Pension fund – IHT free	£350,000	(after 10 years' withdrawals, £350,000 - £235,940) = **£114,060**
Total to beneficiaries	**£829,200**	**£724,060**

“There is one area where the IHT rules have recently become noticeably more favourable – pensions.”

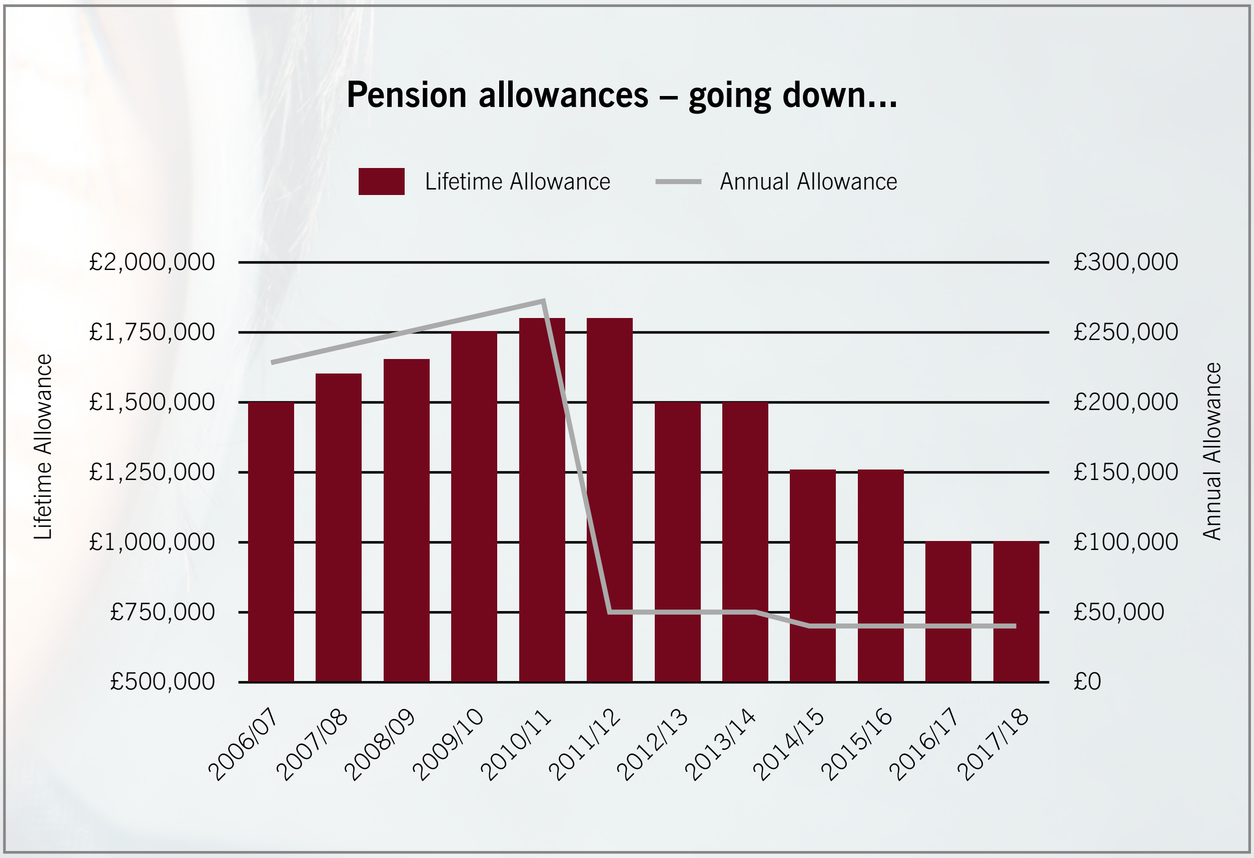
The value of your Investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term Investment and should fit with your overall attitude to risk and financial circumstances.

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax and trust advice.

This article is for illustrative purposes only; you should seek guidance from a professional Financial Adviser if you wish to review your specific circumstances.

YOUR SHRINKING *pension allowances*

The cuts and adjustments made to the two main pension allowances since 2011 have made retirement planning all the more complex.



The lifetime allowance, which sets an effective tax-efficient ceiling on the total value of pension benefits, was £1.8 million in 2010/11. Back then, the corresponding annual allowance, which sets an effective tax-efficient ceiling on annual pension contributions, was £255,000. Dividing the lifetime allowance by the annual allowance suggests it would have taken about seven years of contributions, at the rate of the annual allowance, to reach the lifetime allowance. In theory at least, you could have deferred pension planning until less than a decade before retirement.

In 2016/17 the lifetime allowance is £1 million, while the annual allowance has shrunk to a £40,000 maximum for most people. So now, it would take 25 years to reach the maximum, based on dividing the current lifetime allowance of £1 million by the annual allowance of £40,000 – and ignoring any Investment growth. The lifetime allowance will start increasing from 2018/19, but only in line with the CPI inflation index. There is no corresponding adjustment planned for the annual allowance.

These two calculations underline how important it has become to start pension planning as soon as practical, and keep making contributions each year. There is scope to carry forward unused annual allowances, but only from the previous three tax years. For example, you have until 5th April 2017 to mop up any of your unused £50,000 annual allowance for 2013/14. However, you can only take advantage of the carry forward provisions once you have exhausted the current tax year's allowance.

To complicate matters further, the private sector final salary schemes and HMRC use different valuation bases, so a transfer could push you over the lifetime allowance, even with no fresh contributions.

The constraints now applying to both the lifetime and annual allowance make regular reviews of your retirement strategy all the more important, particularly if you are considering large contributions as the tax year end approaches.

INDIVIDUAL SAVINGS ACCOUNTS (ISAs) *and estate planning*

ISAs have traditionally been seen as a foundation for good financial planning because of their general tax efficiency. However, they have had a negative effect on estate planning because they form part of the deceased's estate for inheritance tax (IHT) purposes.

Two recent changes could make ISAs more useful for estate planning.

The spouse or civil partner can now effectively inherit the deceased's ISA savings. This is helpful for general tax planning, but on its own it will not save IHT, because this tax would normally only be charged when the survivor eventually dies.

More importantly, ISAs can benefit from business property relief (BPR) to the extent that they are invested in qualifying AIM (Alternative Investment Market) stocks.

Once you have owned BPR-qualifying shares for at least two years, you can pass them on death, free from IHT. AIM stocks are generally much higher risk than a typical stocks and shares ISA portfolio. But the higher risk needs to be considered against a potential loss of 40% IHT (for those with larger estates).

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.

AUTOMATIC ENROLMENT FINES ESCALATE – *don't join the list!*

More than 700,000 small employers (generally those with under 30 employees) will see their workplace pensions duties start in 2017, according to the Pensions Regulator. The latest data about compliance with the automatic enrolment rules show that the Regulator has been busy chasing those employers who have missed their deadlines.

In the three months between August and September 2016, over 15,000 compliance notices were issued, as well as more than 3,700 fixed penalty notices of £400. There were some 576 penalty notices involving fines of up to £10,000 per day in the quarter, more than three times the total figure for the nine months up to June 2016. If you're starting auto-enrolment this year, make sure you don't join the list.

DEPOSIT PROTECTION RETURNS TO *previous £85,000*

The Financial Services Compensation Scheme protection limit for deposits with banks and building societies returned to £85,000 on 30th January 2017.

The £10,000 increase, which has been subject to regulatory consultation, is the result of the recent decline in the value of the pound against the euro. Under EU law, deposit protection is set at €100,000 or its currency equivalent. If you are holding such high levels of cash, you should first review how much money you need on deposit. At best, instant-access accounts offer a sub-inflation 1%, but many pay considerably less.

LEADING *Indicators*

United Kingdom Stock Markets	3 months	6 months	1 year
FTSE 100[1]	7.70%	7.63%	27.23%
FTSE 250[1]	6.27%	4.84%	18.11%
FTSE All Share[1]	7.51%	7.27%	25.67%

Source: Financial Express Analytics 24th February 2017

American Stock Markets	3 months	6 months	1 year
NASDAQ 100[1]	10.59%	11.75%	30.20%
S&P 500[1]	7.72%	9.18%	25.64%

Source: Financial Express Analytics 24th February 2017

European Stock Markets	3 months	6 months	1 year
CAC 40[1]	8.32%	11.25%	19.71%
DAX[1]	12.35%	12.37%	25.95%
DJ Euro Stoxx[1]	10.40%	12.28%	20.12%

Source: Financial Express Analytics 24th February 2017

Other Stock Markets	3 months	6 months	1 year
Hang Seng[1]	6.78%	6.04%	29.47%
MSCI Emerging Markets[1]	8.20%	6.08%	24.33%
Nikkei[1]	6.65%	17.42%	20.68%

Source: Financial Express Analytics 24th February 2017

Gilts	3 months	6 months	1 year
FTSE British Government 10 – 15 years[1]	2.97%	-4.94%	4.74%

Source: Financial Express Analytics 24th February 2017

Property	3 months	6 months	1 year
Halifax Property Index[1]	1.24%	2.74%	3.65%
IPD UK All Property[1]	0.81%	1.40%	0.74%

Source: Financial Express Analytics 24th February 2017

Savings	3 months	6 months	1 year
Moneyfacts Instant Access[1,2]	0.10%	0.22%	0.52%
Moneyfacts 90 days notice[1,3]	0.13%	0.30%	0.68%

Source: Financial Express Analytics 24th February 2017

Inflation	3 months	6 months	1 year
UK Consumer Price Index	0.00%	0.50%	1.60%

Source: Financial Express Analytics 24th February 2017

Interest Rates	3 months	6 months	1 year
Bank of England	0.06%	0.13%	0.36%

Source: Financial Express Analytics 24th February 2017

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.

We are always delighted to hear from you; to contact us please phone or email:

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