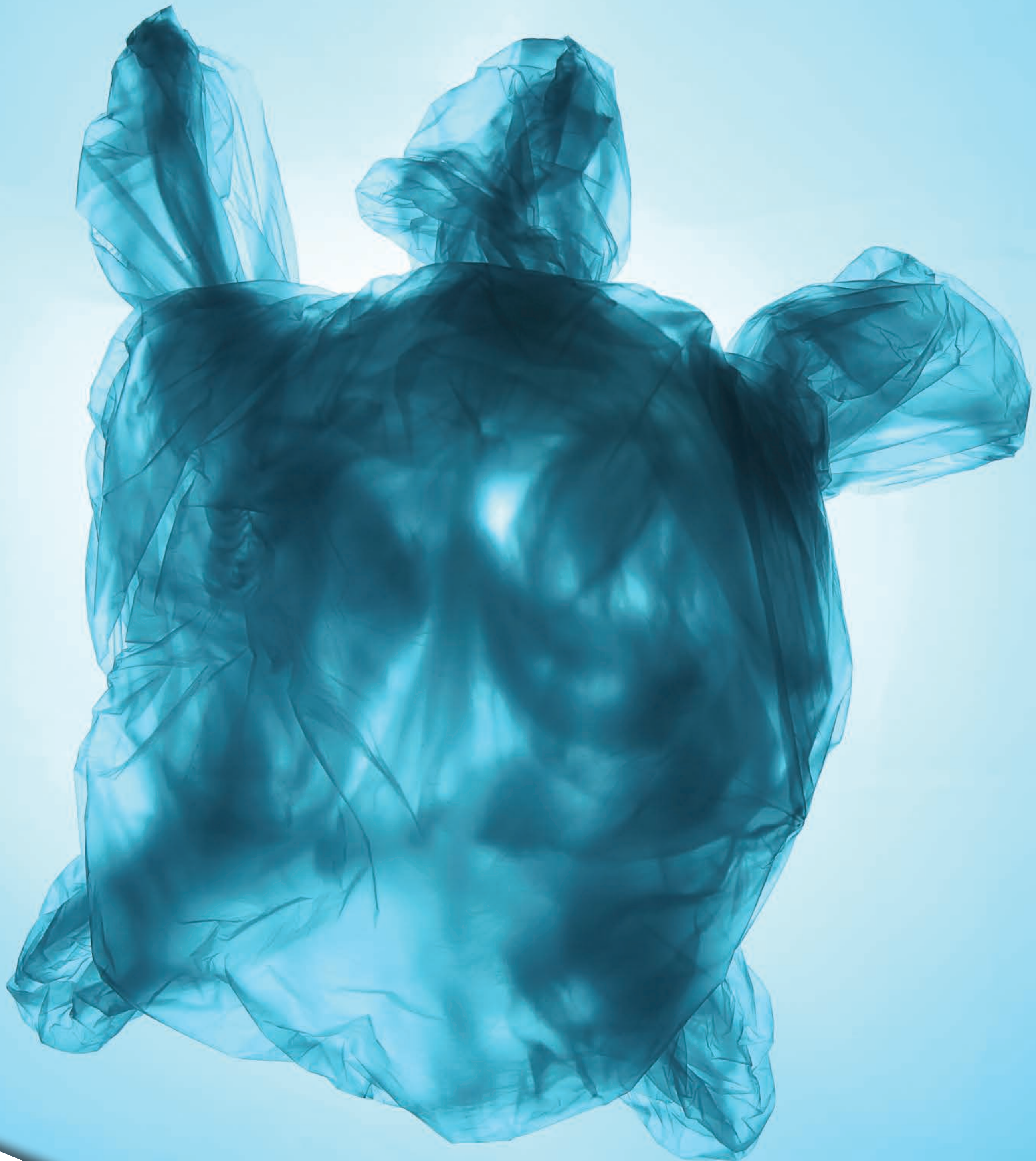
Issue **111**



"A tiny change today brings a dramatically different tomorrow."
Richard Bach

Client Competition – mid-year update

THIS YEAR'S COMPETITION IS BASED ON THE UK'S gross domestic product (GDP).

The winner of the competition will be the person who most accurately predicts the UK GDP as reported in December 2019. The starting figure for the competition (December 2018) was £509.120m.

The latest figure for GDP, published by the Office for National Statistics in June 2019, was £514.019m.

While the figure has risen, what impact might Brexit, particularly a potential 'no deal' break with the EU, have on GDP before the year end?

Caught out by child benefit rules

THE RULES AROUND CHILD BENEFIT CHANGED IN 2013 but the repercussions are still being felt. Where your annual income is above £50,000 and you or your partner receives child benefit, you will be subject to a tax charge. For incomes over £50,000 and up to £60,000 a sliding scale operates so that at £60,000 the tax charge is 100% of the child benefit amount.

People can opt out of claiming child benefit to avoid having to pay it back via tax. Where someone isn't working, it can be important to maintain their entitlement by filling in the claim form, in order to get National Insurance credits and protect entitlement to benefits such as the State Pension.

It is worth noting that where grandparents of working age are caring for children under 12, even part-time, parents may transfer their Child Benefit NI credits to them, a week at a time, so grandparents don't lose out on their State Pension entitlement.

Portfolio purchasing power erosion

MANY PEOPLE DRAWING THEIR RETIREMENT INCOME from an invested portfolio have a cautious approach to risk, which often means the portfolio is weighting towards fixed-rate investments, such as bonds and cash. Although inflation is currently staying around the Bank of England's 2% target, unless a portfolio has some built-in inflation protection, its purchasing power will be eroded.

Retirees should regularly review their portfolio and consider what they can do to build in some protection against the effect of inflation on their portfolio, both short and long term.

Inflation (CPI) in 2019			
January	1.8%	April	2.1%
February	1.9%	May	2.0%
March	1.9%	5 month average	1.94%

Crypto currency scams

UK INVESTORS CONNED BY GET-RICH-QUICK CRYPTOCURRENCY SCAMS HAVE LOST, on average, £14,600 each, according to the Financial Conduct Authority. Many investors persuaded family and friends to invest as well.

There is a lot of hype around crypto currencies; the promise of huge returns in a short space of time drastically helps scammers lure people into their traps.

Our advice is that crypto currencies are volatile, largely unregulated entities. Steer clear – especially if you receive a call out of the blue with an offer that seems too good to be true.

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Lowes Financial Management

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Lowes Financial Management

Covershot: Blue plastic bag in the shape of turtle.
By: Istock

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 and branch[2]	£500+	Metro Bank	1 Year Fixed Term Savings	2.00%	www.metrobankonline.co.uk
Online	£1,000+	Gatehouse Bank	1 Year Fixed Term Deposit	2.00%[3]	www.gatehousebank.co.uk
Online	£1,000+	Gatehouse Bank	2 Year Fixed Term Deposit	2.30%[3]	www.gatehousebank.co.uk
Online	£1,000+	Gatehouse Bank	3 Year Fixed Term Deposit	2.55%[3]	www.gatehousebank.co.uk

Notes
[1] Includes a 0.15% gross bonus for the first 12 months. [2] Online – An Instant Access Savings Account will be opened for you, into which your monies will need to be paid before they are transferred into the fixed term savings account. Branch – A Metro Bank Instant Access Savings Account or Current Account will need to be set up for your interest to be paid into. [3] This is the 'expected profit rate' rather than an interest rate, as it follows Shariah principles.

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

Retail Prices Index (RPI)	Consumer Prices Index (CPI)
3.0%	2.0%

Sources: Providers' websites, Office for National Statistics, www.thisismoney.co.uk, www.moneysupermarket.com, www.moneyfacts.co.uk 03/07/2019.
All accounts subject to terms and conditions.

Tom Harris

AFTER A SHORT PERIOD of illness it is with great sadness that we have to advise of the passing of Tom Harris. Tom was not only Lowes' first client but also our first Consultant, working alongside our founder Ken Lowes. He joined the business in 1980 when it was based in Market Street, Newcastle and retired in 2006.

Tom played a fundamental role in helping Lowes grow to become the company it is today, not least by persuading Ken to give our current Managing Director Ian Lowes a start in the company.

We are honoured to have Tom as the company's first client and first Consultant and we were delighted when he agreed to officially open the doors to Fernwood House in 2016.

Our thoughts are with his family.

Including pets in our Wills

WHEN WRITING OUR WILLS, WE TEND TO THINK about making provisions for the people in our lives but there is one companion that normally gets overlooked – our pets.

As a nation, we owned 51 million pets in 2018, according to the latest figures from the RSPCA, but 70,000 owners die each year without making arrangements for their pets. As a result, many animals end up in shelters. When sitting down to consider a Will it is important we consider all aspects of our lives, including any pets that are dependent upon us.

Sudoku

Here is the latest of our Sudoku puzzles to enjoy along with (we hope) some summer sunshine. In order to complete the puzzle you will need to 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.

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

Source: www.printmysudoku.com

Changing Face of the World

THERE'S A PARADIGM SHIFT HAPPENING SUBTLY BUT swiftly in the world. It is being driven by the rapid advances in technology and a change in our social consciousness.

Advances in Artificial Intelligence (AI) leading to the suggestions that, within the next decade, large numbers of jobs around the world could be undertaken by machines instead of people, is just a part of what is occurring. The economics and the possibilities of what we can achieve outside of the earth's atmosphere as well as the potential for travel between continents in minutes have changed significantly as we are now at the point where multiple satellite launches are being completed by rockets which, having deployed their cargo, return to earth to land upright, undamaged – in other words they are re-usable. Amongst many other advances, the next five years will see progress in artificial photosynthesis, a means of turning sunlight into fuel and the essential development of medium-term biodegradable plastics, all technologies that will have the capability to change our lives and, importantly, how we treat our planet.

Which leads me to the change in our social consciousness. An anti-plastic consumer revolution is now well under way and this together with further climate change awareness could ultimately lead to a 'green' revolution. This will see significant and in all likelihood, subsidised investment in further advancing technology, leading to trends and products we haven't yet imagined. This is already affecting the way investments are made. Environmental, social and governance issues are rising up the agenda. Fund managers are taking greater responsibility in where they invest capital, looking to back companies that are making a positive impact, such as in the way they manufacture and source products and materials. This focus also makes sense from a performance perspective, for as consumers and voters become more socially and ethically conscious, companies focussed on sustainability have a better chance of building revenues and long-term value for investors. Hence, fund managers are digging down into the ethical detail of a company to ensure there are no surprises waiting to be uncovered.

It has been two years since Lowes stopped using plastic bags to send out the Lowes magazine. In that time the damaging impact that single-use plastics are having on the world has been greatly exposed. It may get a lot worse before effective steps are taken to make it better but I have no doubt that environmental drivers will play a much greater role in global investment markets and tax regimes over the foreseeable future; something we as investment and tax advisers will be keeping a close eye on.

Thank you

Lowes Financial Management has been helping people build, protect and pass on their wealth for nearly 50 years. Our Client Satisfaction Survey, which we undertake every other year, is the best barometer that we have for gauging what you as clients think of us.

We had a tremendous response to this year's survey and I would like to thank everyone who participated. The results, with over 95% saying you would recommend Lowes to family and friends, I believe, verify the good work that we do for our clients. You can find further detail about the survey on page 12 of this issue. Obviously, we don't get everything right, all of the time and so we are very grateful for the feedback and suggested areas of improvement, which we will take very seriously.

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.
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Prosper and live long

A GENERAL INCREASE IN LIFE EXPECTANCY AND HEALTH improvements in the UK is affecting how long people now expect to live, according to a recent nationwide study by life assurer AIG.

The research found that, on average, people expected to reach around age 82 and remain healthy and active until around 77 years old. Nearly one in five (18%) believe they will live past 90. Those closest to hitting retirement, the over-55s, were the most confident about retiring later.

In comparison, latest Office for National Statistics figures estimate the average life expectancy of a male born between 2015 and 2017 in the UK as 79.2 years, and a female as 82.9 years.

Clients of financial advice firms are expected to live beyond the average life expectancy because they tend to be wealthier; having sufficient wealth enables us to enjoy a healthier lifestyle, financial advice and long-term care if needed. These important factors can reduce worry and stress, which are recorded as big contributors to shortening longevity.

How we live in retirement

Another change is how people perceive their retirement will be, with 31% of those surveyed said they expected to be physically capable of doing their jobs into their 70s, with one in 14 confident they could continue to work beyond their 80th birthday.

This, in turn, is having an effect on people's perception of how long retirement should be. Almost half of those surveyed (47%) believed the current average of 21 years spent in retirement is the right amount of time, although one in seven (14%) felt it was too long, with this number rising to 28% among Londoners and dropping to as low as 8% among those living in the North East. On the other hand, one in four felt 21 years was not long enough.

Financial planning issues

There are four significant financial planning issues which arise from longer retirements:

1. Ensuring enough wealth is accumulated pre-retirement to last beyond our expected lifetime – as our longevity is unknown and we don't want to run out of money when we may need it most.
2. Looking at the best method to generate retirement income and tax efficiently, over what could be a period of 30-40 years.
3. Considering whether to move straight into retirement or to transition into it over a number of years - if the type of employment allows for it - thereby extending our income generating capability and further payments into our pension benefitting further from tax relief.
4. Living longer increases the chance that in at least some of our later life we will be in ill health; planning for this and long term care is essential.

The AIG research further concluded that children born today could in many cases expect to live to see their 100th birthday. Planning for this potential eventuality should be something which happens at an intergenerational level.

Lowes Consultant Robert Newton says:

"One of the most important elements of retirement planning is factoring in expected longevity to ensure we can enjoy our accumulated wealth throughout our lifetime. Lowes clients benefit from both a structured approach to creating wealth as well as sophisticated research tools that can help map income requirements and potential use of capital in retirement years against different levels of return on investments. We can then project this information against differing longevity periods.

Gifting wealth and IHT

HM REVENUE & CUSTOMS REPORTED A RECORD high for inheritance tax receipts for the last tax year and to date they are reporting further year on year increases. This has been an upward trend over the past decade, since the inheritance tax nil rate band was frozen at £325,000.

The introduction of the residence nil rate band in 2015 has done little to stem this tide as rising house prices have fueled the increase in IHT receipts, almost doubling between 2010 and 2018.

Utilising legitimate means to reduce our potential IHT liabilities is therefore essential if we want our beneficiaries to benefit from our wealth rather than the HMRC.

One way to do this is through gifting.

Here are four things you need to know about giving your money away, while still staying within the IHT rules.

1 The gifting allowances/exemptions

a) Gifts between spouses or civil partners are free from inheritance tax.

b) Individuals have an annual gifting allowance of £3,000, known as the 'annual exemption'. If the full annual exemption isn't used in one tax year, the remainder can be carried over to the following tax year (but only that year).

c) Small gifts of up to £250 can be made to as many people as you like. But you can't use your annual exemption and small gift exemption on the same person in the same year.

d) Wedding gifts are free from inheritance tax – up to £5,000 for their child, up to £2,500 for their grandchild, or up to £1,000 to others.

2 The seven-year rule

You can give money, using different methods other than under the above exemptions. These gifts are known as potentially exempt transfers (PET) and only become inheritance tax-exempt if you are alive seven years after the gift is made. If not, then the value of the gift will be included in your estate and the person receiving that gift may well have to pay any inheritance tax due.

A sliding scale or taper applies, the longer a person lives after gifting the money. So, where someone survives between 3 and 7 years after making substantial gifts, taper relief, in some circumstances, can reduce the rate of Inheritance Tax payable.

3 Gifting from income

If a person has enough income to maintain their usual standard of living, they can make gifts from their surplus income, such as regularly paying into a child's savings account. However, the rules are complex; for example, the gifts must be regular, meaning there has to be a commitment to keep making them. Good records should be kept of these gifts, to prove they fall outside of an estate for inheritance tax purposes.

4 Gifts other than cash

Gifts are not confined to cash; other assets may also be given away. This can apply to a property. It has to be remembered that any gift must pass out of a person's control or use to fall outside of an estate for inheritance tax purposes. A person could not gift away a holiday home and then continue to use the property without paying, as this would cause them to benefit during their lifetime.

Lowes Consultant Jennifer Morris says:

In my experience gifting is most often done to help out younger generations who are less well-off and may be struggling to get on the housing ladder or have hefty student loans.

Nevertheless, it is a useful means to mitigate the amount of inheritance tax an estate may have to pay as well as to pass on wealth to family and others we may want to help.

We would urge extreme caution for anyone considering gifting large sums away, especially where there is no income stream to replace it. We strongly advise that before taking any action you fully consider your own needs and financial situation, not just as they are now but how they might be in the future.

Remember, once a gift is given it is gone, you have no control over the money or how it is spent. There may be other ways to help out family without handing over money you may not get back if needed. Your Lowes Consultant can advise you in this respect.

How we have helped clients

LOWES CONSULTANT Andrew Gardiner outlines a typical situation where a client requires advice which Lowes is able to support them through.

One of the most emotional situations we come across as Consultants is where we are called to help an existing or new client after the death of a spouse or partner.

Where the couple are Lowes clients, they should have all their long-term finances in place, their Wills sorted and plans made for proper financial provision for the survivor going forward. This is not always 100% possible, as sometimes we find people may have made some arrangements independently, but in such scenarios we can help put things in place for the survivor.

Sometimes, we are called to help where people are not clients but are in need of sound Independent Financial Advice. Our role at such times is to help to sort out the finances at a time of huge emotional upheaval and to help make a plan for the future for the survivor. Sometimes this has required sorting through decades of financial documents and even helping to sort out what bills need paying when the survivor has not been involved previously in the household finances.

Our recommendation: We recommend obtaining Independent Financial Advice as early as possible to avoid unnecessary mistakes and stress when one partner passes on. Preparing for things like having sufficient income from pensions and investments, passing on of wealth, anticipating situations such as inheritance tax, dealing with savings and investments solely in the deceased name and so on, can be invaluable when undertaken in advance, from a financial, tax and life perspective.

What happens when one of us passes on can be a subject we shy away from but our experience shows that forward planning is a sensible policy and importantly, it can greatly relieve distress for the survivor and family members at a very emotional time.

Another aspect that I would highlight here is for couples to plan for the future together. It is important that financial planning includes long-term strategies and in particular, the building of resilient plans for both partners, simply because we never know what life may throw at us.

We recommend also that couples talk about their joint finances and have all the important documents such as Wills and insurance policies securely stored yet accessible. Recording household finances and how each bill is paid and having some cash in the bank so that immediate bills may be paid is another sensible precaution.

Lowes clients are able to draw on the experiences and expertise we have built up over almost 50 years of helping people sort and plan their savings and investments. If you know anyone who would benefit from becoming a Lowes client please pass on their details to your usual Consultant or have them call 0191 281 8811 for a free first consultation.

Financial resilience

Research from Royal London has revealed that 45% of women and 35% of men living with a partner are not confident or do not know if their long-term financial plans would be adequate if that partner died.

Retirees' biggest financial fear

SINCE THE THEN CHANCELLOR OF THE EXCHEQUER George Osborne introduced the pensions freedoms, stating that no-one would have to buy an annuity again, most people have preferred to keep their money invested and draw out the income they need – known as drawdown – rather than take an annuity or use cash to fund their life in retirement. There are additional benefits to drawdown too, notably in terms of passing on wealth to loved ones and other beneficiaries.

This has created a more flexible approach to retirement, but it has also created a new overriding financial fear for people – that they may run out of money.

While an annuity guarantees income for life, drawdown requires that a person's wealth is managed, taking account of potential market fluctuations to sustain the required level of income.

These days, our role as Independent Financial Advisers is as much focussed on how people spend or decumulate their wealth in retirement, e.g. from which financial pot they take income – pensions, ISAs or other investments – and in what order to maximise the tax benefits, as it is upon accumulating wealth in the years before retirement.

Selecting the right decumulation strategy and the right level of risk is essential, as well as reviewing the strategy on a regular basis, to ensure it is still on track to fund a person's lifestyle.

There has also been a rise in the number of people taking a more fluid approach to when and how they retire, with many now choosing to do so gradually by transitioning into retirement through a period of reduced hours or semi-retirement before stopping work completely. This enables greater flexibility, retaining savings for longer, and in some cases, for continued pension payments to help build up the investment pot.

The pension freedoms have provided greater flexibility but in doing so have placed greater responsibility on individuals' shoulders to manage their retirement income. Seeking Independent Financial Advice in this respect has become more essential as a result.

The value of advice

CAN A FIGURE BE PUT ON THE VALUE OF ADVICE? We believe what our clients value is much more than numbers on a page.

There has been much comment of late about the value of advice. As might be expected, much of that comment has centred around the costs and value of Independent Financial Advice.

Lowes has nearly 50 years' experience of helping clients grow and preserve their wealth. We have grown as a company to manage almost £1 billion of assets and have close to 100 people – Consultants and the wider Lowes staff – dedicated to serving our clients. Our team includes specialists in pensions, investments and other technical areas.

We provide a variety of services, such as selecting investments, retirement and estate planning, guidance on taxation, educational planning for children and inter-generational planning too.

Clearly, our expertise in investments is core to our service. The above illustration shows the six distinct elements of Lowes investment advice that delivers value year after year for our clients. Strategic asset allocation, i.e. the setting of long-term allocations between equities, bonds, cash and other asset classes, alongside effective use of tax wrappers, allowances and exemptions and cost effectively investing, can all have a compounding effect on wealth creation. Spending strategy is how we use our wealth to help maintain our lifestyle in retirement, which is equally as important as accumulating the wealth.

Investment decisions

However, from an investment perspective the greatest value we feel we provide is ensuring our clients remain disciplined and do not make knee-jerk decisions at times of heightened uncertainty in the markets, this applies both when sections of the markets are rapidly rising as well as falling. This is commonly referred to as behavioural coaching.

Markets are driven by sentiment and helping clients to take a step outside of that sentiment and moderate their investment 'behaviour' by not increasing risk in their portfolio when markets are rising and similarly, not jumping out of the markets when they fall (a tactic that cements any losses to that point in time). Instead, helping clients make well informed, careful decisions, is where we believe we add considerable value. This is both to the ultimate performance of a portfolio – many academic studies have concluded that behavioural coaching can add between 1% and 2% per year – as well as to the financial wellbeing of the client, i.e. peace of mind.

As a practical and topical example of how an advised and a DIY investment strategy might differ. Many DIY investors followed Neil Woodford into his new funds based on his reputation with Invesco Perpetual only to find they were locked into the fund when, in June, it closed its doors to trading.

Neil has proved himself to be a fund manager of conviction over the years. In the dotcom boom of the late 1990s he was criticised for not buying into the technology story, and his fund suffered in the rankings as a result. When the dotcom bubble burst, of course, his strategy was applauded.

But when he left Invesco to set up his new funds, we did not follow him. Our thinking was that his funds were untried and without a track record, whereas the funds at Invesco had a long established research team behind them and were taken over by a fund manager carefully chosen by the fund company to run the funds successfully. Our investment team spoke to the new manager at the time and felt confident he would continue to do a good job for our clients.

As it was, we subsequently advised clients to transfer away from Invesco, albeit not to Woodford. Hence, unless specifically asked to do so, we did not invest with Neil, preferring to wait to see how he invested and the track record of the new funds before committing any money to them.

Communication is key when markets are uncertain. Over the past 50 years there have been more than a few times where, when markets have tumbled, we have written to our clients informing them on the facts and what we believed was the best course of action.

All of these elements are incredibly important to our clients, however what we provide is so much more than the investment side of our business. Our Consultants receive kind words from clients on a regular basis, thanking them for helping move the client from a place of financial uncertainty to a sound footing, for the work they have done in helping build and protect wealth over the long term, as well as helping to resolve particular financial situations, especially at emotional times in people's lives. In other words, it's the human touch that often matters most.

Making financial decisions

Two recent pieces of research help illustrate the point around value that can often be overlooked by those trying to equate it to investment performance figures and costs.

Research by Scottish Widows indicates that two of the biggest reasons people do not get to grips with making all-important, long term financial plans are time and stress.

People said it was too time-consuming and stressful to identify and compare the right savings and investment products for their needs, as well as having to understand the potential short and long-term tax implications, to then have to review their situation on a regular basis and make changes as appropriate.

It highlighted that in a world that is becoming ever busier and more complex, people were finding it difficult to create the time and mental space to deal with their wealth management issues.

This is one of the primary reasons that people choose to work with Lowes as an Independent Financial Adviser. An IFA will have their finger on the pulse of the markets; listening to someone's short to long-term financial needs, an IFA can recommend the best savings and investment strategies and products for their individual needs, as well as provide valuable insight and advice in respect of potential tax issues and how they might be mitigated.

Similarly, a piece of research by Canada Life found that a large number of people over the age of 45 looking to make provision for their loved ones after their death, often feel conflicted by their desire to pass on their wealth and the need to ensure they have a big enough retirement pot saved to cover them later in life.

One of the benefits of using an Independent Financial Adviser is the ability to plan ahead and calculate how much you will need to fund your retirement, including any later life care, then planning to achieve these objective and devising a strategy to help pass on assets on to beneficiaries.

It is the help that an Independent Financial Adviser can give in these kinds of situations that make the difference for clients.

It is also important to remember that, like life, financial planning is never static, it is a fluid process which needs to be reviewed on a regular basis. Having professional advice gives people greater confidence in their ability to manage their wealth both pre and post retirement.

The peace of mind and feeling of financial wellbeing that comes from knowing a financial professional has your back cannot be under-estimated, or undervalued. One client summed it up for us when asked why he had been with Lowes for decades. He said: "It's knowing you're always there when I need you."

Further evidence advised investors outperform

While we believe firmly that our clients will always do better in accumulating and, as importantly, preserving their wealth than non-advised investors, it is always gratifying to see that belief ratified by independent research.

The latest Global Investment Survey conducted by asset manager Legg Mason Investors, shows categorically that those who seek financial advice are outperforming DIY investors by more than 25% a year and showed a "strong and clear correlation" between taking advice and higher returns.

Legg Mason surveyed more than 1,000 investors and said the gap in return was primarily driven by "significant differences" in where the money was allocated to over the past 12 months. The research found that, on average, people who tend to choose their own investments take less risk than those who take advice, which can have a significant effect on returns. In particular, the survey found that DIY investors held nearly half of their savings (around 47%) in cash, which were being eroded by inflation.

In contrast, advised investors showed a greater appetite for alternative investments, such as structured products, with 12.6% invested in these assets, compared to just 3% among DIY investors.

We believe this is because advised clients can call upon the expertise of their Independent Financial Adviser; they are better able to discern the risk vs return on these investments. In other words, a good adviser will take a considered view across all investments and search for higher returns in areas that perhaps most DIY investors wouldn't.

Concluding, the report said: "What our results show is that there is no substitute for expert knowledge when it comes to investing." We couldn't agree more.

Lowes were recently *Highly Commended* in the Money Marketing 'Best Investment Adviser' category, having won the award the previous year.

Free Initial Consultation

Lowes offers anyone who feels they need Independent Financial Advice a free initial consultation to see how we can help. If you know someone who you believe would benefit from our expertise, then please have them ring 0191 281 8811 and we will arrange for a Consultant to speak with them.

L-r: Gershom Chan, Rod Molyneux, Chris Milsom

Hello to two new faces and goodbye to a familiar one

AS LONG TIME LOWES CONSULTANT ROD MOLYNEUX heads for retirement, we introduce Chris Milsom and Gershom Chan who will be serving his clients from now on.

Rodney Molyneux has decided that after over 24 years as a Lowes Consultant and 40 years in financial services it is time for retirement.

His long tenure with Lowes, he says, is down to "the nature of the company."

"There are not many firms like Lowes – small enough to offer a personalised friendly service and big enough to hold its own in the market.

"Financial advice firms have come and gone over the years but Lowes has stayed the course and it has grown and become more and more successful. That says a lot about Lowes as a firm and the people working for it.

"Being a Lowes Consultant has given me a good living over the years. It's a family firm – there's a comfortable atmosphere and all the people I've ever worked with here have been really pleasant."

Looking back over his time at Lowes, Rod says he has many happy memories, not least from meeting so many different clients and hearing their stories and anecdotes about their lives. "It has been fascinating. Listening and talking to people is the nature of the job and you get to see people from all types of backgrounds; it can be a real eye opener.

"But above all, it is about helping people achieve a better financial position for themselves as well as helping the different generations with their issues. When you help achieve that, it is priceless."

Rod believes clients today are benefitting from a level of professionalism in financial advice that was absent sometimes 30 to 40 years ago. "I think providing a professional client-focussed service is why Lowes has stood out over all the other companies over the years and why it is here today and many others aren't."

Being a Consultant is not an easy job, he points out, it can be very demanding with a high level of technical knowledge required, but, by the same token, it is a very rewarding job too. "I've thoroughly enjoyed it; I must have, I've been doing it for over 30 years!"

One of the key things Rod wanted to get right as he approached retirement was the handover of his clients to their new Consultants, Chris and Gershom. "I'm very pleased with the way the transition has gone. Chris and Gershom are not only well qualified for the role, but they are what I would call real 'people' people, fantastic to get on with and it's been a nice smooth handover."

Asked what he will miss about Lowes, Rod says: "It will be two things. My clients, because I've been advising some of them for over 24 years and in that time I have got to know them and their families really well, they have become friends. It has been quite sad knowing as I've been talking with people that I won't be seeing them again.

"And I'll also miss the great banter we have in the office between the Consultants as we come in and out during the day. Fortunately, I have interests outside of work where the banter flies around to make up for it."

Rod says he is looking forward to his retirement but he's not putting his feet up. "I've got lots to keep me busy," he says, reeling off a long list of activities, not least continuing his passion for mountain climbing. This is a pastime he has enjoyed since he was 16 "although I steer away from the really hard stuff these days," he admits. He'll also be looking to travel, fit in some skiing and cycling, and improving his photography skills. On the more sedate side, he plays guitar, has an allotment "and I can finally get around to reading all the books I've wanted to over the years."

Most of all, he says, "retirement is going to give me time to do all the things I enjoy. I'm looking forward to that."

Marilyn Clark, Rod's assistant, will continue in her role, working alongside Chris and Gershom.

CHRIS MILSOM may be a familiar name and face to some clients as he was previously a Lowes Consultant between 2012 and 2014.

Chris has 15 years' experience in financial services. He used his degree in Accountancy and Financial Analysis to obtain a place on a financial services graduate scheme, moving on to first advise on mortgages and then specifically advising junior doctors and consultants on pensions, tax and investments. He then spent four years living in Madrid, where he advised the ex-pat community. These three very different roles gave him a sound grounding across the spectrum of financial advice and on returning to the UK he joined Lowes. That was in 2012. Personal circumstances took him away from the firm in 2014 but in March this year he re-joined after Rodney Molyneux told him about his retirement. "I knew Rod from my time at Lowes and when he rang me to say he was retiring I jumped at the chance to come back," Chris says.

Chris echoes Rod's view of Lowes as a firm. "It's a really comfortable place to work, everyone gets on with one another and in terms of what we do for clients, it's a family orientated job. It's nice to be part of a company where the focus is 100% on the clients. If I'm honest, there have been places I've worked where everyone is just a number. That's not for me. It's as the Lowes philosophy says, 'Where personal finances are cared for personally'. I don't think you can ask for better than that."

Chris has been gradually adopting many of Rod's clients, attending hand over meetings, as well as writing to and telephoning many clients as a way of introduction.

"Every one of Rod's clients has been over the moon for him. I've met as many as possible in the time that I have been here, and those that I have met have been lovely.

"Over the years Rod has built up his client bank through referrals and many of his clients are outside of Newcastle but I will be looking to get around to see everyone I can in due course.

"Rod has talked about the enjoyment of the job being meeting the people, hearing their stories and helping them understand what is possible with their wealth and how they might achieve their goals.

"What's great is being able to use my experience and my technical knowledge to show people they are not the only ones in a certain boat and what we can do to help them and when all they are hearing in the media is bad news, that we are here looking after things for them."

One of the biggest challenges Chris sees for people both in accruing wealth and looking for income in retirement, currently, is low interest rates. "We've been in this situation for 11 years now and it's not going to get noticeably better any time soon. I think it has been so long that people sometimes forget that cash in the bank is losing them money, as every year its spending power is diminishing. It means they have to take more risk in order to achieve inflation beating returns, and this is where taking proper Independent Financial Advice is essential."

GERSHOM CHAN originally hails from Edinburgh. He moved to Newcastle in 2017 after spending 10 years working in banking. There he gained experience in a number of different roles in the financial planning and wealth management side, with a particular focus on investment analysis and advice, latterly at Coutts.

"The issue I had with the financial planning role within a banking environment was that the advice model was limited; we were restricted in what we could do and what we could offer clients. I wanted to move to where I had the opportunity to express what I thought was the best option for the client and also better control my destiny. Part of that was to be able to work with my wife, Joanna, who has a Master's degree in Economics. She is my business manager. We are a husband and wife team."

Meeting with Ian Lowes, Gershom explains, he saw how working within an Independent Financial Advice firm like Lowes he could achieve those goals.

"I joined Lowes in November 2018 and spent some time learning how the business works, in preparation for Rod's retirement and looking after a proportion of his clients. What I have found since joining Lowes and what I like about Lowes, is that the people here are friendly, open, have excellent levels of knowledge and are willing to help. It's a culture that then feeds through into the way clients are treated."

Moving from one Consultant to another can be an upheaval, but Gershom says the transitioning process has been smooth so far.

"I have met quite a few of the clients now, attending hand over meetings with Rod, and every time the clients have made me feel welcome.

"My main aim is to continue to give them the high level and quality of service that Rod has given them over the years. My focus is to help people identify what is important to them and what they want to do with their lives and, through proper management of their wealth, to help them to do that.

"It's about bringing a financial plan to life and applying my knowledge of investment and the excellent resource of the Lowes Investment Team, to help build it and for the client to achieve their goals and enjoy life better."

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.

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

Client Survey 2019

OUR SINCERE THANKS TO EVERYONE WHO RESPONDED to our 2019 Client Satisfaction Survey.

We have been conducting our surveys every other year for 28 years and they are extremely important to us for gauging how you feel about Lowes and pinpointing ways in which we can improve our service to you and others.

We are delighted with this year's results as we have shown continued high level of satisfaction across all areas. Importantly, over 95% of clients said they would recommend our service to family, friends and colleagues. We believe that represents the ultimate accolade for our service and our people.

Below you will find some of this year's survey results. The full results of the survey can be found at **Lowes.co.uk/clientsurvey**

Clients who rate **Lowes** as **'good'** or **'very good'** on:

Client service 95.12%

Approachability 97.42%

Friendliness 98.78%

Helpfulness 97.42%

Professionalism 96.97%

Depth of knowledge 96.93%

Investment advice 94.74%

Integrity 96.73%

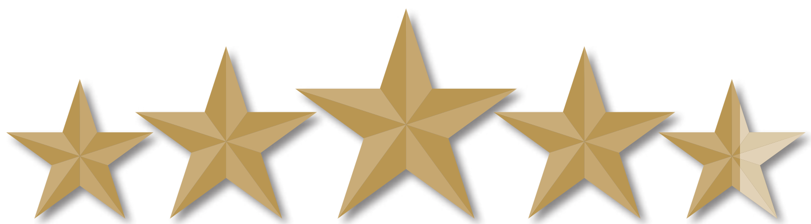
Level and quality of contact 94.73%

THE ULTIMATE ACCOLADE

The ultimate accolade:
Clients who would **recommend Lowes** to family, friends and colleagues | 95.78%

Lowes service reflects its philosophy:
"Where personal finances are cared for personally" | 95.76%

What you think about **Lowes**



Average star rating 4.56

Client survey comments:

"Lowes **continues to impress** on its customer service - focused and **personal approach** to investment advice."
Charles Melton

"Lowes over many years **inspires confidence**."
Michael Wilson

Thank you to all who participated!

A Mars a Day, Helps You Work, Rest and Play...

By Paul Milburn, Lowes Investment Analyst

OR DOES IT? A STRANGE TITLE FOR AN article covering investment markets but let me explain. I recently had the privilege of attending the PIMCO Institute, a two day event discussing all things fixed income, with presentations from leading fund managers and economists, attended by delegates from all over Europe.

One topic which we covered, which has a significant impact on the performance of bonds, was inflation. This is a particularly important topic for bonds as they are nominal assets. By this we mean that if you were to invest capital at launch and hold to maturity, the capital returned will be the same as that invested. If inflation is high, the real value of your capital is eroded over time, a negative therefore for this asset class.

According to official figures, inflation amongst the developed world remains stubbornly low, despite the significant level of quantitative easing which has been undertaken. Many economists at the time believed that this would be highly inflationary but instead it would appear that this has forced its way into asset prices (investments) and not into the wider economy.

Paying particular attention to the UK, the Bank of England has an inflation target of 2%, as measured by the consumer price index (CPI). In the chart below we show the evolution of CPI since 2014. Here we can see that it has spent very little time at the target level, and indeed more time below the desired level than at or above.

The 2% inflation target, which has been adopted across many developed markets, including the US and EU, is now under scrutiny itself, with questions being asked as to whether it is too low, too high, or indeed should the target rate be variable depending on economic conditions at the time.

UK CPI is already subjective in that it is a measure of price movements in a particular basket of goods, each with its own specific weighting. However, not everyone's basket of spending is in line with the official weightings and therefore everyone's own rate of inflation is different. Whilst official figures suggest there are very few inflationary pressures, perhaps therefore there are frailties within.

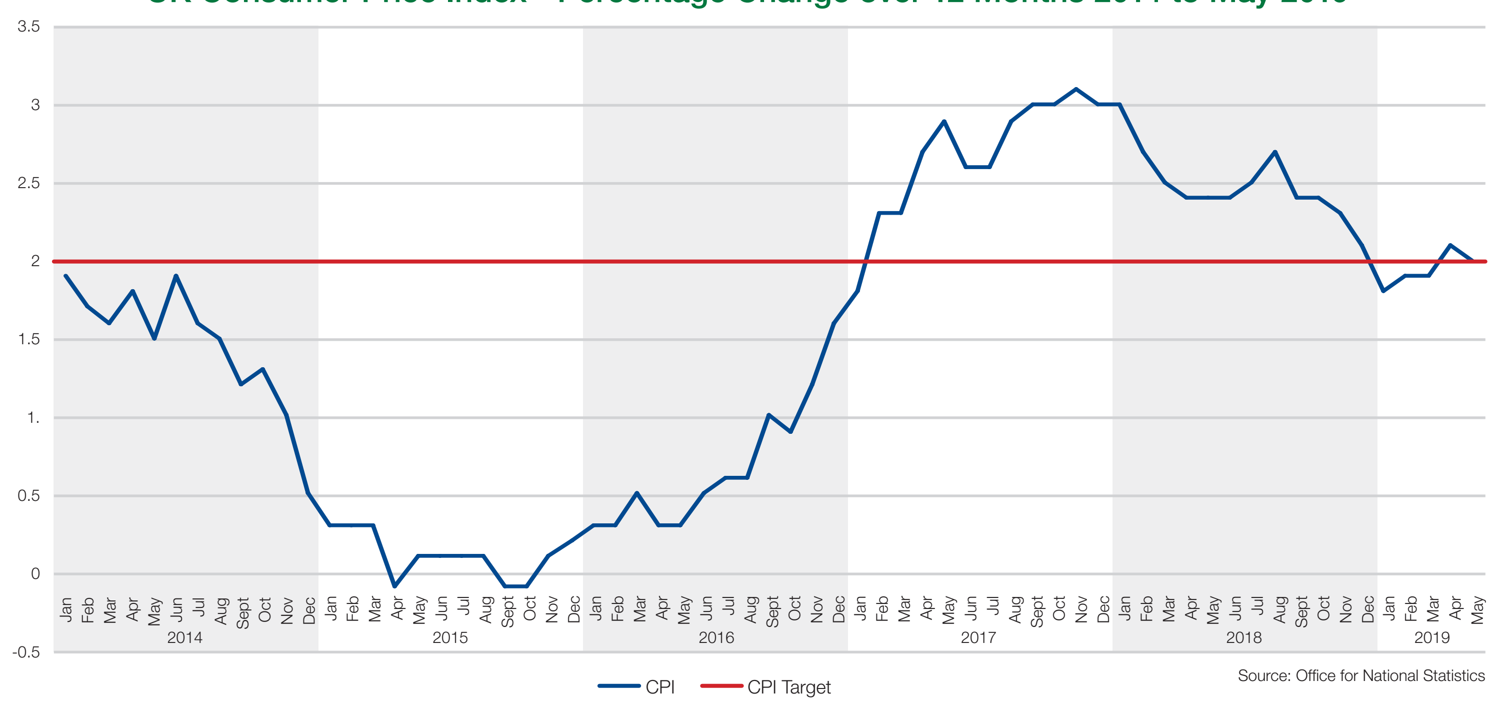
Which leads me back to the title of the article. After a long second day I decided chocolate was needed. On review however I was extremely surprised to see by how much the size of popular chocolate bars had shrunk, none more so than the Mars bar. In the 1990's this came in at a satisfying 65g. Today however it weighs a mere 51g, representing a decrease in size of 21.5%. At the same time however, depending on where you shop, the price of this bar has increased from 26p to 60p, a whopping 130.8% rise. Whilst the rise in the price may well be captured in official data, I very much doubt that the fall in size is. And this is not the only product to have seen such change, crisps, cereal, cans of drink are all further examples.

It appears very consensual at present that inflation will struggle to rear its head in any aggressive sort of form anytime soon. An ageing population, disruption and technological advances are frequently mentioned as the reasons why. As history has taught us however, inflation can come back with a vengeance when least expected. Developed market economies have recently slowed and modern monetary theory, whereby the public would be the beneficiary rather than investment assets, is being touted as the potential solution. In our eyes this would be a catalyst.

Within our portfolios therefore we continue to be prepared that such a spike may occur. Our fixed income holdings are diversified across managers following different investment strategies so that should a spike be seen protection will be afforded by some. Equity holdings will also provide protection as long as that spike is not too aggressive, in particular those managers with a value style bias.

So, did the Mars bar help me work, rest and play? Unfortunately I am unable to comment as being the value hunter I am I also spotted a four pack of Tunncock's Caramel Wafers for £1 and went for those instead!

UK Consumer Price Index - Percentage Change over 12 Months 2014 to May 2019



Source: Office for National Statistics

Structured products since the Financial Crisis

LOWES 20 YEARS' PLUS EXPERIENCE OF ASSESSING and selecting structured products, including the success of the Lowes 'Preferred' Plans, means we are in the enviable position of being a recognised expert on structured products within the UK investment market.

Over those two decades we have made significant calls on products we liked and those we most definitely did not; for example, we were the first company to raise serious concerns about the precipice bonds in the early 2000s.

In 2015, we influenced the market by looking beyond the typical 5-6 year term of the autocall products prevalent at the time and worked with Mariana Capital to structure a product offering a longer term, pushing the maximum maturity date out to 10 years. This enabled us to provide investors with a greater chance of a positive return. This was the first Mariana Capital 10:10 Plan. The market in general soon began to follow suit in offering extended terms.

One of the assets that Lowes has as a result of its long-term independent monitoring of the market, is a comprehensive data base of the structured products offered to the Independent Financial Advice market over those years.

This has enabled our Investment Team, including our dedicated structured product team, to conduct an in-depth analysis of the structured product market since the Financial Crisis in 2008.

Our *United Kingdom Structured Product Sector Review* analysed the 4,398 products issued between January 2009 and December 2018 and showed that the sector maturities produced an average annualised return of 6.23%, with nearly every product returning at least investors' initial capital and 88% producing a positive result – only 57 of those maturing in that 10 year time period (1.55%) resulted in a loss.

This consistent performance largely can be attributed to the reliable gains produced by FTSE 100-linked products, with only five such products producing a net loss from the start of 2009 to the end of 2018.

Our research shows that not one product matured with a loss in 2018 and only five FTSE 100-linked products have matured with a loss since 2009. The sector has consistently produced steady and predictable gains, which have helped our clients achieve their financial goals.

Changing market

In addition, a number of clear and key trends have appeared over the past ten years, including an increase in autocall products issued. The autocall provides multiple opportunities for the product to mature, and so produce a gain if the required market performance is produced.

As mentioned, many autocalls issued now have extended terms and can continue to later years if market conditions dictate it to be necessary.

The counterparties active in the structured product sector in the UK also have changed since the financial crisis. Most prominently, Barclays exited the sector, having accounted for a quarter of products issued in 2009. Investec, previously accounting for a third of the sector in 2009 continues to remain a notable name, with 36% of all issuance in 2018.

The range of counterparties in 2018 diversified, with banks such as Credit Suisse, Goldman Sachs, HSBC, Morgan Stanley and Société Générale all accounting for similar shares of the market.

Over the years since the Financial Crisis, structured products have come on in leaps and bounds, the positive changes being instigated in some part, we like to think, as a result of monitoring the market and challenging the thinking around the structuring of products and how they could be made better for the end investor.

We firmly believe the future of the structured products lies in the latest innovation, an easily accessible mutual fund, such as the Lowes UK Defined Strategy Fund, which invests in a variety of structures, including institutional offers, giving ordinary investors access to investments inaccessible to them.

You can obtain a copy of the United Kingdom Structured Product Sector Review at this link: www.Lowes.co.uk/10-year-review

Lowes 'Preferred' Plan Maturities

THE SECOND QUARTER OF 2019 SAW NO RETAIL structured investments mature with a loss, a statistic that now extends to over two years. In the quarter, 80 plans matured with an average annualised return of 6.16% over an average term of 3.81 years. Twenty of the 80 were plans had been granted 'Preferred' status by Lowes at the time of launch and these matured with an average annualised return of 8.2% over an average term of 3.1 years. The table below shows those that were most commonly held by Lowes clients.

The most popular plan was the Goldman Sachs backed Walker Crips Semi-Annual Step-Down Kick-Out Plan April 2017, which was developed in cooperation with Lowes and available exclusively to our clients. Another Lowes cooperation, the Mariana 10:10 Plan again makes multiple appearances in this quarter's table. To date 20 versions of the 10:10 Plan have reached their first possible maturity date and the conditions for all 20 to mature at that opportunity were met.

Investec deposits continue to prove their worth where the preservation of capital is paramount. Over its relevant term the Investec FTSE 100 5 Year Deposit Plus Plan 2 saw the FTSE 100 rise by 6.65% and the deposit matured returning an interest payment of 27.5% - equivalent to a compound annual interest rate of 4.98%.

Provider	Maturity Date	Index	Duration	Gain
Mariana	15/04/2019	FTSE 100	3 Years	30%
Mariana	15/04/2019	FTSE 100	3 Years	23.40%
Mariana	15/04/2019	FTSE 100	3 Years	37.80%
Meteor	15/04/2019	FTSE 100	2 Years	19.50%
Mariana	15/04/2019	FTSE 100 & EURO STOXX 50	3 Years	45.75%
Walker Crips	23/04/2019	FTSE 100	2 Years	14.60%
Investec	24/04/2019	FTSE 100	2 Years	15%
Investec	24/04/2019	FTSE 100	2 Years	14%
Investec	29/04/2019	FTSE 100 & EURO STOXX 50	4 Years	38%
Mariana	28/05/2019	FTSE 100	3 Years	29.10%
Mariana	28/05/2019	FTSE 100	3 Years	22.50%
Investec[1]	07/06/2019	FTSE 100	5 Years	27.50%
Morgan Stanley	19/06/2019	FTSE 100 & the 'Giants Basket'	6 Years	52.86%

[1] Deposit Based

Maximising pension payments

THERE ARE TWO DISTINCT TAX ADVANTAGES WHEN paying into a pension; tax relief on pension contributions and the rules around passing on of pension wealth to beneficiaries.

Tax relief is available on pension payments at a person's nominal rate of income tax. So, when someone on standard rate tax pays 80p into their pension, their pension scheme will claim 20p tax relief, giving a £1 contribution. Over the length of the pension that can significantly add not just to the amount of money saved but also the growth potential of the retirement pot. Higher rate tax payers receive 40% tax relief but have to claim the additional tax back via their income tax return. Tax is paid on the income received from a pension.

The new death benefits rules which were introduced with the pensions freedoms in 2015, enable pensions to be passed on tax free to any nominated beneficiary, where death occurs under age 75. After that age the beneficiary will pay tax on the income received from the pension at their nominal rate of income tax.

These two benefits alone mean it can make very good sense to pay in as much as possible into your pension if you are able to do so.

Annual Allowance rules

However, this has to be done within the Annual Allowance rules, which limit the value of the pension payments a person can make each year, as well as the Lifetime Allowance, which limits the total amount a person can save into their combined pensions.

The Annual Allowance for 2019/2020 tax year is £40,000 but if you have not paid in the full amount in the previous three years you can carry any of those amounts forward for use in this tax year. If you don't use it within three years you lose it. The Annual Allowance covers your contributions into your pension as well as any employer contributions.

For anyone with an annual income over £150,000, the Annual Allowance is tapered down to a minimum of £10,000 a year.

It is important to note that anyone who has started to draw from their pension is limited to paying in £4,000 a year. This was introduced to stop people drawing from their pension and paying the money back in, thereby benefiting twice from tax relief.

Lifetime Allowance rules

The Lifetime Allowance restricts the total value an individual may hold across any pensions they have to a set amount, currently £1,055,000. A tax penalty is imposed where pensions contributions exceed that amount. Where the excess money is drawn as cash, the charge is 55%; where it is taken as income it is 25%, no matter what the individual's marginal rate of income tax.

Instances where people can get caught out with the Lifetime Allowance are where they have more than one pension accumulating capital over their working life; where they are near to the limit and fail to opt-out of auto enrolment; and where they have a mix of final salary and personal pensions, which are valued in different ways for Lifetime Allowance calculations.

If you would like advice on paying into or drawing money out of a pension tax efficiently, please contact your Lowes Consultant or call 0191 281 8811.

Tales of the Unexpected…

ANYONE WHO HAS AT LEAST A PASSING INTEREST IN the world of investments will have read recently about the suspension of the Woodford Equity Income fund, managed by the well-known fund manager Neil Woodford. As is often the case though, sorting the facts from the sensationalist headlines is sometimes easier said than done.

Neil Woodford made his name and reputation as a "star fund manager" with Invesco Perpetual at the turn of the century, when he significantly outperformed after the tech bubble burst. In the first five years of the 21st century the Invesco Income Fund he managed produced a total return (i.e. with income reinvested) of 61.76%, whilst the FTSE 100 fell 19.53% on the same basis. (Source: FE Analytics).

In 2014 Woodford left Invesco to set up his own business, and in June 2014 the Woodford Equity Income fund was launched. This was to be run using the same approach he had at Invesco, with a main portfolio of large, income producing UK listed companies, and a small tail of speculative unlisted newer businesses, accounting for around 5% of the overall fund.

The first three years saw the fund perform well and Neil's reputation meant the fund attracted many investors. Since June 2017 however, performance has fallen away, giving back all the positive returns and more. This coincided with several of the companies held having well publicised falls from grace, such as Provident Financial. Whilst several other funds held these stocks, Woodford's size, reputation, and the full transparency adopted by the fund, with all holdings published on their website, made it an easy go-to example for the media, ensuring it was always his fund quoted within articles, despite several others being affected also.

The prolonged underperformance of the fund, and the continuing negative publicity saw many investors withdrawing their money, seeing the fund fall in size from a peak of £10.3 billion to its current £3.4 billion. (Source: FE Analytics). The final straw came, however, when Kent County Council decided they needed to withdraw the £250 million they had invested. Not because of the underperformance, but because as a public body they could not be associated with the Woodford fund when it was subject to so much poor publicity in the press.

Liquidating sufficient assets to repay this amount, after an already prolonged period of redemptions, would mean the fund having to sell its more liquid stocks, leaving the supposed tail of small illiquid holdings as a much larger proportion of the fund than is allowed. This led Woodford, in conjunction with the ACD (the company that administers the fund) to announce the suspension of the fund, with the support of the FCA.

This is a temporary measure, to give Woodford time to raise sufficient cash within the portfolio to meet current and future withdrawals, without having to go to the market as a known forced seller, which would be to the detriment not only of those looking to sell, but also those who wanted to remain invested. As with the suspension of some property funds following the EU Referendum in 2016, we believe this is a sensible step to protect all investors in the fund, although appreciate it is extremely difficult for those who need to cash in their holdings.

Despite a conscious decision to exclude the fund from our model portfolios, we have met with Neil Woodford on several occasions, and caught up with him again the week after the suspension was announced to receive an update. We expect the suspension to be a period of months, not weeks, but during this period the fund will continue to publish its unit price daily, and also make income payments when due.

We have never doubted Woodford's ability as a stock picker, and he has been consistent in his long term views every time we have met. He continues to believe his focus on UK domestic facing stocks will pay off once Brexit is finally settled, and will maintain this stance whilst restructuring his portfolio. He will, however, remove his exposure to the illiquid, unquoted companies within his portfolio before the fund re-opens, making it easier in future to manage outflows should they continue.

Our one concern was always the difference between running a fund within a large organisation such as Invesco, with the back-up they can provide, and running an investment company. Not only because of the added distractions faced day-to-day, but also the ability to surround himself with as strong a team as he had previously.

At our last meeting Neil Woodford was very contrite about the mistakes that had been made, and clear in his determination to see the process through successfully for those invested in his fund.

The suspension of this fund will have repercussions long after it has re-opened, however, with questions being raised about holding more illiquid investments in funds which offer daily dealing. In the meantime, at Lowes we will continue to take our time assessing funds to make sure we fully understand the risks involved, not just at a stock-picking level, before we select an investment to go into a portfolio.

Woodford Equity Income Fund Size (£ millions)