LOWES

Est. 1971

Issue **113**

Chartered Financial Planners

"The things you do for yourself are gone when you are gone, but the things you do for others remain as your legacy."
Kalu Ndukwe Kalu

Winner of the 2019 Competition

UK GDP NUMBERS HAVE BEEN FRONT OF MIND with the General Election at the end of last year.

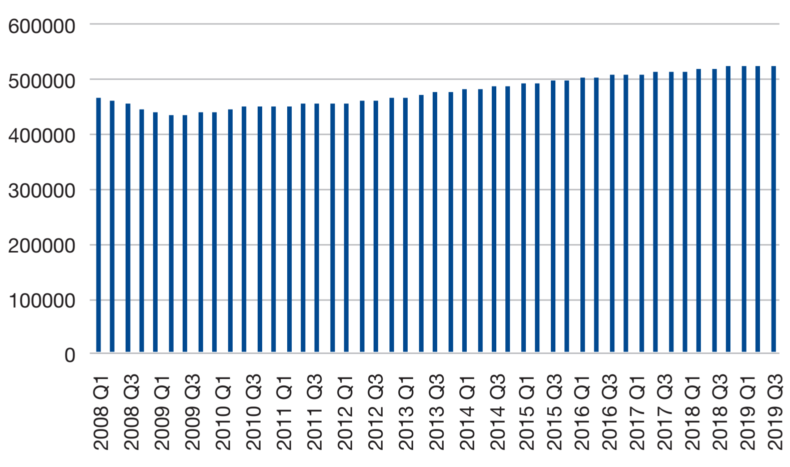
For our 2019 Client Competition we asked you to predict to the nearest £million what the UK GDP figure would be as reported in December 2019.

In December 2018 the figure reported by the Office for National Statistics (ONS) was £509,120m.
In December 2019 it was £522,525m.

Congratulations to Miss Shelton from Nottingham whose prediction was closest to the official figure.

See page 10 for this year's Client Competition.

UK quarterly GDP figure 2008-2019 (£m)



Source: ONS

NI credits for child-carer grandparents

GRANDPARENTS OR FAMILY MEMBERS WHO GIVE UP work to look after children to enable a mother or father to return to work after the birth of a child can receive Class 3 National Insurance credits.

Under current rules, when a mother or father goes back to work after the birth of a child they can sign a form that allows a grandparent (or other family member) to receive the credits for looking after the child.

Assurer Royal London found that just 1,298 people benefited from Specified Adult Childcare Credit, while estimating that there are over 100,000 people who could be eligible to claim. That could cost them in terms of their pension. If a working age grandparent misses out on one year of state pension rights because they are spending time with a grandchild instead of doing paid work, this would cost them 1/35th of the full rate of the state pension or £231 per year. Over a 20-year retirement this would be a loss of over £4,500. This system is known as the Specified Adult Childcare Credit. To apply for it you will need an application form from HMRC.

Married Woman's stamp payer entitlement

WOMEN WHO HAVE PAID THE REDUCED 'MARRIED woman's stamp' in their lifetime while they were working, should check to see if they can get an increase to their State Pension payments.

Prior to 2016, when the State Pension rules changed, women could pay a reduced 'married woman's stamp' and expect to get a pension from their husband's contributions. As the rules changed, State Pension payments became based on an individual's own contributions.

It has been revealed that those who paid the reduced stamp at any point in the 35 years before pension age are able to get a minimum amount under the new State Pension.

Over 4 million women paid the stamp at its peak in 1978/79 and hundreds still do today. This could be worth between £4,027 and £6,718 a year; £129.20 per week if the individual is now widowed/divorced or £77.45 per week if still married. The Pension Service will be able to tell you if you are entitled to a higher pension. You can find out more at www.gov.uk.

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Lowes Financial Management

Covershot: Shutterstock.

Make your money work. Best bank & building society accounts

Type	Amount	Provider	Account	Gross Rate	Contact
Unrestricted instant access accounts					
Online	£1 - £100,000	Marcus by Goldman Sachs	Online Savings Account	1.35%	www.marcus.co.uk
Online [1]	£1 +	Ford Money	Flexible Saver	1.35%	www.fordmoney.co.uk
Accounts with first year bonus / restrictions					
Online and telephone	£1+ - £100,000	Saga	Easy Access Savings Account	1.35% [2]	www.saga.co.uk
Fixed rate bonds					
Online, telephone or postal	£1,000 - £85,000	Gatehouse Bank	1 Year Fixed Term Deposit	1.70% [3]	www.raisin.co.uk
Online, telephone or postal	£1,000 - £85,000	Gatehouse Bank	2 Year Fixed Term Deposit	1.90% [3]	www.raisin.co.uk
Online, telephone or postal	£1,000 - £85,000	Gatehouse Bank	3 Year Fixed Term Deposit	2.00% [3]	www.raisin.co.uk

Notes
[1] Can be opened online or by telephone, but must be managed and accessed online. [2] Rate includes 0.2% bonus payable for the first 12 months. Your money is deposited with Goldman Sachs. Only available to those aged 50 and over. An email address is required to open the account be telephone. [3] This rate is the 'expected profit rate' under Sharia compliant accounts. The bank monitors the target profit on a daily basis to ensure it is achievable. Must be opened online; however, this account can be managed online, or by telephone, email or by writing.

Measures of inflation - The average change in prices of goods and services over a 12 month period to December 2019

Retail Prices Index (RPI) 2.2%	Consumer Prices Index (CPI) 1.5%

Sources: Providers' websites, Office for National Statistics, www.thisismoney.co.uk, www.moneysupermarket.com, www.moneyfacts.co.uk 08/01/2020.
All accounts subject to terms and conditions.

Lost decade for bank accounts

THE TABLE BELOW SHOWS HOW VARIOUS ASSETS performed over the last decade in both monetary and real terms, after accounting for the effect of inflation. Based on both Consumer Prices Index (CPI) and Retail Prices Index (RPI).

It is important to note that whilst all the investments produced positive returns the effect of inflation has been such that money in the bank has lost significant value.

Investment	Total return over last decade	Real return after inflation (CPI)	Real return after inflation (RPI)
Deposit Accounts	+9.16%	-11.67%	-18.26%
UK Equity Managed funds	+129.79%	+85.91%	+72.03%
FTSE 100 Tracker fund	+98.8%	+60.87%	+48.86%
UK Property funds	+66.88%	+35.04%	+24.96%
UK Corporate bonds	+94.27%	+57.21%	+45.47%
Global Equities	+201.24%	+143.77%	+125.57%

Past performance is not a guide to the future
Explanation and sources at: **Lowes.co.uk/mag113table**

Sudoku

When you've finished reading the Lowes magazine why not try your hand at this issue's Sudoku. To complete the puzzle fill the grid so that each row, column and 3x3 block contains the numbers 1 to 9. The solution to the puzzle can be found on page 11.

	2	6		1	8		4	
8						9		
1					5			
4					1	8		
				5	9			
3	6			2			5	
	1			8	2	3		
5					4			
	3	9						

Source: www.printmysudoku.com

Experience counts

FOR A BRIEF PERIOD, THE PRE-CHRISTMAS, POST-ELECTION stockmarket rally and some apparent certainty over Brexit meant that 2020 was beginning to look like it might be a great year. However, American action against Iran on 3rd January cast an immediate shadow and at the time of writing a cloud of uncertainty as to what will come next hangs over the global economy and as such, the investment markets.

Not surprisingly therefore, any euphoria that this was going to be a very different year was short-lived and it looks like it will be 'business as usual'. Markets will continue to react on news and pundits opine on the latest twists and turns and potential outcomes. It is important that clients are not influenced by the noise around them, which can confuse and cause people to make knee-jerk decisions they later come to regret.

In our 49-year history, Lowes has seen many investment cycles and steered our clients through some of the worst market conditions. Our investment philosophy and strategies are based on our experience and follow the fundamental principles of sound research, diversification and investing with a long-term view. To do otherwise is to try to time (or second guess) the markets which, as has been proved time and time again can lead to disaster.

An ongoing piece of research of data arising from the Office of National Statistics Wealth and Assets survey* has yet again shown that people who take financial advice are considerably better off than those that don't. Whilst the impact for those defined as 'affluent' was around 24% uplift in their financial wealth, those with more modest means benefited from a 35% uplift. A key reason why we see these improved outcomes for those taking advice is down to investment advice. Whilst investing means acceptance of risk, one of the key elements of the advice process is ensuring clients understand various risks that they face when they invest, and when they don't.

Consider the table to the left showing the performance of assets over the last decade. It's clear that the perceived 'safe haven' of the bank transpired to be one of the worst places to leave your money and ultimately led to substantial losses in real terms.

In the current climate, the risk that money in the bank will lose value in real terms, is as good as guaranteed. That's not to say that everyone should move every penny out their bank accounts but it hopefully goes to illustrate the sort of misconception about risk that can lead to those who don't seek financial advice, being considerably worse off than those who do.

If you have been a client of Lowes for a number of years I hope and indeed expect that we have more than proven our worth, that we will continue to do so and that you will refer friends and family to us. If you're not yet a client, please get in touch. I am confident that a few little things, that are obvious to us but not so obvious to those who don't work in our field, could make a substantial difference to the wealth and security of you and your family for many years to come.

Ian H Lowes,
Managing Director

* "What it's worth - Revisiting the Value of Financial Advice by Royal London, in conjunction with the International Longevity Centre".

If you would like to receive further information on any of the subjects featured in this issue please call: **0191 281 8811**, fax: **0191 281 8365**, e-mail: **client@Lowes.co.uk**, or write to us at: **Freepost LOWES FINANCIAL MANAGEMENT**. Lowes® Financial Management Limited. Registered in England No: 1115681. Authorised and Regulated by the Financial Conduct Authority.

Traps and tricks of pension withdrawals

HM REVENUE & CUSTOMS FIGURES SHOW THAT OVER £30 billion has been withdrawn from pensions since the Pensions Freedoms were introduced in 2015.

There are pitfalls for people to be aware of when taking money from their pension, not least around the amount of tax they may have to pay.

A concern that we raised in Issue 112 is that where people take their pensions as lump sums, everything over the tax free 25% HMRC taxes as income but also assumes they will be taking the same income amount on an ongoing basis and applies an emergency tax code. This can result in a large tax deduction which needs to be reclaimed.

Another issue is that much of the £30 billion has been taken out without Independent Financial Advice. Without forward thinking this can reduce an individual's regular income when they need it most, in retirement when it is more difficult to supplement their income stream.

Where people take money out of a pension (this is termed crystallising the pension) it can trigger unintended consequences, including limiting the amount people can subsequently save into a pension. Currently, this reduces from £40,000 to £4,000 a year. This can be restrictive for those who plan to continue working and continue to pay into their pension, especially where they are also benefiting from employer contributions.

To take pension money out and reduce the tax bill, the timing of withdrawals is key – for example, spreading the withdrawals over more than one tax year to use more than one personal allowance.

For those withdrawing money from their pension to create an income stream, Independent Financial Advice can help in making sensible decisions about how much of their pension to withdraw and when. Taking too high a percentage can deplete the pension too quickly and leave them with a reduced income or worse case that they run out of funds in their lifetime.

Accessing pensions in the right way and retirement planning are complex and require forward planning if people are not to be caught out. We strongly recommend anyone thinking about accessing a pension under the Pension Freedoms rules, in particular before their retirement date, seeks Independent Financial Advice.

STATE PENSIONS

WHAT WILL YOU RECEIVE?

FULL BASIC STATE PENSION	FULL NEW STATE PENSION
Male born before 6 April 1951 Female born before 6 April 1953 Total of 30 qualifying years of NI contributions or credits	Male born on or after 6 April 1951 Female born on or after 6 April 1953 Total of 35 qualifying years of NI contributions or credits

NUMBER OF PEOPLE RECEIVING NEW STATE PENSION	1.1 million
% OF PENSIONERS WHO RECEIVE FULL NEW STATE PENSION	44%
% OF PENSIONERS WHO RECEIVE BETWEEN 75% AND 100% OF NEW STATE PENSION	44%
% OF PENSIONERS WHO RECEIVED FULL BASIC STATE PENSION	65%
FULL BASIC STATE PENSION PER WEEK (CURRENTLY)	£129.20
FULL NEW STATE PENSION PER WEEK (CURRENTLY)	£168.60

Source: DWP

Find out what you will receive at www.gov.uk/state-pension-age.

DID YOU KNOW...

BENEFICIARIES WHO ARE LEFT assets from an estate in a will, which they would prefer to go to someone else, can vary or redirect them under limited conditions. The method is called a deed of variation. Lowes Consultant Stephen Hoggarth explains.

While there are various reasons a deed of variation may be used, such as to provide for someone who may not be sufficiently provided for due to the Will being written some time ago, for financial planning reasons it can be a useful tool to save inheritance tax (IHT).

As an example, a son inherits his mother's estate but knows his own estate will already be liable to IHT and his inheritance will only add to the tax bill for his children. He can use a deed of variation to redirect that inheritance to his children or a trust that he can control.

Using the deed moves the money direct from his mother to the children, so HMRC does not view it as a gift from him to his children (or trust), thereby avoiding the rule that says he has to live seven years beyond the date of the gift to exempt it from IHT. By not inheriting the assets himself means they do not become part of his estate and so are not liable to IHT when he dies.

There are set conditions that apply, including drawing up the deed within two years, and having a statement that the variation is to have effect for IHT.

Clearly, deeds of variation only apply in very limited circumstances; there are moderate legal costs as well as potentially emotional issues involved, so they need careful consideration.

It is important to stress that the best way to properly plan for our legacy is to do so while still alive, as this will almost always avoid the need for this kind of action.

Effective estate planning and regular reviews of financial plans, as well as ensuring Wills remain valid and up-to-date should be one of the key strategies of a good financial plan.

At what age should you write a Will?

THIS HEADLINE IS MISLEADING AS AGE SHOULD NOT BE THE DRIVER FOR writing a will. yet it is often the biggest inhibitor to doing so, as many people believe they are too young to need a Will.

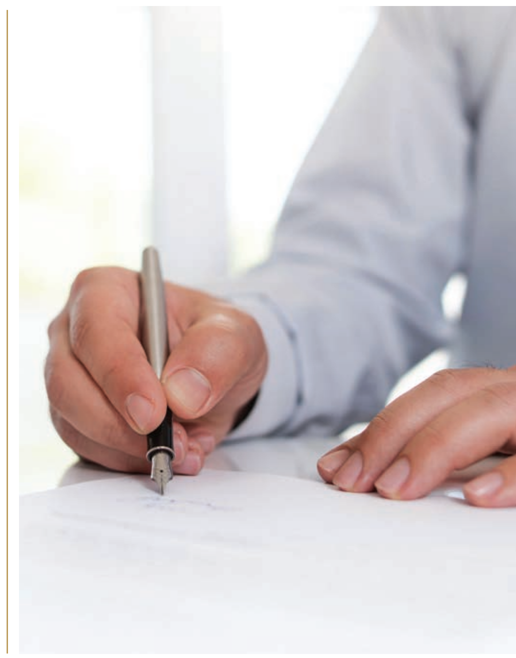
The writing of a Will should be determined by who and what requires protection – such as children, a home, assets or a partner. A will should not be dictated to by age.

Wills can help provide security for loved ones and make it clear how an individual wants their assets etc distributed.

For unmarried couples, a Will is required to secure their partner's financial future, while those clients with children will need to appoint legal guardians. Those who own their own home must also give consideration to whom they would like to pass it on to, along with any savings.

It can also help with tax planning. For example, if all assets are passed on to a spouse, the £325,000 nil rate band for inheritance tax (IHT) can also be transferred to the spouse, protecting £650,000 from IHT. Where a home is then passed on to direct descendants, the residential nil rate band (RNRB) also comes into play, increasing the amount by up to £300,000 (at current IHT and RNRB rates).

Lowes does not undertake Will writing but we can refer you to a recommended firm to undertake the work for you.



Will the Government's manifesto pledges affect your wealth?

A look at how the Conservative party win at the General Election in December 2019 may affect policy around savings and investments.

THE CONSERVATIVE PARTY win at the General Election on 12 December 2019 gave them a majority Government able to push policy through the House of Commons without having to rely on another party's backing.

While the focus of Prime Minister Boris Johnson and his Government will be to tackle the Brexit situation, there are a number of policies which may impact our personal finances over the next five years (the potential lifespan of this period of Government) as set out in the Conservative party manifesto.

The Government has announced that there will be a Budget on 11 March. As the manifesto focussed primarily on Brexit – to "get Brexit done" – its pledges relating towards personal finances were fewer than those of other parties.

Taxes and National Insurance

One of the Conservative Party pledges was not to raise Income tax, National Insurance and Value Added Tax (Vat) rates within this Parliament.

In terms of National Insurance, the manifesto says it will raise the threshold at which individuals will pay National Insurance from £8,632, the current rate, to £9,500 in the 2020-21 tax year. This will benefit anyone earning more than £8,632 by around £100 a year. By making changes to the National Insurance rates, rather than to income tax rate thresholds, those on less than the current £12,500 personal allowance will also benefit.

No mention was made of other taxes – Capital Gains Tax, Dividend Tax, Inheritance Tax – which suggests rates for these taxes may not be altered for the foreseeable future.

However, the Office of Tax Simplification published a report on Inheritance Tax in July 2019 suggesting changes to IHT with the aim of making tax "easier to understand and simpler to comply with". Meanwhile, in a fringe event at the 2019 Conservative party conference, Chancellor of the Exchequer Sajid Javid raised the possibility of IHT being significantly reviewed or even scrapped. Data published by HMRC in the autumn 2019 relating to the 2016/17 tax year showed that the taxman had levied IHT on a record number of estates, 15% more than the previous year, with the average bill being £179,000. Javid said at the time IHT was "something that is on my mind" – it may be a question of watch this space.

Pensions

A key Conservative pledge was to retain the State Pension triple-lock. Under current rules, the State Pension is increased by the highest of earnings growth, price inflation or 2.5% a year. The price inflation figure used is for the year to September, but the earnings growth figure used is that to July (seasonally adjusted and including bonuses). The earnings growth figure for the year to July 2019 was 4%. The State Pension is due to be raised by 4% from April 2020.

Earnings and inflation have fallen below 2.5% three times since the triple-lock was introduced at the start of the last decade, which means the State Pension has increased by at least 2.5% (see table).

This year's increase will be the third highest for the new State Pension since the triple lock guarantee was introduced and the third time the State Pension has been increased by wage growth.

However, with the changing demographics of the UK meaning more people will be claiming the State Pension in future years, this does pose a question over the long-term sustainability of the triple lock. Government has committed to it until at least 2022 but this policy must go hand-in-hand with the policy around State Pension retirement age. The Conservatives policy is to increase the age at which state pension payments begin to 67 by 2028 and 68 by 2039. Labour had promised to freeze the state pension age at 66.

The Conservatives have also promised to review pension tax incentives, with a focus on the problems facing the NHS. Many doctors refused shifts due to the onerous tax burden forced on them by the NHS pension system as a result of the complex annual allowance taper, which was introduced to lower pension tax incentives for the highest earners.

Also in respect of tax relief on pensions, the Conservatives pledged to review an anomaly with the system which sees low earning savers in 'net pay' scheme miss out on pension tax relief. The problem exists because 'net pay' schemes deduct pension contributions from earnings before tax, meaning those who don't pay tax don't receive tax relief enjoyed by others outside these net pay schemes.

Property

With the Help to Buy ISA having been scrapped at the end of November 2019, the Conservatives have talked about helping those looking to get on the property ladder with long-term, fixed-term mortgages for first-time buyers, in particular for those with small deposits. However, this looks unlikely to be a Government funded scheme, rather an encouragement of the mortgage industry to increase the availability of these products.

Long term care

The manifesto pledge to build a cross-party consensus to consider a range of options with a promise that no-one should have to sell their home to meet care costs. However, this is a political hot potato as local authorities have had their funding cut meaning many are less able and willing to fund care home stays. There was no detail in the manifesto on how the Government plans to address the funding issue.

Due to the fact that the Conservative Party focussed its manifesto on what it saw as the key issue for the UK electorate, that is Brexit, many issues affecting personal finances did not receive a mention. We will have to see if any of these are raised in the Budget on 11 March or whether there will be a reprieve from change at least until the following Budget, although that could be as early as autumn 2020.

GOVERNMENT FINANCIAL SERVICES PLANS

MENTIONED IN THE MANIFESTO	
State Pension	Maintain triple lock
Pensioner benefits	Maintain winter fuel payment and bus pass
Income tax	No increase
VAT	No increase
National Insurance	Raise NI threshold to £9,500 in 2020/21
NHS pensions	Hold urgent tax review
Tax relief on pensions	Review 'net pay' tax relief rules for low earners
Pensions dashboard	Legislation for pension dashboard(s)
Social care	Promise no-one should have to sell their home to meet care costs

NOT MENTIONED IN THE MANIFESTO	
State Pension Age	Inheritance tax
Pension Credit	Marriage allowance
Capital gains tax	Pension contribution levels
Dividend tax	Independent pensions commission

TRIPLE LOCK GUARANTEE PERCENTAGE RISES SINCE IMPLEMENTATION	
2011-12	4.6% (RPI)*
2012-13	5.2% (CPI)
2013-14	2.5% (minimum uplift)
2014-15	2.7% (CPI)
2015-16	2.5% (minimum uplift)
2016-17	2.9% (earnings)
2017-18	2.5% (minimum uplift)
2018-19	3.0% (CPI)
2019-20	2.6% (earnings)
2020-21	4.0% (earnings)

*RPI changed to CPI from 2012/13

Pensions Minister continuity

Following the General Election, Guy Opperman was reappointed as Pensions Minister.

Opperman is MP for Hexham and was first appointed Parliamentary Undersecretary of State at the Department for Work and Pensions in June 2017. His continuation in the role means he is the second longest serving Pensions Minister in the past 21 years, only Liberal Democrat Steve Webb having served more time in the role – five consecutive years.

Opperman's Pensions Bill was delayed in being passed through Parliament by the calling of the General Election. It was confirmed in December the Bill will now be progressed again. Opperman's plans include encouraging pension schemes to sign to a framework to reduce pension transfer times, to make schemes simplify pensions statements to make them easier to understand, as well as continuation of plans for a pensions dashboard, which in time will show an individual all their pension plan details in one place.

Estate planning using business relief

INHERITANCE TAX (IHT) RECEIPTS REACHED A RECORD £5.4 billion in the 2018-2019 tax year, in large part a result of the freezing of the IHT nil rate band at £325,000 for the past decade, which as property prices have increased and individuals' assets grown in the years since the Financial Crisis, has seen more and more people breach the IHT level.

Making use of tax relief wherever possible is essential requiring careful financial planning in retirement, using ISA savings and investments which fall within a person's estate for IHT purposes before pensions which do not.

The government also allows IHT relief on investments which help the economy. One avenue is Business Relief (BR), which was previously called Business Property Relief. Originally, this relief was set up to enable family businesses to transfer the business between generations without being hit by IHT, which may have forced them to sell the business.

Now individual investors are entitled to use Business Relief where they invest in unquoted, unlisted and AIM listed smaller businesses, as government views this as supporting the growth of the UK economy.

It is important to note that investing in this market means investors are taking more risk with their wealth, as not all smaller businesses make a profit or indeed survive; hence the favourable tax relief terms.

Where an individual is comfortable with the risks, Business Relief can be a very useful estate planning tool.

One of the main advantages of Business Relief in IHT planning is that whereas making gifts or settling assets into trust typically require the person to live for seven years for the money passes out of their estate for IHT, the BR investment becomes exempt from IHT after just two years. Hence, Business Relief can achieve its aim in a shorter time frame.

Another advantage is that the asset doesn't pass out of control of the individual, unlike where money is gifted or placed in trust. Estate planning through Business Relief-qualifying investments means the inheritance tax relief is given on the investment itself, so it can stay in an individual's name during their lifetime and they retain access to it.

Also, Business Relief-qualifying AIM shares can be invested through an ISA. This means an individual may retain the lifetime tax benefits of their ISA wrapper and enable the portfolio to be left to their beneficiaries free of inheritance tax as long as the investment has been held for at least two years.

It has to be noted, that capital is at risk and it can be harder to sell shares in Business Relief-qualifying companies than those listed on the main market of the London Stock Exchange. This can represent more risk as an investment, also that tax rules may change and that the relief relies on the companies invested in maintaining their qualifying status.

Nevertheless, they do offer some significant tax efficient benefits when used in the right circumstances.

CONSULTANT TIP

IHT: Common pitfall

ONE OF THE MOST COMMON PITFALLS in terms of effective inheritance tax (IHT) planning is giving away assets before taking advice from a professional financial adviser, says Lowes Consultant Nicola Wrightson.

Tax planning is complex and specific to the individual. If it is not done with proper care and consideration for someone's circumstances, this can leave the individual without sufficient money for their financial needs in later life, including any long term care considerations, because it has been given away, and their beneficiaries with a large tax bill to pay.

It makes sense both to address an IHT liability as early as possible in a financial journey and to take advantage of the knowledge and experience of an Independent Financial Adviser in making the right decisions.

If you or anyone you know would like to speak with a Lowes Consultant about Business Relief-qualifying companies or estate planning please call 0191 281 8811.

Advice scenarios: How we have helped clients

AS PROPERTY PRICES CONTINUE TO CLIMB, IT CAN BE difficult for the younger generation to get a foot on the property ladder. Even tax incentivised savings schemes such as the Help-to-Buy ISA and the Lifetime ISA seem to be making only small dents into the problem.

It's natural therefore for parents and grandparents to want to help the younger generation to buy their first property. This can be fraught with unseen issues and one of the best ways we help people is by steering them away from the common mistakes we see made.

Since financial circumstances can change quickly, it can pay to take advice before lending or gifting money to ensure it genuinely can be afforded over the long term and will not be at the expense of financial security in retirement.

Help with savings

One way to assist a child in building up a deposit for their first property is to help them save. Making monthly payments to complement or match the child's own contributions into a savings plan can help them get into a saving habit.

However, with cash accounts paying sub inflation interest rates, where a sizeable amount has been saved then it can be beneficial to talk to an Independent Financial Adviser about how best to help it grow in value.

With an eye to inheritance tax planning, up to £3,000 can be gifted each year outside of an individual's estate for IHT purposes. But, as the payments are likely to be into the child' account there is always the risk that the money will be dipped into. In this respect, smaller payments may reduce the risk and temptation that a large lump sum may offer.

Gifting a deposit

If long term saving is not an option, parents and grandparents can gift the deposit to the child.

A bigger deposit can help access more competitive mortgage deals. However, the mortgage lender would usually require the donor to sign a declaration that they do not want the money back and that they do not wish to hold any legal or equitable interest in the home.

From an inheritance tax perspective, a gifted deposit would reduce a parent's estate for inheritance tax purposes but IHT may have to be paid on the gift if the donor dies within seven years of making the gift.

Considerations here are that once gifted the money is no longer in your control and the child can do with it what they like. Also, the impact of the gift should be considered on any other family members and potential beneficiaries to an inherited estate.

Make a loan to your child

Parents can lend their children the money to buy a property in place of or alongside a mortgage lender. A loan from a parent to a child can be a 'private loan' and protected in the same way as a commercial loan, by way of secured charge on the legal title for the property.

Again, with an eye to IHT liabilities, a loan to a child would not impact an estate, compared to a gifted deposit.

An alternative method of protecting the loan, if the parent didn't want to go down the path of a secured loan, is a declaration of trust, declaring the ownership of the equitable title.

Joint ownership issues

Another consideration we find is where a property is bought jointly, typically by a couple, married or otherwise. A declaration of trust can help to protect shares in a property where it is co-owned, particularly where the shares are unequal, so that in the event the couple separate, the parent's gift will remain with their child and not the partner or cohabitee.

Making a gift or loan will affect your overall wealth so it is important to talk with an Independent Financial Adviser to ascertain how it may affect any long-term financial planning, including tax considerations.

Keeping abreast of a changing world

IT MAY FEEL LIKE A DISTANT MEMORY THINKING ABOUT the time when there were only three channels available on the television – and families would crowd around them at set times of the week to watch their favourite programmes. Now there is speculation that we could be looking at the end of the BBC and ITV as we know them.

The terrestrial television channels have done well to keep pace in a rapidly changing world. First they had competition from video and the likes of Blockbuster, then the introduction of satellite and cable television. WiFi enabled streaming allowed Netflix to put paid to Blockbuster, with Amazon Prime Video as well as many smaller players joining the party.

Now those companies' hold on the market is about to come under threat from big name competitors entering the arena – the likes of Apple with Apple TV, WarnerMedia (which owns HBO and DC Universe) and Disney (offering its huge back catalogue of entertainment, as well as owning 21st Century Fox, Pixar, and the Marvel and Star Wars brands).

Things are definitely hotting up in this market.

Jeremy Gleeson, manager of the AXA Investment Managers global technology funds, who has written on this subject, sees the losers in this ever more crowded battlefield being the satellite, cable and traditional television broadcasters, as people seek out new and innovative screen experiences – despite the BBC and ITV joining forces to launch streaming service BritBox.

The different streaming services are seeking to differentiate themselves through original and exclusive content but consumers' spending habits are going to be crucial to this market going forward – for example, will they be willing to subscribe to more then one provider every month so they can access certain programmes or series?

This is just one small area of a world that is ever changing and emphasises how important it is that the Lowes investment team is in place to conduct its own research and analysis and uses funds rather than chasing down individual shares. Also vital is our access to the top fund managers in the industry.

In this way we keep our finger on the pulse of the changes around us, benefit from the expertise of fund managers and their teams and can invest in the best interests of our clients.

Lowes Competition 2020

SINCE THE BREXIT VOTE IN 2016 THE POUND HAS been subject to increased pressure. With 2020 set to be the crucial year for the Brexit process, the effect on the pound could be significant.

For our Client Competition this year therefore, we are asking you to consider what will be the mean spot price (i.e. the mean of spot buying and selling) of the pound against the US dollar on 31 December 2020 to three decimal places.

To help you with your answer, we've collated the spot prices for the pound against the dollar on the last trading day of the year since 2015:

2019	1.3210
2018	1.2769
2017	1.3510
2016	1.2303
2015	1.4819

Source: BoE FX Desk

■ *To enter use the tear out card included with this magazine and send it to **Freepost LOWES FINANCIAL MANAGEMENT** No further address is required.*

Structured Products Annual Performance Review

LOWES HAS BEEN AT THE FOREFRONT OF THE evolution of the UK structured investment sector for over twenty years, during which time we have played a not-insignificant role in helping to shape the sector for better investor outcomes.

In addition to evaluating every new product launch and identifying which ones we 'Prefer', Lowes produce an annual review of the sector, covering all maturities in the previous year. The 2020 review, which also compares the performance of the Lowes 'Preferred' products is available to download for free at **Lowes.co.uk/SPreview** or call us on **0191 2818811**.

Lowes 'Preferred' plan maturities

The final quarter of 2019 saw 82 structured investments and 21 structured deposits mature. Of these, 18 investments and 5 deposits were publicly identified as 'Preferred' by Lowes at the time of launch. We are delighted that, yet again, without accepting higher risks, the 'Preferred' plans have, on average, outperformed the rest of the sector.

The table below shows the performance of the Lowes 'Preferred' structured products that were most commonly held by our clients. As every product shown was linked to the FTSE 100 Index and as it makes interesting reading, we have also shown the performance of the index over the respective investment periods.

Provider	Maturity date	Duration (years)	FTSE 100 change over term	Plan gain
Investec (deposit)	15/10/19	6	10.02%	30%
Mariana	21/10/19	3	2.04%	21%
Morgan Stanley	11/11/19	6	8.92%	60%
Walker Crips	16/12/19	2.5	0.74%	17.50%
Société Générale	16/12/19	3	7.24%	22.65%
Walker Crips	16/12/19	2	0.38%	17%
Mariana	16/12/19	3	7.24%	21.90%
Société Générale	16/12/19	3	7.24%	27.90%
Walker Crips	23/12/19	2	0.41%	14%
Walker Crips	23/12/19	2	0.41%	12.60%
Meteor	23/12/19	2	0.41%	17%

■ **If you would like to find out more about Lowes unique approach to investment management and our use of structured products, please contact your usual Lowes Consultant on 0191 281 8811.**

Sudoku solution

We hope you enjoyed the Sudoku puzzle we published on page 3 of this issue of the Lowes magazine. Here is the solution to the grid.

9	2	6	7	1	8	5	4	3
8	5	7	6	4	3	9	1	2
1	4	3	2	9	5	7	6	8
4	9	5	3	6	1	8	2	7
7	8	2	4	5	9	6	3	1
3	6	1	8	2	7	4	5	9
6	1	4	9	8	2	3	7	5
5	7	8	1	3	4	2	9	6
2	3	9	5	7	6	1	8	4

Spotlight on the Lowes team

MICHAEL STOWE WAS PREVIOUSLY a technician within Lowes and then became a paraplanner, gaining significant knowledge and experience, which has now helped him to become one of Lowes financial advice Consultants.

Michael joined Lowes in 2012 working first as a pensions administrator and progressing into a pensions technical role. This required him to get to grips with the ever more complex world of pensions in order to provide technical support to our Consultants. "I would help out with any technical points or queries they had, as well as writing advice reports," Michael explains.

Michael became the go to person within Lowes for any technical issues relating to the ever moving new pension rules that were introduced in 2015. He proved to be invaluable to the company at a very complex time.

In April 2017 Consultant Barry Hopper asked Michael if he would provide him and his clients directly with support as a paraplanner. Michael describes a paraplanner as: "Someone who is a bit like a paralegal for a solicitor; a paraplanner is the person delivering direct support for the Consultant, undertaking the behind the scenes work, which enables the Consultant to go out and provide the best advice to more clients.

"I would get involved in all stages of the advice process, from preparing files for client meetings, doing research and analysis on portfolios and how they meet client needs and objectives, through to helping out with client queries – I can be their first port of call if Barry is out and about – and writing reports. I've also been with Barry to see clients and I've really enjoyed that as it is nice to meet people face-to-face."

This year Michael will be working alongside Barry, becoming a full-time Consultant.

"Becoming a Consultant is a natural progression for me in terms of my career. Having worked my way through admin and technical and as a paraplanner, I have gained an enormous amount of valuable knowledge and experience which is going to stand me in good stead in my new career as a Consultant," Michael says.

"Working with Barry for the past three years, I've seen the high level of advice and support he provides to clients and I'll be looking to provide the same quality of advice to clients going forward."

Michael believes more people should be seeking professional help from Independent Financial Advisers. "One of the key benefits that I see clients receive from the advice we give is peace of mind. I've seen people try to DIY their financial planning but this is a very complex and complicated area to deal with and I don't think these people really appreciate Independent Financial Advice and what it can give them in terms of the confidence in their finances and their future until they have sought it."

Michael says he is very much looking forward to working as a Consultant. "I've a good understanding now of the types of advice people need, and a passion for helping people to meet their objectives and provide that peace of mind that I think only comes from having a professional help with your investments and savings and understanding your financial goals and what you want to achieve. I believe our clients really do appreciate that their personal finances are cared for personally. There is nothing better than sitting down with a client and telling them they can achieve their goals helped by the advice we have given them. That's priceless."

The problem with (il)liquidity

ANYONE WITH AT LEAST A PASSING INTEREST IN investments could not have failed to notice the much publicised demise of Neil Woodford and his investment firm, Woodford Investment Management, in the second half of 2019. Despite a sustained period of poor performance with his flagship fund, it was actually the illiquidity of some of his holdings which led to the closure of the fund, and ultimately the closure of the firm.

Throughout his investment career, even previously at Invesco, Neil Woodford always had a personal interest in investing in small, start-up businesses not yet listed on the stock market. This was always a small part of the total portfolio and was never a problem whilst the fund was growing – in fact it was an advantage. As money came in which had to be invested Woodford would take bigger and bigger positions within some of these firms and his continual purchasing pushed the prices up, increasing the value of his holding. When the fund suffered poor performance however, this led to sustained and significant withdrawals and the reverse then became an issue.

Ideally, to facilitate large withdrawals a fund manager would sell across all holdings to keep the portfolio in the same proportions. As the start-up firms within the Woodford fund weren't listed on an exchange, however, there was no ready market for the shares and so to sell these holdings required finding someone to take the holding in a private transaction. This, of course, takes time, especially when the person buying knows you have to sell, so to meet the redemption in a timely manner Woodford was forced to sell the bigger companies whose shares were listed on the stock exchange. These companies are called 'liquid' holdings as they are frequently traded and as such, easier to sell compared to the 'illiquid' unlisted and smaller companies (see chart).

With the size of the fund falling, and only the liquid stocks being sold, the proportion of the fund in the private companies was growing and eventually reached a point where the Authorised Corporate Director (the independent company responsible for managing the fund), had to force the decision to suspend trading in the fund to protect the interests of those still remaining. It wasn't that the fund became too small (its current value is still over £3 billion), but that the sustained period of withdrawals meant the illiquid holdings within the fund were becoming too great a portion of the portfolio as a whole.

Of course, Woodford wasn't the first to suffer from the illiquidity of his holdings. Several property funds had to suspend trading following the EU referendum in 2016, and since December last year the M&G Property Portfolio fund has had to suspend trading. Again, not due to the size of the fund (it currently stands at £2.4 billion), but a sustained period of withdrawals highlighted the illiquidity of some of its holdings, specifically retail premises which are unpopular following the problems experienced by the high street.

As long-term investors we are not necessarily uncomfortable with the suspension of funds as doing so protects the interests of existing investors. With the M&G Property fund, for example, it gives the fund managers time to raise capital within their portfolio through property sales, whilst not making them a forced seller, meaning they can get close to the true value. Once the portfolio is repositioned they can then re-open the fund to trading, and throughout the suspension they will continue to pay income out to investors. It is, without doubt, a major inconvenience for those who need to sell their holdings, but for those who continue to be invested for the long term the suspension could in theory pass without noticing.

It does highlight once again though the need to fully understand what a fund is investing in. At first glance the M&G Property fund was investing directly in commercial property in the UK, like many other property funds. It was only by drilling down into its portfolio that you could see it had a higher exposure to retail premises than others.

By having a dedicated investment team at Lowes we can take the time needed to fully understand how a fund is investing before recommending it to our clients. Not only do we look at the statistics of the fund such as performance, but also speak to the managers to discuss their style and approach, including any limits they do (or do not) place on their holdings, and how they monitor and mitigate risk. We won't always get it right, but hopefully the insight we gain will help us avoid most of the pitfalls.