LOWES

Est. 1971

Issue **109**

Chartered Financial Planners

"There is nothing so stable as change."
Bob Dylan

Lowes client competition winner

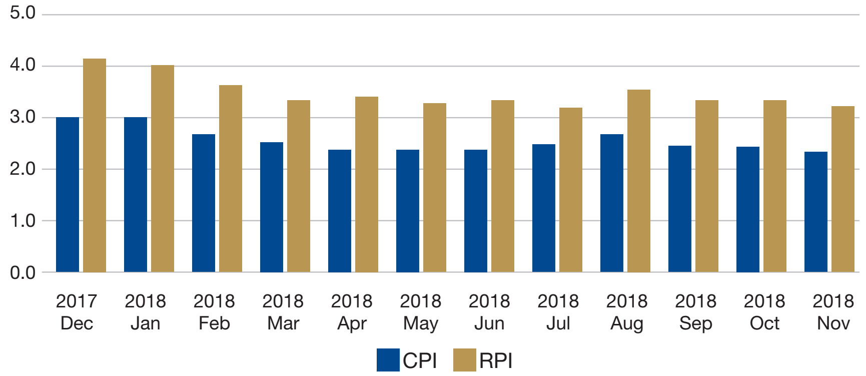
IT'S THE TIME OF THE YEAR WHEN WE HAVE the pleasure in announcing the winner of the Lowes client competition and also to pose this year's challenge.

For our 2018 competition we asked you to predict the published rate of inflation for the preceding 12 months as published in December 2018. To have more chance of an outright winner we asked you to predict the percentage change for both the Consumer Prices Index (CPI) and for the Retail Prices Index (RPI) to the nearest decimal place.

The winners of the competition are Mr and Mrs Morton from Edinburgh, who were closest to the rate of change for CPI (2.3%) and RPI (3.2%) for the year.

See page 10 for our 2019 Client Competition.

CPI & RPI: Published rate of inflation



Source: Office for National Statistics

Bank and Building Society Accounts

A guide to selecting the right account for you

Type of account: Instant access, notice, fixed rate. Select the ones that best suit your requirements.

Access: Most accounts are available online, but some also offer postal, telephone and branch access.
For branch access, it is always important to check if there is a branch in your area.

Amount: There are many accounts available for savings of £1+. However, if you have more to deposit a higher interest rate may be available.
Please note that for accounts with a higher minimum balance the interest rate may fall should your account balance fall below this level.

Bonus rates: Many accounts offer attractive interest rates, but those rates may be for a limited period, after which time the rate may drop dramatically. Unless you are prepared to change your account regularly, it may be worth selecting the account with the highest interest rate excluding bonuses.

Other restrictions: Some accounts have restrictions on the number or amount of withdrawals you can make, or they may only be available to existing customers or people of a certain demographic.

Financial Services Compensation Scheme (FSCS): Ensure the account you have selected is authorised by the FSCS to enable you to benefit from compensation of up to £85,000 per holder, per institution.

Review: It is important to review the interest rates applied to your deposit monies regularly, as rates change frequently.

Suggested comparison websites: Thisismoney.co.uk, moneysupermarket.com or moneyfacts.co.uk.

N.B. Please always double check the product details directly with the bank or building society before proceeding.

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Lowes Financial Management

Covershot: the Swiss peak.
By: Shutterstock.

Make your money work. Best bank & building society accounts

Type	Amount	Provider	Account	Gross Rate	Contact
Unrestricted instant access accounts					
Online	£1+	Ford Money	Flexible Saver	1.42%	www.fordmoney.co.uk
Accounts with first year bonus					
Online and telephone	£1+	Marcus by Goldman Sachs	Online Savings Account	1.50%[1]	www.marcus.co.uk
Fixed rate bonds					
Online [2]	£50+	Atom Bank	1 Year Fixed Saver	2.05%	www.atombank.co.uk
Online [2]	£50+	Atom Bank	2 Year Fixed Saver	2.30%	www.atombank.co.uk
Online [2]	£50+	Atom Bank	3 Year Fixed Saver	2.40%	www.atombank.co.uk

Notes
[1] Includes a 0.15% gross bonus for the first 12 months. [2] Can only be opened and managed via the Atom App. [3] Once opened, the account can be managed by telephone.

Measures of inflation - The average change in prices of goods and services over a 12 month period to December 2018

Retail Prices Index (RPI) 3.2%	Consumer Prices Index (CPI) 2.3%

Sources: Providers' websites, Office for National Statistics, www.thisismoney.co.uk, www.moneysupermarket.com, www.moneyfacts.co.uk, 08/01/2019. All accounts subject to terms and conditions.

Power of Attorney refunds

ARE YOU DUE A REFUND FOR SETTING UP A Power of Attorney? Many people were overcharged when registering a Power of Attorney, as fees received by the Office of the Public Guardian should only cover the costs of providing the service. Between April 2013 and March 2017, the costs went down but the fees stayed the same. So refunds are due plus 0.5% interest.

The right to a refund was made public in early 2018, although according to figures recently obtained under the Freedom of Information Act only 203,000 people have claimed out of 1.9m who could. To date £10.3m has been paid out in fees.

If you registered a Power of Attorney in that period you could be entitled to a refund.

Claims can be made by visiting www.gov.co.uk. Most refunds are paid out within 12 weeks. Refunds must be claimed by 1 February 2021.

When you paid the fee	Refund for each Power of Attorney
April 2013 – Sept 2013	£54
Oct 2013 – March 2014	£34
April 2014 – March 2015	£37
April 2015 – March 2016	£38
April 2016 – March 2017	£45

Source: www.gov.uk

Sudoku

Welcome to the first of our Sudoku puzzles 2019. We hope you enjoy the challenge.

To complete it you will need to fill the grid so each row, column and 3x3 block contains the numbers 1 to 9. You'll find the solution on page 11.

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

Source: www.printmysudoku.com

A time for independent advice

THE YEAR AHEAD COULD BE A SEMINAL ONE FOR UK SAVERS and investors, where having the experience and support of a Chartered Independent Financial Advice firm by your side will prove invaluable.

We have entered 2019 with significant geo-political events and uncertainties affecting economies and markets. From a global perspective the US/China trade war has been dominating the news and closer to home, of course, Brexit and the UK's relationship with the EU.

Alongside the uncertainty as to whether a Brexit deal can be achieved by 29 March, and the repercussions for UK businesses, Brexit has been causing upheaval in British politics. One result of this could be a change of UK Government. A Labour Government could bring in some sweeping changes to personal finances – higher rate income tax as well as inheritance tax have been highlighted.

From an economic perspective, while inflation in the UK has been held in check – albeit at the time of writing both CPI and RPI are above the BoE's target rate of 2% – post Brexit, rising inflation could be an issue, especially if trade tariffs are imposed. This will particularly affect retirees for example, who may be dependent for their income on their savings, as any rise in inflation is unlikely to be matched by a respective increase in bank and building society deposit rates.

Even without a change of political party in Government, over the past 18 months there has been considerable speculation that as the Chancellor of the Exchequer looks to raise more revenue, tax changes will be on the cards. Pensions tax relief is one area being talked about, as it is often considered a 'soft target', perceived as only affecting the wealthy, in particular, potential changes to the annual allowance, the amount that may be paid into a pension in any one tax year, or the lifetime allowance, the maximum which may be held in a pension without incurring a tax charge.

While these are all areas over which we have no control, there are steps investors and savers can take to mitigate against adverse impacts on their wealth and income. First, is to undertake a review of their personal finances to ensure they are in the best place from an investment perspective, for example, the assets they hold are well diversified. Second is to review savings and investments from a tax perspective. One area we find our clients can benefit is in the best use of tax allowances when drawing down an income

This is where an Independent Financial Adviser is best placed to help, looking at not just the markets but also key areas such as pensions and tax, to assess the landscape and find the best solutions to mitigate against adverse conditions.

Clients of Lowes know they will benefit from having an IFA with a high level of in-house expertise, not just in terms of Lowes' Consultants but in the considerable support team behind them, the staff of our technical, pensions and investments teams. A large proportion of our staff have been with Lowes for many years and they have been through one or more market cycles and crises, and in times of uncertainty and change, this can be a telling factor.

The year ahead will not be a time to be following the herd, but rather to have the advice of a trusted professional, informed by your personal circumstances, to help ensure no unavoidable costly mistakes are made along the way.

Ian H Lowes,
Managing Director

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.

Politics and pensions

IN NOVEMBER WE SAW THE APPOINTMENT OF Amber Rudd, the 15th Secretary of State with responsibility for overseeing pensions over the past two decades. The daily responsibility for pensions lies with the pension minister – currently Guy Opperman, Under Secretary of State for Pensions and Financial Inclusion at the Department for Work and Pensions.

Since 1998 there have been 14 such ministers, with only one lasting more than two years – namely Steve Webb, who took up the position in the Conservative Party/Liberal Democrat Coalition, and was in the position for five years.

The quick succession of other incumbents – which occurred for a variety of reasons, including ministerial moves, promotions, and changes of Government – has meant that pensions policy has at times been viewed as having a lack of cohesion and consistency.

There have been two major changes to the pensions regime over the past two decades. The first was in 2006, when a single set of new rules were introduced for personal and workplace pensions, aimed at simplifying what was seen as a complicated system of legislation that had built up over the years. This affected areas such as how much people could pay into their pensions – the Annual Allowance; the amount they could save into pension in total – the Lifetime Allowance; the amount of tax free cash people could take from their pension fund – which was set at 25%; and the amount of tax relief on pensions payments.

However, it wasn't long before the details started being amended and since then, there have been numerous changes to pensions rules and tax, particularly around the amounts of the annual and lifetime allowances, and protection of allowances where savers had already exceeded the new reduced limits.

The most significant changes to pensions post A-day came under the tenure of Steve Webb, who in his five years in the role of pensions minister had the time to review the regime in most detail and introduced the pensions freedoms – the set of rules changes that has had the most telling impact on people's personal pensions in the past decade.

Rules changes not only make financial planning more challenging, but have been cited by opinion polls as one reason that people say they lack faith in pensions as a savings vehicle, because the goalposts are so frequently moved.

As Independent Financial Advisers we see first-hand the value of pensions in people's retirement plans, and since the introduction of the pensions freedoms, which have introduced greater flexibility in the way that people can take their pensions and, importantly, pass on their pension wealth to their beneficiaries, pensions have become ever more central to long term financial and tax planning.

Importantly, there is a need for a regular review of retirement savings and planning to ensure people are on track to save and invest enough to target the kind of lifestyle they'd like in retirement. This need for review applies as much in retirement as it does during the years of saving, in particular where a person opts to take drawdown over an annuity for their retirement income, thereby staying invested in the markets. In all instances, the aim is to ensure people pay no more tax than is necessary.

Cost of probate will go up

IN APRIL 2017 THE MINISTRY OF JUSTICE (MOJ) SAID it would be changing the probate fee structure from a flat rate to a tiered fee structure, which would see certain levels of fees jump significantly. The move was postponed because of the General Election but the MoJ recently announced it will now be going ahead with the changes.

Probate charges are paid to the government when someone dies and the executor of their estate gathers their assets to distribute to beneficiaries of the will.

The MoJ has specified that the estate value threshold is to be raised from £5,000 to £50,000, which will exempt around 25,000 estates annually from paying fees, and that fees will not exceed 0.5% of the value of the estate; however, this could still equate to a substantial cost. The flat rate probate fee was £215,or £155 if using a solicitor, but this will see a massive increase for larger states; now a £300,000 estate will pay £750 and a £500,000 estate will pay £2,500. As property values continue to rise the number of estates falling into the top bands are likely to increase.

Value of Estate (before inheritance tax)	Proposed fee
Up to £50,000	£0
£50,000 - £300,000	£250
£300,000 - £500,000	£750
£500,000 - £1m	£2,500
£1m - £1.6m	£4,000
£1.6m - £2m	£5,000
Above £2m	£6,000

Source: MoJ

Innovative 10:10 proving its worth

IN LATE 2015 THE FIRST 10:10 PLANS WERE LAUNCHED as a co-operation between Lowes and Mariana Capital. These investments drew upon Lowes' extensive experience in the structured investment sector and took advantage of what we believe to be a pricing anomaly, whereby extending the maximum possible term of an autocall (or kick-out) product beyond the then typical six years to, in this instance, ten years, had minimal negative impact on the potential returns, whilst increasing the number of potential opportunities for positive returns to be achieved.

The 10:10 Plans were followed by the Investec/Lowes 8:8 Plans, which have a maximum possible duration of eight years and it is pleasing to note that most structured product providers have now accepted the Lowes logic, to the extent that terms beyond the traditional six year maximum are now commonplace.

We are delighted to note however, that for the first issues of the 10:10 Plans, the extended terms have not proved necessary. In the fourth quarter of 2018 all eight options of the first three tranches matured at their first opportunity returning on average 8.75% per annum over their three year holding periods when the FTSE 100 Index averaged just 3.45% pa.

Whilst this is an exceptional result, it is made even better by the fact that for these investments, in recognition of Lowes input in helping to develop the 10:10 Plan, Mariana made a significant contribution to charities selected by the Lowes Charity Committee for which we are extremely grateful. So all in all, the 10:10 Plans have thus far produced exceptional results for all concerned as well as a number of worthy causes.

The current issue of the 10:10 Plan introduces Goldman Sachs International as counterparty and has benefited from recent market volatility, to the extent that it offers a very attractive, potential gain of 12.28% for each year held, payable on the first anniversary, from the second year onwards where the FTSE 100 is the same, or higher than at commencement or, for the option that required the FTSE to be at least 5% higher the potential gain is 14.51% for each year held.

And of course, we now have the Lowes UK Defined Strategy Fund which draws upon all of our expertise in this sector and is effectively a basket of many such investments, diversified across a range of counterparties and market observation dates (see also page 9).

Don't get caught out by IHT

INHERITANCE TAX (IHT) IS COMPLEX AND CAN BE costly for loved ones. One of the biggest mistakes people make is thinking their estate won't be large enough to be caught by IHT.

There are several issues to consider, but in simple terms, as an individual your estate will owe tax at 40% on anything above the £325,000 inheritance tax threshold (nil rate band) when you die.

For married or civil partnership couples the nil rate band can be passed on to the surviving partner, thereby increasing the overall amount to £650,000, and there is now the residential nil rate band which can help pass on property wealth to direct descendants, in the 2018/2019 tax year this is £125,000 per person. Giving money to charity can also reduce the IHT bill.

While passing of assets solely to your spouse or registered civil partner usually means they are exempt from inheritance tax in the first instance, your combined wealth may well mean your spouse or partner may have an inheritance tax problem to deal with when looking to pass on that wealth and will need to take action to mitigate it. Forward planning is essential.

Six assets you may have that could tip your estate into the IHT red:

1. Cash in the bank
2. Your investments
3. Life insurance policy payments (if not in a trust)
4. Money in stocks and shares and cash ISAs
5. Property
6. Money gifted away within seven years of your death.

Lowes Consultant Don Gardner says:

Inheritance tax can be a highly complicated area of personal finance, and with the nil rate band frozen until 2020, is affecting more and more people every year. Everyone's circumstances are different which means IHT strategies can never be one-size-fits all and they also need to be dovetailed with other areas such as making or updating a Will. We would always recommend anyone with potential IHT liabilities seeks professional financial advice.

The importance of taking pensions advice

Here are 5 key reasons people speak to an Independent Financial Adviser about their pensions and retirement planning, according to Lowes Consultant Gavin Burton

AT FIRST GLANCE, CREATING A fund for retirement looks like a simple process. You pay money into a pension so that the date you want to retire, you receive enough money from the pension to provide sufficient income for your desired lifestyle, throughout your retirement years. In theory, it is simple – but as per our warnings throughout our magazines, things are more complex than at first they may seem.

This is especially true if you choose to pass on the balance of your retirement fund to your loved ones and/or other beneficiaries.

The complexity and need for careful planning around pensions has increased since the introduction of the pensions freedoms, which moved the retirement planning goal posts. These changes highlight the many reasons to see an Independent Financial Adviser throughout your pension journey.

Remember, saving for retirement is not just about your pension (or pensions); it has been estimated that on average nowadays people will have saved into around 11 pensions over the length of their working life – it is about your entire accumulated wealth, through savings and investments, in particular when it comes to tax efficiency.

Seeking the best advice at the right time can affect your retirement plans whether you are just starting to save, approaching retirement or in retirement.

At Lowes we see five very good reasons why people should speak to us about growing and protecting their pensions and retirement wealth.

1 Setting achievable retirement goals

When a pension is first set up – whether a personal pension, a self-invested personal pension (SIPP) or a small self-administered scheme (SSAS) – often the end goal can seem too far way to think about but having a reasonable idea of key facts such as the age you want to retire, and how much you are willing to contribute on a monthly basis (within the allowed limit), will help with identifying the retirement savings plan you'll need.

There's a balance to be achieved – save too much into a pension and you could fall foul of the annual and lifetime allowance limits; don't save enough and you might not have enough for the retirement you want.

As an example, life and pensions provider Aegon recently calculated that people should be aiming to save about 15% of their earnings into a pension throughout their lifetime.

The next question is where to invest your money to meet your goals. It is important to ascertain the level of risk that you are willing to take within your long term savings. This sits alongside the level of risk you may *need* to take if you are to meet your goals.

For example, if you want to retire early then you may need to take more risk within the pension portfolio in order to have the potential for greater gains to achieve a large enough pension pot to meet that goal.

However, people often opt for the default portfolio offered by a pension provider without really thinking whether this is the best one for their circumstances and goals. This can lead to disappointment in 30 years' time if their pension pot has not grown enough to sustain the retirement they would like.

This is where an Independent Financial Adviser can help by assessing and talking through the right level of risk for your needs and in selecting the right pension fund and the appropriate investments to hold within a pension or SIPP/SSAS.

2 Sustainable retirement income

One of the key areas when we reach retirement is working out where we put the pension cash in order to sustain our retirement plan. Before pensions freedoms most people bought an annuity with their pensions funds, which provided a guaranteed income for life, with options for index linking to keep track of inflation.

Post pensions freedoms, people wanted more control over their lifetime savings and potentially, to pass the unused balance on to their beneficiaries, and because annuity rates have been historically low, more and more people have been opting for drawdown, where the pension stays invested and the pension holder takes the income they need from it.

As you can imagine, this type of income requires considerable levels of decision making about where the money is invested, the risk involved, and how much money can be safely drawn down from the portfolio whilst minimising the risk of running out of money later in life (or should long term care be required, for example).

Up until the pension freedoms, the Government set limits and required pension providers to review policies every three years, and to reduce income if it looked like funds were decreasing too quickly. Now, there's no-one checking progress – in effect a pension can now be accessed in a similar way to an ISA.

> *As Advisers we can help implement strategies for accumulating retirement wealth and then decumulating that wealth in a planned and sustainable way.*

3 Reviewing investment performance

> *As well as selecting the right funds it is essential that their performance is monitored to ensure they remain on track to achieving the retirement goals.*

This ties in with selecting the right level of risk. As pensions are held over a long period of time, when accumulating wealth early on in life, portfolios can often accommodate a higher level of risk to potentially increase returns, on the basis that there is more time to recover from a stockmarket fall. Whereas, in the years running up to and in retirement, risk is lowered to retain as much of the accumulated wealth as possible.

Portfolio diversification is essential to help mitigate against adverse investment events and sustain the levels of the capital already gained. A uniform investment strategy that is readily and regularly reviewed can help someone see how likely they are to meet their retirement objectives.

An Independent Financial Adviser will be able to help manage a portfolio. At Lowes we have a dedicated, award-winning investment team constantly monitoring investment funds, managing our own in-house portfolios and those of our clients.

4 Transferring and organising pensions

One of the effects of the pension freedoms has been to make people look at their pensions and decide whether it would be beneficial to keep their pensions where they are, transfer, or consolidate. There are benefits to transferring from one pension to another, for example to take advantage of new death benefits under the pensions freedoms, which allow the remainder of the pension to be passed on to beneficiaries.

Similarly, where a number of smaller pensions have been accumulated over the years, it can make sense to roll them all into one pension, which may have lower charges and also be more flexible in its terms and conditions. Conversely, in some cases having up to three small pots can be advantageous.

People who have more than one final salary scheme have also been considering whether they require each of them or whether they should transfer to a Personal Pension or cash in one or more schemes.

As you might imagine, this can be a very complex area. Indeed, the regulator has made it compulsory for anyone with a defined benefit pension (also known as Final Salary Pensions) with a transfer value of over £30,000 to seek expert financial advice if they wish to transfer or cash in their pension.

Transferring from one pension scheme to another, or indeed cashing in a pension scheme, is an action that should not be taken lightly because of the specific pension benefits which may be given up as a result. Not surprisingly, therefore, this is an area where people are particularly looking for Independent Financial Advice.

5 Tax planning

Tax planning is another key area where people can lose out and so are seeking Independent Financial Advice.

The pensions landscape has changed significantly over the years. A few years ago an individual could save up to £1.8million in their pension fund (this is currently £1.03 million, rising to £1.055m in the 2019/2020 tax year). Similarly, the maximum someone can now ordinarily save into their pension in one year is £40,000. While these may seem like large numbers, given pensions are held for decades and for purposes of final salary and public sector schemes are valued at 20 times the value of their pension (plus any tax free cash paid). These days people can more easily find themselves caught out by these rules.

Likewise, people cashing in pensions are being hit by large income tax bills, sometimes pushing them up into a higher tax bracket.

> *It also matters now in which order you take your retirement income from your savings, pensions and investments, to avoid paying more tax than necessary.*

And, while death benefits have improved under the pensions freedoms, there are areas where the new rules can catch people out in terms of the tax paid by their beneficiaries – the age 75 rule being one example.

Without careful planning, the tax man can benefit more from a person's retirement savings than they might imagine.

For many people who are considering how best to save for retirement or how to make the most of their accumulated retirement savings, a consultation with a Lowes Consultant could help them approach their decision making in a way that ensures they have clear sights on their savings and retirement goals and how to achieve them.

Requesting pensions advice

If you or anyone you know would like to talk about pensions or retirement planning, please call 0191 281 8811 and we will arrange for one of our Consultants to get in touch.

Financial control is good for our mental health

BEING IN CONTROL OF FINANCES HAS A POSITIVE effect on wellbeing, with people who engage with their finances and take action on them, generally feeling calmer, happier and less worried.

These are the findings of recent research from Age UK. The charity conducted the study across a nationally representative sample of UK adults aged 50+.

Key to gaining control over finances is to understand your money situation and what needs to be done to take control.

On a practical level the survey found that one of the simplest ways people could get to grips with their money was by working out a household budget – the simple act of putting everything down on paper helps to focus on the essentials and what might be cut back on if that is needed.

Seeing something in black and white, rather it being a vague notion in one's head, can make it seem more real, to put it into context and help in taking action.

Another important factor in feeling happier about finances highlighted by the research was being able to talk about money.

As Independent Financial Advisers we know how people's fears and worries around money can take control of them – even when they have adequate funds to ensure they can live comfortably for the rest of their lives. Often this can be an emotional response to money, derived from our past – people who have had to scrimp and save in early years or seen their parents do so, can carry that throughout their lives, often when it is not a reflection of their current financial circumstances.

Another situation we see is where one person in a marriage or partnership takes care of all the finances in the household and they pass away. This is often when we are called in to help with sorting and organising investments and savings and putting a plan of action in place.

Lowes Consultant John Walton says:

Being in control of our finances is one sure way to feel confident about our lives.

Key to that is organisation, knowing what we have and where and ensuring it is working in the best way for us. We find that where people have made sporadic purchases of financial products they have often accumulated their wealth in an ad hoc way. Sometimes, they are better off than they realise.

This is where seeing an Independent Financial Adviser can help not only identify the assets held by an individual or couple but to put in place the right financial strategies for the future. This will look at the range of assets someone holds so the financial strategy is holistic. We can also help with organising legal elements such as Lasting Power of Attorney.

It is surprising how much better people feel when they organise their finances and have a plan for the future.

Request a consultation

■ ***If you or anyone you know would benefit from receiving Independent Financial Advice on your investments, including structured products, or indeed around any of today's pressing issues of pensions, retirement planning, inheritance tax and long term care provision, please call 0191 281 8811 for a consultation.***

First trades for the Lowes UK Defined Strategy Fund

Ian Lowes explains the concept of the Lowes UK Defined Strategy Fund and three of its first trades

MID DECEMBER SAW THE SUCCESSFUL LAUNCH OF *The Lowes UK Defined Strategy Fund* and despite somewhat stressed market conditions, the managers have now completed their first investments on terms that we believe will ultimately prove to be highly rewarding. Apparently, it was Warren Buffet who quoted "Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble" – only time will tell. In stressed market conditions we have historically seen opportunities arise and this time round has been no different. We do expect the current market nervousness to continue for quite some time yet – fueled by themes such as President Trump's re-election campaign, and Brexit, which continues to absorb the UK bandwidth to the exclusion of any other enlightened thinking.

I will go into the detail of some of the initial investments, or trades below but thought that I'd start by contrasting what we now have, to what clients are used to seeing from us. In our twenty-year history in being leading proponents of structured product plans we have always seen them as an investment in their own right but also as a much-needed return diversifier to a portfolio. The language we have typically used has been along the lines of 'you'll get a gain if…', 'your money back if..', 'your capital is at risk if the market falls by say 40% as measured from its start', 'you should be expected to hold the plan to its maturity', etc. All these comments have been prefaced around single structured plans, from established providers and where one, or a small number of such investments are to be held; if you wanted diversification within the structured portion of your portfolio – to spread credit default risk, investment risk and maturity observation dates – you would have had to effect many such individual plans. Few investors are able to do this to any great extent as the process is cumbersome, potentially tax inefficient and difficult to track outside of other holdings, most of which are often held on an investment platform. The Fund changes a lot of these inefficiencies around dealing in structured products, to an extent that the proposition has an appeal way beyond its traditional investment territory.

The Fund will hold many so-called structured products, but they are not held in a plan wrapper as you would know it today but directly within the fund. The Fund itself has in effect become the product provider and as part of the process, appoints a manager (in this case Lowes Financial Management) to select and manage these investments, including possibly to sell them ahead of term.

If you were to scratch the surface of the Fund today, you would see distinct but complementary strategies, each of which you may have found within the finer detail of stand-alone structured product plans, albeit on terms perhaps not as attractive as achieved here. These comprise a market neutral trade, a defensive trade and a bullish trade, all with long potential durations and all being what the managers felt to be attractive given current market conditions.

This journey with the Fund has just started but I do hope that you can see that we have extended the concept of structured product investment to a level our clients would never have seen before yet which is so logical given our mutual starting points. As with any investment opportunity we bring to our clients we hope for good consumer outcomes, hopefully building up a fund such as described above gives you the confidence that enhanced investor outcomes around credit diversification, market risk and having an investment manager actively pursuing strategies and potentially surrendering trades early, if appropriate, is something to value. While we have been very fortunate to secure such exceptional terms for the initial trades and will endeavour to do the same as opportunities arise, we would caution against expecting double digit returns from the Fund as a whole as we are not targeting such. Rest assured that we will manage the Fund with all necessary due skill and care as if it was our own money – after all, we have significant holdings ourselves.

We will soon be adding further credit exposures, particularly using gilts as security but also more strategies as we adjust to market conditions.

Trade 1

Potential maturity on 20 March 2020 and each anniversary thereafter up to 2028

Requires the FTSE 100 to be above 6721.17 on a potential maturity date to deliver a gain

Will return a gain of 16.6% on first maturity increasing by 16.6% for each subsequent year

Will return a loss if the FTSE 100 is below 6721.17 on every potential maturity date and below 4704.82 on 21 March 2028 – Loss will be equivalent to percentage fall from 6721.17

Counterparty Bank: Citigroup Global Markets; rated as 'A+' by Standard and Poor's

Trade 2

Potential maturity on 5 July 2021 and each anniversary thereafter up to 2027

Requires the FTSE 100 to be above 6,049.05 on a potential maturity date to deliver a gain

Will return a gain of 23.9% on first maturity increasing by 9.56% for each subsequent year

Will return a loss if the FTSE 100 is below 6,049.17 on every potential maturity date and below 4032.71 on 5 July 2027 – Loss will be equivalent to percentage fall from 6721.17

Counterparty Bank: Société Générale; rated as 'A' by Standard and Poor's

Trade 3

Potential maturity on 14 January 2020 and each anniversary thereafter up to 2029

Requires the FTSE 100 to be above 7,197.77 on a potential maturity date to deliver a gain

Will return a gain of 16.5% on first maturity increasing by 16.5% for each subsequent year

Will return a loss if FTSE 100 is below 7,197.77 on every potential maturity date and below 4,455.76 on 15 January 2029 – Loss will be equivalent to percentage fall from 6,855.02.

Counterparty Bank: Morgan Stanley; rated as 'BBB+' by Standard and Poor's

■ ***You can follow the Fund by visiting UKDSF.com where you can register to be kept informed of each new trade. To discuss adding the Lowes UK Defined Strategy Fund to your portfolio talk to your Lowes Consultant by calling 0191 281 8811.***

Lowes client competition 2019

IN THE YEAR OF BREXIT AND ALL THE CHALLENGES and potential opportunities that presents for the UK, for this year's competition we are focusing on the UK's gross domestic product (GDP) figure.

The GDP figures are produced by the Office for National Statistics and measures the value of goods and services produced in the UK, during a specific time period. It is used to measure the size of and growth in the economy.

Rising GDP means the economy is growing, and the resources available to people in the country – goods and services, wages and profits – are increasing.

The GDP figure is reported monthly and is calculated three ways, adding up:

1. **All the money spent on goods and services, minus the value of imports (money spent on goods and services produced outside the UK), plus exports (money spent on UK goods and services in other countries)**
2. **The money earned through wages and profits**
3. **The value of goods and services produced.**

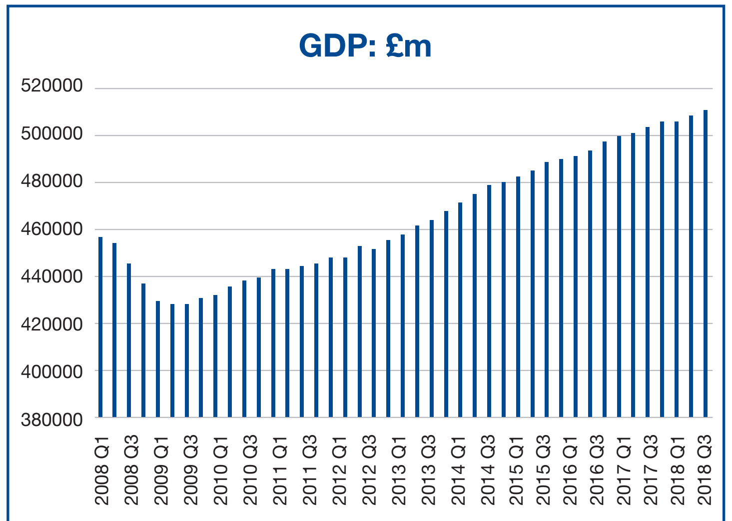
These are known as the expenditure, income and output measures of GDP, respectively. All three different methods of calculating GDP should, in theory, give the same number.

The GDP figure is calculated as a quarterly figure which is reported monthly.

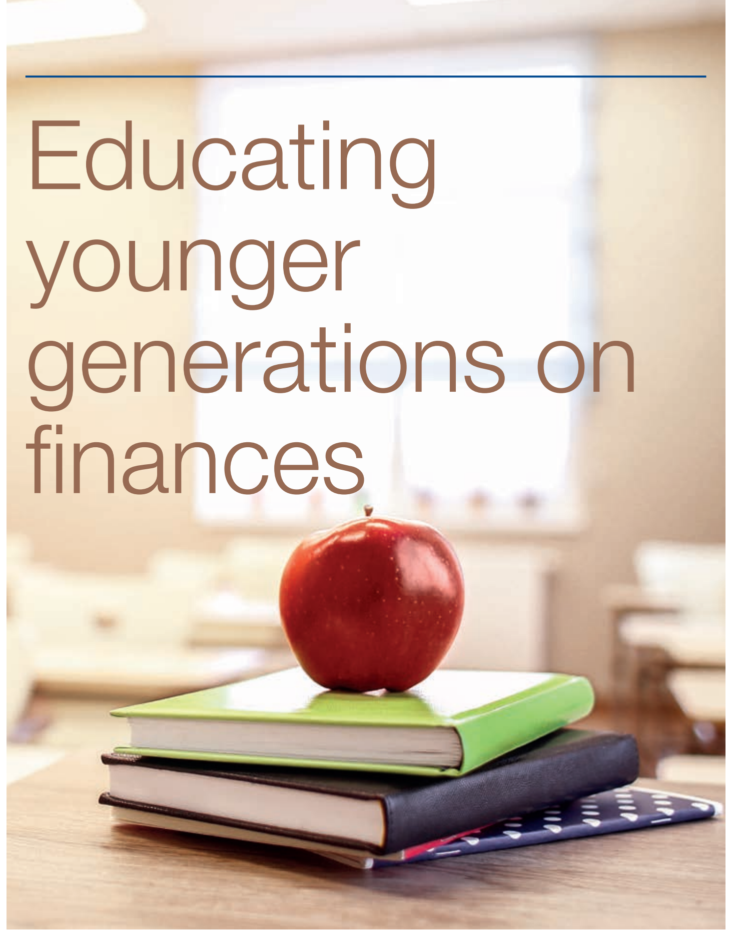
What you need to do to enter

So, for our Client Competition 2019 we want you to predict what the UK's GDP will be, as reported in December 2019, in £m. For example, in December 2018, GDP was reported as £509,120m. The person nearest the six figure number as published by the ONS in December 2019 will win the prize. The prize will be £250 of Marks and Spencer vouchers. In the event of multiple individuals answering correctly, the prize will be split evenly amongst the winners.

You can enter the competition by completing the section of the tear out card in this issue of the magazine and returning it to Freepost LOWES FINANCIAL MANAGEMENT. No further address is required.



Source: ONS



Educating younger generations on finances

THE 'SAVINGS GAP', THE DIFFERENCE BETWEEN WHAT people should be saving and what they are saving, with particular reference to their retirement plans, is one example of the reason we need more financial education in the UK. When informed, people have more control over their finances – it's something we see time and again when we help people by giving them Independent Financial Advice.

Indeed, recent research among 18-35 year-olds (the millennial generation as it is termed) shows that while most recognise the need to save, three quarters (76%) feel they don't have the information they need to plan for their financial future.

Clearly, more needs to be done within the formal educational structure but we've found this is where intergenerational financial planning also can help.

We see it can really help younger generations to plan sensibly for their own financial future where families get together to talk about finances – bringing in their Independent Financial Adviser to advise as appropriate on areas such as pension saving, investments and tax efficiency.

A good starting point is pension saving. The earlier someone starts saving into a pension the better as they are going to benefit from the cumulative effect of saving over the long term. This is particularly so if they participate in an employer's pension scheme, either through auto-enrolment or a workplace pension, as employers match their contributions to a set level. In addition, of course, they receive tax relief on their contributions, which can further help grow the pension pot.

There are advantages to investing at an early age also. Either lump sum or regular contributions, preferable into an ISA, likewise can benefit from the advantage of cumulative growth. In addition, where investments are made for the long term, there is more time for the effect of any market corrections to be counteracted through a well-diversified investment strategy.

A family's experience of wealth generation and tax planning, informed by the input of their Independent Financial Adviser, can be invaluable in helping those starting out on the savings and investment ladder to make the best decisions for their future.

Lowes 'Preferred' Plan Maturities

2018 WAS ANOTHER GOOD YEAR FOR STRUCTURED products, and the Lowes 'Preferred' plans have again delivered for investors throughout the year.

Taking all maturities into account during the year, Lowes 'Preferred' plans returned an average annualised return of 7.88% and had an average term of 3.4 years, whereas the structured product sector as a whole produced average annualised returns of 6.33% and has an average term of 3.8 years. No structured plans, 'Preferred' or otherwise, matured with a loss in 2018.

Every year we produce a full analysis of structured product maturities, which we make available to interested parties within the industry and to our clients. If you would like a copy please visit Lowes.co.uk/maturityreview.

This quarter's maturities

The table below shows the most commonly held Lowes 'Preferred' Plan maturities between 1 October to 31 December 2018 – this includes six of the Mariana Capital 10:10 plans, which were jointly devised by Lowes.

With the exception of the Gilliat plan, an income investment that paid 6.36% per annum, all others in the table are autocall / kick-out products that matured with gains at the first anniversary where the defined criteria are met.

The maturity parameters for the autocalls varied but as can be seen, the returns from Lowes 'Preferred' plans that matured in the quarter, were between 6.7% and 12.5% for each year the plans were in force.

We believe these figures yet again prove the value of thoughtfully created and carefully selected, structured investments. The Lowes UK Defined Strategy Fund is designed to invest in a broad range of such investments created and selected by Lowes, albeit the terms of the structures the fund will acquire are even better than those normally available to retail investors (see examples on Page 9).

	Maturity Date	Index	Duration	Gain/Income
Societe Generale	08/10/18	FTSE 100	2 Years	13.40%
Societe Generale	08/10/18	FTSE 100	2 Years	18%
Investec	10/10/18	FTSE 100	2 Years	16%
Mariana Capital	16/10/18	FTSE 100	3 years	30%
Mariana Capital	16/10/18	FTSE 100	3 years	37.50%
Societe Generale	12/11/18	FTSE 100	2 Years	14.60%
Investec	21/11/18	FTSE 100	2 Years	16.50%
Meteor	26/11/18	FTSE 100	2 Years	14.30%
Mariana Capital	27/11/18	FTSE 100	3 years	21%
Mariana Capital	27/11/18	FTSE 100	3 years	27%
Investec	05/12/18	FTSE 100	2 Years	14.80%
Mariana Capital	18/12/18	FTSE 100	3 years	21%
Mariana Capital	18/12/18	FTSE 100	3 years	27%
Gilliat	21/12/18	FTSE 100	6 Years	38.16%*

*Income Plan

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.

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

Spotlight on the Lowes team

PAUL MILBURN, INVESTMENT ANALYST, joined Lowes in 2013 and works alongside Investment Manager Doug Millward as part of our dedicated investment team, which manages our client investment portfolios as well as Lowes' in-house funds.

Unusually in this day and age, it was only his second job in a career that now spans 22 years.

Paul studied accounting and finance at university and says he was always drawn towards the investment side of the course. "I much preferred options like financial markets and derivatives over double-entry bookkeeping," he says.

That degree helped secure his first role as Assistant Corporate Treasurer for an insurance company, where over the years he gained a broad and sound grounding, not only in dealing with the treasury side of the business, such as foreign exchange, banking relationships and loans, but also managing the investment assets of the company and the company's pension scheme. "It gave me a good background in both the running of a company and the investment business," he says.

Paul's role covers everything Lowes does from an investment standpoint, from portfolio construction, monitoring of funds, researching new funds, meeting fund managers (he and Doug saw over 150 fund managers in 2018), as well as being heavily involved in the running of Lowes' funds, such as the MI UK Diversified Strategy Fund and the recently launched structured product fund, the Lowes UK Defined Strategy Fund.

"It is important that we keep up-to-date with investments, the markets and the economy, taking information from a range of different sources. This helps us to formulate a balanced view which we discuss during the Lowes Investment Committee meetings, which, in turn, helps inform the company's investment decision-making."

One of the things Paul says he has learned over the past two decades is that time on the job is absolutely essential to the role. "You can learn a lot from a text book but it's not going to give you all the background, knowledge and experience that you need to understand what's going on, how markets will react in different situations, and how that may affect the decisions that are made. You need the experience of different market stages, cycles and events, which all helps in dealing with new situations.

"I think that was proved in 2008/2009 Financial Crisis, when the text book strategies no longer applied. The unorthodox policies which have been introduced since then – such as Quantitative Easing – have very much changed the landscape in which we work."

It is geo-political influences – such as Brexit and the US/China trade war initiated by President Trump – that are creating new challenges for the markets, he says.

However, Paul stresses that while there has been volatility in the markets in recent months, it is not abnormal. "In the longer term picture the volatility we have been seeing is below the average. In fact, fund managers more often welcome volatility of this kind as it represents opportunities they wouldn't have when markets are more expensive."

Asked what makes his job interesting, Paul says it is the fluidity of the investment markets. "No day is exactly the same as the next, and I like that."

What Next?

THERE IS NO ESCAPING THAT 2018 WAS A DIFFICULT year for investors. The FTSE 100 index ended the year 12.48% lower in capital terms (ignoring dividends), while the MSCI World index was down 9.13%.

Over the first two weeks of 2019, however, the FTSE 100 has risen again by 2.82%. So have we seen the end of market falls, or is this a brief respite before we continue into a bear market? To be honest, I don't know. Just looking at the FTSE 100 Index over last year, we can see that the index actually had two large falls during the year. The first, in February and March, saw the index fall 10.39% from the start of the year, but this was then quickly followed by a rise of 14.35%, taking it to a new all-time high of 7,877. As late as August 9th the FTSE was still positive, before entering its decline to the end of the year.

What we do know is that markets tend to move in cycles, with bull markets (rising markets) inevitably followed by bear markets (defined as a 20% or more from the previous high). The question is always when will it turn from one to the other, and many have lost out over the years by trying to time it correctly.

Economic data suggests that there is still value in equities, but investors are worried about geo-political events, such as trade wars between the US and China, and of course the ever-present uncertainty of Brexit. Add in the unprecedented levels of Quantitative Easing that have taken place since the financial crisis in 2008, and the unknown effect the removal of this will have, and the near-term direction of the markets becomes even harder to predict.

What we can still do is look out further to the medium to long term, as all investors should, where statistical studies show that shares should outperform deposits. The Barclays Equity Gilt Study, for example, shows that over a ten-year period, shares can be expected to outperform deposits 91% of the time.

The problem we have as investors is that whilst the falls in a bear market can be significant they tend to be short-lived, relatively speaking. This can make them very painful, causing the mis-advised to cash in their investments for fear of losing out further, possibly crystalising what until then had only been a paper loss, and missing out on any future recovery.

MSCI World and FTSE 100 in 2018

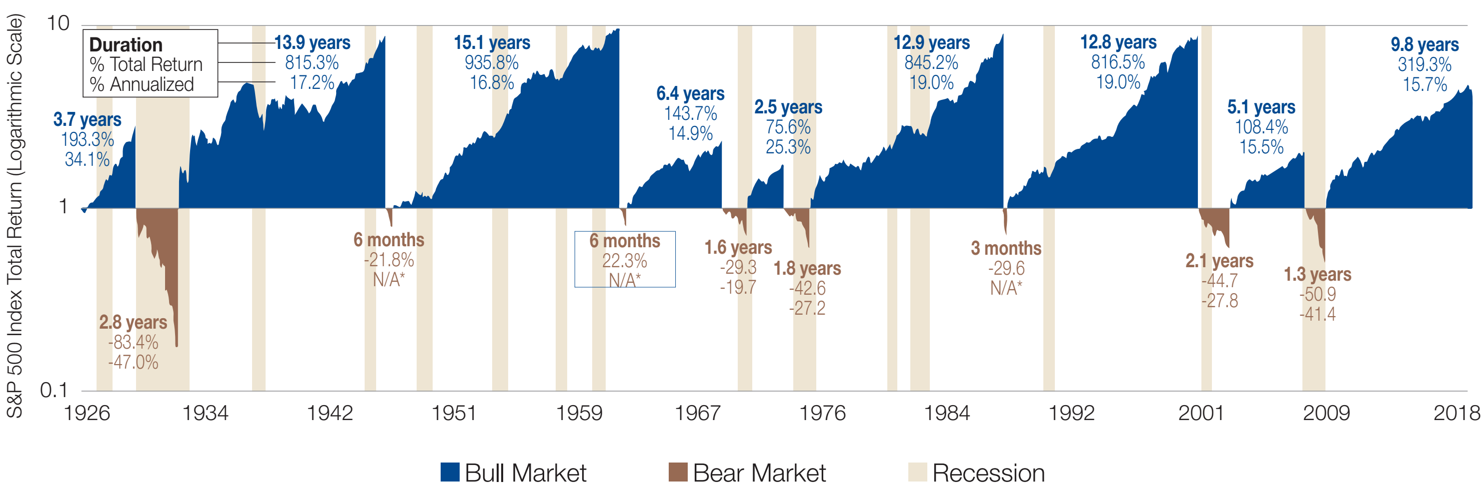
Bull markets, on the other hand, tend to rise further, but take much longer, and so don't induce similar knee jerk reactions to those inspired by a sharp bear market. This leaves investors reluctant to enter the market until a lot of the gains have already been made.

We always feel that a portfolio diversified across different asset classes and/or investment styles will help protect in falling markets, and benefit when they begin to rise again. We therefore construct our portfolios with this in mind, investing for the long term in full expectation that there will be falls along the way.

The difficult part is, of course, remembering during the short-term pain of market falls that we are investing for the long-term gains. We must ensure our investment decisions are made by our head, not by our hearts and this is why Lowes clients can leave us to worry about the investment markets, so they don't have to.

All index performance figures from FE Analytics. Capital return only.

Bull and bear market durations 1926 - 2018



*Source: First Trust Advisors L.P., Morningstar. Returns from 1926 - 31/12/2018.. *Not applicable since duration is less than one year.*