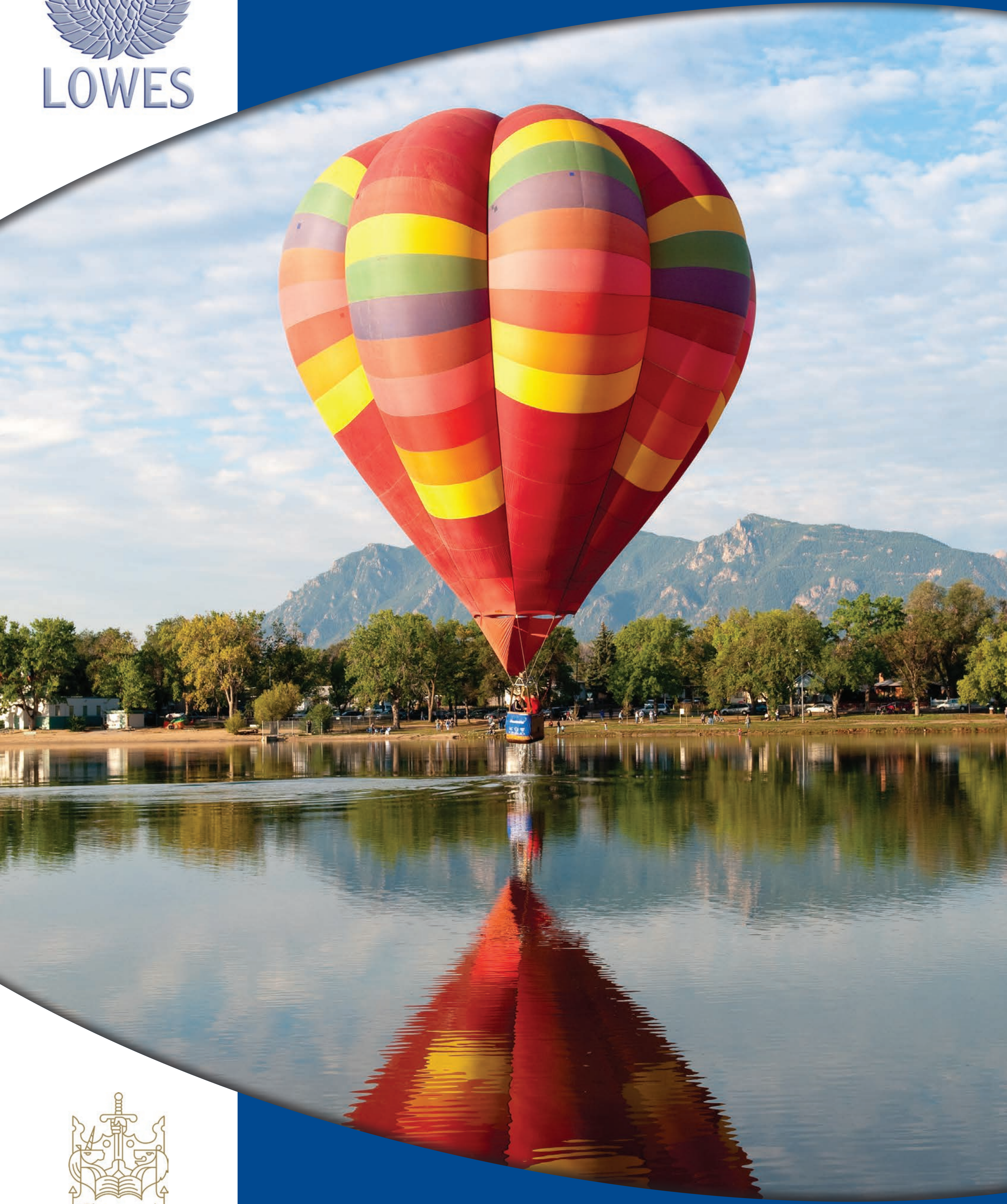
LOWES

Est. 1971

Issue **107**



Chartered
Financial
Planners

"It always seems impossible until it's done."
Nelson Mandela

Lowes wins Best Investment Adviser award

WE ARE DELIGHTED TO HAVE ADDED ANOTHER AWARD TO THE LIST of accolades that Lowes has achieved over the years, taking home the title of 'Best Investment Adviser' in the 2018 Money Marketing Awards.

After a rigorous judging process which included a formal in-depth interview, by a panel of judges comprised of top industry professionals, the judges unanimously decided that Lowes reliability as a firm stood out from the competition. They were impressed with the strong reputation we had built, which has helped gain clients' trust. Lowes stood out for its approach to investing and its strong relationship with the regulator. The judges also stressed the importance of the firm's regular client satisfaction survey and liked the way it approached risk and the way this is explained to clients.

Our investment advice process has been honed over decades and our dedicated in-house Investment team seek to blend different investments which will benefit from varying cycles in the stock markets, with the aim of achieving reasonably consistent performance over the medium to long-term. This award is down to the efforts of the wider team, all of whom work hard day-in day-out to ensure that we continue to perform for our clients.

Who will get your pension?

EXPRESSION OF WISH FORMS ARE USEFUL ways to ensure your pension money goes to your beneficiaries in the event of your death.

The forms let the trustees of your pension scheme(s) know how you'd like to allocate the money. Unfortunately many people forget to keep them up to date – which risks wealth being transferred to ex-partners, for example.

It is estimated there are around 770,000 people between the ages of 55-64 who are divorced but have since remarried or formed new partnerships, so could be subject to this risk.

Anyone in this position can ask their pension scheme(s) to send them a new 'Expression of Wish' form so they can update their details.

Preparing for the State Pension age changes

THE STATE PENSION CAN FORM AN IMPORTANT PART OF A PERSON'S retirement income.

Changes to the age at which people will be able to access their State Pension, will equalise at the age of 65 for both men and women from November 2018 increase it to age 66 by October 2020, and again to 67 between 2026 and 2028. The State Pension age will be reviewed every 5 years, and in our view, given the UK's predicted demographics, that will only continue to rise.

These changes need to be factored into retirement planning; namely the impact on the age at which individuals confidently believe they will have sufficient income to retire. The higher the State Pension age becomes the more people may need to adjust their savings and investments to match their anticipated retirement date.

Independent Financial Advice provides an impartial assessment of your accumulated savings and investments, calculating what income you require in order to identify when is the most suitable time to retire. You never know, it may be sooner than you think.

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Lowes Financial Management

@LowesFinancial

Lowes Financial Management

Make your money work Best bank & building society accounts

Type	Amount	Provider	Account	Gross Rate	Contact
Unrestricted instant access accounts					
Online	£1+	Coventry Building Society	Easy Access (Online)	1.25%	www.coventrybuildingsociety.co.uk
Online	£1+	Paragon Bank	Easy Access Account	1.25%	www.paragonbank.co.uk
Fixed rate bonds					
Online[1]	£50+	Atom Bank	1 Year Fixed Rate Saver	2.05%	www.atombank.co.uk
Online and telephone	£1,000+	Secure Trust Bank	2 Year Fixed Rate Bond	2.18%	www.securetrustbank.com
Online	£500+	Masthaven	3 Year Fixed Rate Bond	2.32%	www.masthaven.co.uk

Notes
[1] Online via the Atom App.

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

Retail Prices Index (RPI) 3.3%	Consumer Prices Index (CPI) 2.4%

Sources: Providers' websites, Office for National Statistics, www.thisismoney.co.uk, www.moneysupermarket.com, www.moneyfacts.co.uk, 09/07/2018. All accounts subject to terms and conditions.

Fernwood History

IT HAS BEEN TWO YEARS NOW SINCE Lowes Financial Management moved to Fernwood House. How time flies! Many clients visiting the building have asked about its heritage.

Much has happened in the house since it was built in 1864, and local historian Keith Jewitt, recently led a presentation about Baronet Walter Runciman and his wife Lady Anne Margaret Runciman, who bought the house in 1893.

Runciman was the Liberal Member of Parliament for Hartlepool between 1914 and 1918 and owner of the South Shields Shipping Company, one of the largest shipping companies in the area, as well as an author of six books, including his autobiographies.

Such was the standing of the Runciman family that two of the greatest names in Liberal party history, David Lloyd George and H H Asquith, visited the family at Fernwood House in the early 20th century.

The family owned the house for some 40 years. It then became a private maternity hospital.

If you would like to discover more about Fernwood House please call us on 0191 281 8811 and we can send you a booklet detailing its history.

Sudoku

We hope you enjoy our summer Sudoku puzzle. To complete it simply fill the grid so that each row, column and 3x3 block contains the numbers 1 to 9. You will find the solution on page 11.

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

Source: www.printmysudoku.com

COMMENT

Making necessary changes

IN JUNE THIS YEAR WE INSTIGATED ONE OF THE BIGGEST investment switches in the company's history. Over twenty-five million pounds was switched, on behalf of our clients, out of two long-held Invesco Perpetual funds.

This decision was not taken lightly and I have the utmost respect for our investment team for their conviction. We are not the type of investment manager which 'switches for effect' to look busy but instead, we aim to identify long term, consistently performing funds and monitor the holdings, switching only when all the signals are right.

Our approach has stood the test of time as evidenced, at least in part, by our most recently won award, covered on the opposite page.

Our ability to appropriately diversify portfolios and switch funds between managers is facilitated through the use of investment platforms. These did not exist in any substantial form until after the turn of the century but today are a fundamental part of the UK investment landscape, helping administer more than £500bn of assets.

Prior to the existence of investment platforms, we used to achieve the requisite diversification and management through the use of our own managed Unit Trusts / Open Ended Investment Company's (OIECs). The platform evolution provided an alternative vehicle which has served us and our clients well. However, over the years, the underlying legal and administration costs of operating OEICs has fallen significantly, giving us the opportunity to revisit their benefits for clients. Consequently, we will shortly be launching a series of Lowes managed funds.

The benefits of holding Lowes portfolios via OEICs are numerous. For example, a switch like the one we transacted recently, can be done as soon as our Investment Managers deem it appropriate, for all clients at once, rather than once we receive written instruction from each client, individually.

A further benefit is that OEICs can easily access investments that may ordinarily be out of reach of the retail investor. Our long-standing OEIC, the MI Diversified Strategy Fund, has been doing this to great effect for many years. Also, for many, a Lowes OEIC will represent a more tax efficient investment vehicle.

Whilst moving completely to Lowes Managed OEICs is not something we anticipate, we expect to be in a position to offer clients the first of the new breed before the year is out. Watch this space…

Another change that we will be making is to reduce the mountains of paper that you receive from us. Lowes 'went paperless' 18 years ago but since then rules and regulations, not least the latest set of directives from Europe, means the additional paperwork which we are required to provide with our recommendations, sometimes seems like a small forest. We have therefore made the decision to supply non-confidential supporting documentation, terms and conditions and the like that accompany our letters of recommendation, electronically, via email. Of course, if you have a particular desire for a paper version of any document, we can still print on demand.

We will however, continue to provide letters of recommendations, valuation reports and anything else with personal details on paper, which we consider to be more durable and secure and we believe, is how you will want to receive such information.

We make no changes lightly and our objective is always to put clients' interests first. We believe the changes outlined above will help us deliver a better overall service to you, as well as continuing our commitment to reducing unnecessary waste wherever possible.

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.

More people are seeking financial advice

THERE HAS BEEN A 25% INCREASE IN THE NUMBER of people seeking financial advice since October 2016, according to a recent survey by pension provider Aegon. The survey also revealed that a large number of individuals are still attempting to do this without proper expert guidence, despite the complex nature and difficult decisions around retirement planning, including mitigating tax and passing on their wealth to loved ones.

Aegon found that 38% of individuals are not confident about their ability to retire comfortably. Many were in the dark when it comes to their pension savings and arrangements for funding their retirement. Over a quarter (26%) of those polled said that they didn't know how much they hold in pensions and worryingly, this figure increased to 38% for those aged 65 and over.

In addition, just 17% of those aged 55-64 were found to hold more than £300,000 in pension savings – the amount the pension provider estimates someone on average earnings would need to maintain their current lifestyle in retirement.

The fact is, the earlier an individual meets an Independent Financial Adviser for a financial check-up – often a reality check – the more chance there is of doing something about their situation and getting their finances on track, this is particularly so for those with retirement ahead.

While we know the value to our clients of Independent Financial Advice – research last year by Royal London and the International Longevity centre showed that those who received financial advice over two discrete periods were considerably better off by around £40,000 than those who didn't – there is clearly a need for more people to realise the benefits too.

■ ***If you know of any family members, friends or colleagues who would benefit from our financial planning services, please pass on our details.***

Saving for grandchildren

THESE DAYS WE SEE GRANDPARENTS TAKING A MORE active role in helping their families financially. People of the baby boomer generation, which has benefitted from final salary pensions, long-term savings and investments strategies, are willingly choosing to help save for their grandchildren.

A recent survey by Saga found that many are putting aside between £50 and £100 per month, while one in four grandparents have stated that they expect some of their savings would be used towards their grandchildren's house deposit.

With so many ways to save and invest and protect wealth for children – Junior ISAs, Lifetime ISAs, designated accounts, bare trusts, flexible trusts, to name a few – it can be difficult to know how to gift money in the best way for both grandchild and grandparent.

While our first piece of advice before gifting away any money, remains to look carefully at your own financial needs, both immediate and long term, the second is to ensure that you bear in mind the potential tax implications, particularly inheritance tax.

Our Consultants can give advice on gifting and your tax position, and also, where large sums may be involved, protecting against the risk of money being squandered, by use of trusts.

Why drawdown advice makes sense

THE FINANCIAL CONDUCT AUTHORITY (FCA) RECENTLY raised concerns around people taking money from their drawdown pension without seeking financial advice.

Over the past few years drawdown has become the most popular means to generate retirement income, with people preferring the flexibility of keeping their pension money invested and accessible rather than locking it into an annuity, which would provide a guaranteed lifetime income.

Flexible drawdown also enables any residual pension pot to be passed on to chosen beneficiaries.

> *The risks of drawdown are that people make bad investment decisions, do not manage the money well, or take too much out of their retirement pots, thereby putting their retirement income at risk.*

A review by the FCA found that as demand for drawdown has risen, while people are often given information on retirement income by their pension companies and struggle with the complexity of the decision-making required.

We are not surprised by the FCA report's findings. This is an area which can require considerable research and assessment which is by no means easy, and additionally requires a defined and diversified investment strategy which is regularly reviewed.

The issues are further compounded by the fact that in the past the amount an individual could draw down from their retirement pot was limited by Government Actuarial Department limits, but since the introduction of the pension freedoms that restriction has been lifted.

> *The FCA raised concerns that pension savers making decisions without advice could be exposed to investments that are too risky for them, or which do not create enough investment return.*

This lack of proper advice and, as one commentator has put it, the ability to 'dip into your pension like a bank account' has numerous risks, not least of which is running out of money in retirement.

The management of retirement finances is vitally important and when looking decades ahead, factoring in the potential need for long term care, can be complex to calculate and manage. Questions such as where to invest, how to avoid paying unnecessary tax and reviewing how much income to take to avoid running out of money are key issues which have to be part of a forward looking financial strategy.

Independent Financial Advice can help manage the pension pot in a sensible manner while mitigating investment risk.

Key DIY drawdown risks

- Matching investment strategy to longevity
- Investments insufficient to maintain required income
- Drawing out too much and running out of money later in life
- Creating higher income tax liabilities
- Being taken in by a pension scam

Lowes Consultant Andrea Leask says:

Two safeguards we recommend anyone using drawdown puts in place are Lasting Power of Attorney (LPA) and making a Will.

Put simply, a LPA gives a trusted friend, relative, or an appointed solicitor the legal authority to act on your behalf if you are not mentally capable of looking after your own affairs.

This is another benefit of using an Independent Financial Adviser to help manage drawdown, because if something does happen, not only is there a strategy in place but your Lowes Consultant can work with the person charged with looking after your affairs to ensure income is maintained, which can be vital if long term care is needed.

Having an up-to-date Will in place makes it easier for those looking after your affairs to know who you would like to benefit from your wealth.

Preparing LPAs and Wills is not something Lowes does but we can introduce you to a third party that does. You can put an LPA together yourself at GOV.UK, although paying a specialist to assist can make sense.

■ ***If you or someone you know would like help in managing their pension drawdown, please call us on 0191 281 8811. Our Consultants backed by our in-house technical department will be able to help.***

Looking after your loved ones

WHAT PLANNING IS NEEDED TO HELP PROTECT and provide wealth for your family, partners and other beneficiaries should you not be around to do so? Lowes Consultant Stephen Hoggarth looks at some key points to take into consideration.

There comes a time in our lives when we start to focus less on accumulating wealth for our own needs and more on how we might pass it on to our loved ones and other beneficiaries after we are gone.

The age when people start to consider these issues can vary, and will often depend on how much wealth they have to pass on. However, as with most things financial, it is always best to plan ahead and to do so as far in advance as possible.

In this article I want to draw attention to seven key areas that I think everyone who has accumulated some wealth during their lifetime – whether that is in their property, pension, investments and savings – needs to address to ensure they have made sufficient provision and put in place the relevant safeguards to protect their money and ensure the right people are the beneficiaries of it.

1 Planning for IHT

One of the areas where it certainly pays to plan in advance is in respect of inheritance tax (IHT). Mitigating the potential effect of IHT on your accumulated wealth is core to any long term financial planning.

Currently, a nil rate band applies to everyone's wealth up to the value of £325,000. This will stay fixed until at least 2020, when the Government may review it.

There have been important changes to IHT rules in recent years. One of these was to introduce a transferrable nil rate band for married couples, which means where a person's wealth is passed on solely to their surviving spouse, the recipient can accumulate a total nil rate band of £650,000.

Other ways to plan for inheritance tax are to give money away, although this may fall back into your estate if you die within seven years of the gift being made and consideration could be given to using annual gift allowances of up to £3,000, as well as ad hoc allowances for weddings and civil ceremonies.

Since the introduction of the pension freedoms in 2015, paying into a pension plan has now become a popular means of potentially passing on wealth to the next generation and beyond. In pensions which facilitate it, pension money can be bequeathed to any beneficiary. If the person bequeathing the pension dies before age 75 the money is passed on tax free. If after age 75 then the person pays income tax at their usual marginal rate of tax on withdrawals from the fund.

Certain investments also qualify for exemption from IHT. Business property relief for example, was set up to allow family firms to pass the business on to the next generation without incurring huge IHT bills. This has been extended to include investments in smaller companies. The stipulations are that the investments must have been held for at least two years and still held at point of death.

> *"The introduction of the residence nil rate band from 6 April 2017 has further increased the amount of wealth that may be passed on. This started at £100,000 in 2017, increased to £125,000 in April 2018 and will rise by £25,000 per year until it reaches £175,000 on 6 April 2020. This effectively increases the nil rate band of a home owning couple by another £250,000 this tax year. However, it can only be used when passing on wealth from property to children and descendants free of tax where certain conditions are met.*

Effecting life insurance is another way to deal with IHT bills. Taking out a life insurance policy and putting it in trust means when the policy pays out it can be used to meet the tax bill. This doesn't save tax but is a way for your beneficiaries not to have to worry about the tax bill that needs to be paid.

2 Lasting Power of Attorney

Did you know that the Alzheimer's Society has calculated that one in six people over the age of 80 has dementia, 40,000 under the age of 65 have it and 225,000 people will likely develop dementia this year?

In our view, setting up a Lasting Power of Attorney (LPA) is becoming an ever more relevant action to take. Advances in healthcare and improvements in the standard of living now mean longevity in the UK is increasing, yet one impact of this is the increased chance of us developing health issues as we grow older.

There are two types of Lasting Power of Attorney, one for a person's property and financial affairs and one for their health and welfare. The person setting up the LPA, the donor, appoints one or more people, the attorneys, so that in the event that they are unable to make decisions for themselves, the attorneys can make them on their behalf.

Putting an LPA in place means that the donor can select the most appropriate people to make decisions for them if they have an accident or an illness and cannot make their own decisions because they lack mental capacity.

3 Setting up a Will

While it is standard advice to make sure you have a Will in place, we find it still can be one of the areas overlooked or put off until it is too late. Not having a Will can cause significant issues for loved ones both financially and from a legal standpoint, as some recent high profile intestacy cases have shown – the legacy of the musician Prince, who died intestate, being a case in point.

Discussing your Will with your Lowes Consultant can make sure any actions are as tax efficient as possible, particularly in respect of Inheritance Tax when passing on wealth to family.

> *"Bear in mind that Wills need to be regularly reviewed to ensure they reflect your current wishes, taking into account your family's particular circumstances, which will change over time.*

4 Reviewing portfolios

As we move through life so our circumstances change. When we are younger we can take more risks with our investments because we are looking at a longer time frame should we suffer from a market fall. As we get older, many people become more cautious, wanting to take less risks with the wealth they have accumulated to preserve it for their retirement or to pass on.

We will also have different objectives for our investments at different stages in our life.

It is important therefore to regularly review our portfolios to ensure they match where we are in our life's journey in terms of their performance, risk and our financial goals.

5 Insurance

While often seen as an expense, insurance is there for when you need it most. Life insurance is a standard option for anyone with a mortgage and/or family as a means to ensure your loved ones will not lose their home or can have financial support in the event of a bereavement, while other policies such as critical illness and income protection can help ease the financial burden should illness or an accident occur.

6 Long term care

Increased longevity in the UK has resulted in the growing need of more people to require long term care.

Care homes can be expensive with many authorities struggling with funding, so the financial cost is falling on the individual. What also should be considered is the kind of establishment we would want to spend time in – the basic minimum afforded by an authority or something more in line with our normal living environment.

Here again, early planning can help factor in the cost of care and prepare for it financially, so if it is needed loved ones are not trying to contend with local authority bureaucracy and financials as well as the emotional impact of having a loved one needing care.

7 Cash in hand

One of the things I always tell my clients is to talk about their finances, especially with their spouse or partner. I've experienced numerous instances, where through a natural demarcation of domestic duties one partner has always handled the finances. Sadly, when something happens to that person, often their other half is left not knowing what they have and where things are and more worrying from an immediate impact, unable to access money to pay the bills.

I recommend holding enough money in a joint account to cover a few months' bills, so that should something unexpected happen, keeping the household running does not become another worry, at what can already be an emotional and uncertain time.

Everyone's financial circumstances and how they mitigate IHT will be different so it pays to forward plan and seek Independent Financial Advice.

If you would like to talk about any of these areas in more depth please contact your Lowes Consultant or this office on 0191 281 8811.

Investing in change

HAVE YOU CONSIDERED HOW MUCH THE WORLD IS changing around us? Many of the technologies that feature in our current day-to-day lives wouldn't have even been imagined just a few decades ago.

We only have to compare the functionality of the mobile phones of 10 years ago with those we carry around with us today to understand how technology has been taking major strides over the years. Driverless cars are already on our streets and robotics are being used in a whole range of industries.

Likewise, who would have thought in July 1994 that a start-up online retailer called Amazon would be the second most valuable company in America, at $765bn, behind Apple at $889bn and at the time of writing $3bn more than Google, itself only set up in 1998.

As the world rapidly develops, it is believed there are four key drivers of change that will be the major influencers on how the world will be shaped in the years ahead. These 'megatrends' are divided into demographics, the environment, technology and social behaviour.

Within those over-arching trends, other areas which will require external investment to be brought to fruition, include natural resources, energy, food and water.

For example, as rural to urban drift continues apace, mainly centred in Asia and Africa, we will not only see large scale infrastructure investment but also changes in production and consumption dynamics. Advances in areas such as alternative energy, irrigation, fresh water supply and farming will be needed to support such a change as well as increased security of natural resources.

We'll also need to meet the needs of a global population that is growing older. An increasing percentage of the world's people is over age 65, which alongside creating a healthcare burden, means that medical technology, pharmaceuticals and biotech are likely to be areas of growth for decades to come.

So, in 2015, anticipating the advances we would be seeing in the years ahead, Lowes constructed the Changing World Portfolio.

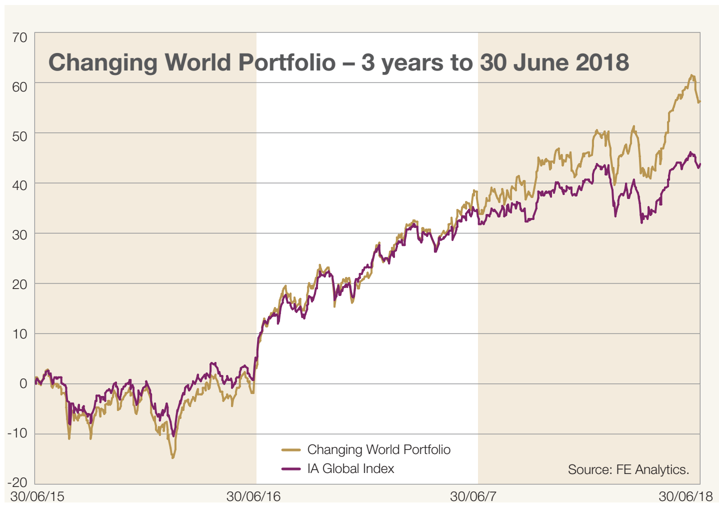
This invests in funds focussed on the themes most likely to play an important part in the future development of the global economy and society.

The portfolio can invest in new initiatives and innovative areas as they grow, both for sound investment reasons as well as helping companies build and deliver new ideas, technologies and services and help drive positive environmental and social change as well.

Based on developments in the past 10-20 years, there are likely to be some phenomenal changes in the next 20 years. If it suits our investment strategy, it makes sense as investors to be aligned with those themes as early as possible.

If anyone doubts these trends as an investment destination, over the past three years, to 30 June 2018, the Changing World Portfolio has returned 56.49% for investors. While past performance is no guarantee of future returns, with careful fund selection and monitoring we believe this is an investment strategy that has potential for many years to come.

By nature, the changing world portfolio is a higher risk investment – which may require a longer investment time horizon.



Long Term Care costs and deliberate deprivation

DELIBERATE DEPRIVATION OF ASSETS – MEANING, disposing of assets in order to fall below the financial threshold at which the local authority will start paying long term care fees – is a grey area for many local authorities. If they feel someone has deliberately reduced their assets – which includes money, property or income – to avoid paying care home fees themselves, they can refuse or stop paying for care.

Recently, North Yorkshire County Council appeared in the news when the Local Government and Social Care Ombudsman found the Council was 'wrong' to have stopped paying for a woman's care fees because she had reduced her savings by giving away monetary gifts to her family.

The reason for the Ombudsman's decision was that the woman had paid her own care cost for eight years previously without calling on the Council and there was evidence that she was in the habit of giving gifts to family members for birthdays and Christmas. The Ombudsman said that just because someone was in care didn't mean "they should not be able to spend their money on things other than their care, and this includes continuing to give gifts to friends and family".

Deliberately disposing of assets for the main purpose of avoiding care home fees to pass on a financial burden to the taxpayer is considered unacceptable and people do get caught out in this respect.

There are legitimate reasons for disposing of assets – for example, if they were given away when someone was fit and healthy and could not have imagined needing care and support. Also, some assets are disregarded from the local authority's capital assessment but this can depend on the reason for investing in them.

As more and more people are living longer there is greater chance of the need for long term care. Planning ahead, for example using trusts and insurance bonds, can help ensure some family wealth is passed on whilst also meeting obligations to pay for necessary care and support.

If long term care issues concern you our Consultants can offer a free initial consultation to talk through your circumstances. Please call 0191 281 8811.

Structured products – the longer game

LOWES HAS BEEN INVESTING IN STRUCTURED products for over two decades and we have a justifiable reputation in the financial services market for being experts on this investment type.

We research and assess every plan that is available via the financial advice market, from which we select our 'Preferred' plans, those that we believe have the best chance of delivering for our clients.

In the past few years we have worked with selected partners to develop 'Auto-Call' structured products, which we believe increase that chance of the product delivering for our clients and other investors.

The key means to achieve this is by extending the maximum investment term, which by definition provides greater opportunities for the plan to mature with a gain, particularly if no market growth is required to trigger a positive maturity.

For example, these plans can offer a set return for each year held, able to mature with that return from the second year onwards, if the FTSE 100 index is at or above a certain point. Stockmarkets are unpredictable and if the index isn't above the right point to mature at year two, the plans roll over until either they pay out or the investment term ends. Most plans in the market had 6-year maximum terms but we have enabled 8 and 10 year terms, so increasing the chance of the investments ultimately producing a gain should the market suffer a fall.

In addition, capital is protected against market downturns of 30-40%, depending on the product and these barriers are only observed at the end of the maximum term.

There are risks involved, namely that the index does not recover sufficiently or the counterparty to the product, the bank with which the contract is held, goes bankrupt, when investors can expect to lose money.

Also, they are for those investors able and willing to hold the investment for a number of years. But we would ask, if these elements don't ultimately produce positive returns, what aspects of a portfolio would?

Where now for the stock market?

THIS YEAR HAS SEEN THE FTSE 100 GO THROUGH A period of volatility and reach all-time highs. What can we make of this?

Volatility is a part of the markets. In December 1999 at the height of the dotcom boom the FTSE went above 6,900 points. Then the technology bubble burst, with markets hitting a 21st century nadir in 2003. Then as markets almost fully recovered, the Financial Crisis struck.

Between 2000 and 2016, for the FTSE 100 to pass the 6,900 mark seemed like the Holy Grail of investment. Then in 2017 the FTSE 100 not only passed 7,000 but kept steadily rising, past 7,700. This all seemed too good to last. Hence, when in February of this year markets took a tumble – and the FTSE dropped back to just above 7000 – there were scaremongering headlines predicting the end of the bull market.

What should be emphasised is that bull markets rarely come to a natural end. Normally, this requires a particular event, or events to act as a catalyst, as seen during the Financial Crisis. The same applies to market crashes.

We expect that any steadily rising market will, at some point, experience a correction, which is what we saw in February.

> *Despite February's setback, in May, the FTSE 100 once again broke through barriers to reach an all-time high, closing on the highest day at just over 7,800 and, at time of writing, the index has levelled at around 7,600.*

Currently, global growth looks set to continue – although it will likely be affected by the US Federal Reserve's decisions around reversing Quantitative Easing (QE) and the growth of the US economy.

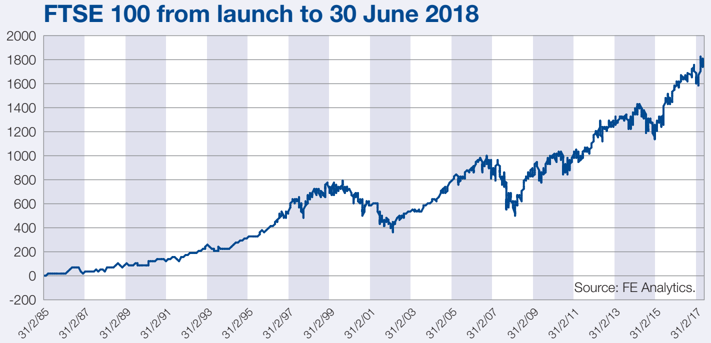
While volatility within the markets is expected, the fact is, there are plenty of good companies around the world that are doing very well and in which professional managers can invest.

Indeed, where volatility exists, we would argue that having an active manager's hand on the investment tiller is ever more important, as well as to diversify a portfolio with investments such as structured products.

Our job, as Independent Financial Advisers, is to select the best of the professionally managed funds to include in portfolios, as well as other investments, to help balance risk and reward with the view to provide consistent performance over the long term. So, we are rarely fazed by market corrections, seeing them as a natural phenomenon of the markets.

If there is one thing we can predict about the stock markets it is that they will be unpredictable.

FTSE 100 from launch to 30 June 2018



Lowes Consultant Tim Dawson says:

"While the FTSE 100 is the London Stock Exchange's high-profile index and is often seen as a reflection of how the UK is doing, in fact, very few of the companies that make up the index derive their revenue just within the UK. The index is heavily influenced by what is happening in the global economy. The rise in oil prices in the Spring, for example, was favourable for the FTSE 100 because of the number of companies within it deriving their profits from commodities – which helped it reach that May all-time high.

What must be remembered is that since the inception of the FTSE in 1984, when it started at a base of 1,000, the index has continued to rise. There have been significant falls along the way – 1987, 1999 and 2008 being particularly notable – but company profits continue to grow, reaching their own all-time highs, which are reflected in their share prices and then in the index.

Investing is not country specific – as the good companies will take their opportunities wherever they are on a global scale. As investors we need to see the bigger picture and our portfolio strategies therefore reflect that dynamic.

Lowes 'Preferred' Plan Maturities

THE DEDICATED LOWES INVESTMENT TEAM AS WELL AS researching and monitoring funds and fund managers, also research structured products.

We look thoroughly at the structured products available to financial advisers and use our expertise in this area, built up over 20 years, to select the ones we believe have the best terms and structure for delivering a positive return for investors. We term these the Lowes 'Preferred' plans.

We firmly believe that structured products are useful tools in investment strategies. What we particularly like about structured products is that you know exactly what you are getting – for example, a growth product can deliver a set percentage return, with the potential to mature at specified points in time, and protecting capital to a set percentage fall in an index. A growth product will fall within Capital Gains Tax (CGT) rules and so can be used with CGT exemptions to mitigate tax bills.

The table below shows maturities between from 1 April to 30 June 2018 of the plans most commonly held by us and our clients.

As you can see, these investments have on average produced over 8% p.a. and often much more for investors. We believe structured products are an excellent way to help diversify portfolios.

Provider	Maturity Date	Index	Duration	Gain/ Income
Societe Generale	10/04/18	FTSE 100 & S&P 500	2 Years	19%
Walker Crips	23/04/18	FTSE 100	2 Years	20%
Investec	25/04/18	FTSE 100	2 Years	18.5%
Investec	04/05/18	FTSE 100	5 Years	45%
Investec	04/05/18	FTSE 100	5 Years	67.5%
Societe Generale	21/05/18	FTSE 100	2 Years	19.5%
Societe Generale	21/05/18	FTSE 100	2 Years	14.8%
Meteor	29/05/18	FTSE 100	2 Years	15%
Investec	06/06/18	FTSE 100	2 Years	19.5%
Walker Crips	11/06/18	FTSE 100	2 Years	18%
Investec	15/06/18	FTSE 100	5 Years	50%
Investec	15/06/18	FTSE 100	5 Years	67.5%
Barclays	29/06/18	FTSE 100	6 Years	36%

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

Spotlight on your Lowes Consultant

WHILE BARRY O'SULLIVAN IS ONE OF our most recent Lowes Consultants, he has been working with Lowes for over 11 years, latterly as Manager of our Pension Department.

Barry started his career in financial services after achieving a degree in Economic and Social History and then a Master's degree in International Financial Analysis from Newcastle University. He knew he wanted a career in finance and joined the financial advice arm of a large national law firm, where he gained a good grounding in financial planning for a diverse range of clients. He stayed there for four years before joining a smaller financial advice firm where he had more hands-on experience as a financial planner.

Then, in 2007, the opportunity came to join Lowes. "Lowes was a much bigger firm, with considerable strength and depth to the service it offered and a great team as well, and I saw it as a great opportunity to join the technical team as Senior Technician and develop that side of my career," Barry says.

In the technical role Barry was responsible for supporting the Lowes Consultants and clients with an in-depth research and product selection process. This included looking at areas such as pensions and inheritance tax as well as other aspects of financial planning, analysing how products would fit with and provide solutions for client needs.

It also meant keeping constantly up-to-date with the many changes to legislation, rules and regulations governing financial services. "Consequently, looking at where the changes offered opportunities and could be used to the advantage of our clients," Barry says.

Barry remarks on the introduction of the Pensions Freedoms as one set of changes from which clients have been able to benefit.

"One of the areas of growing importance over the past few years has been looking at people's options regarding Defined Benefit pensions. This is an area where the rule changes have opened up options but where people most definitely need Independent Financial Advice," he says.

Over the years Barry specialised in the intricacies and complexities of the pensions market and became a member of the senior management team.

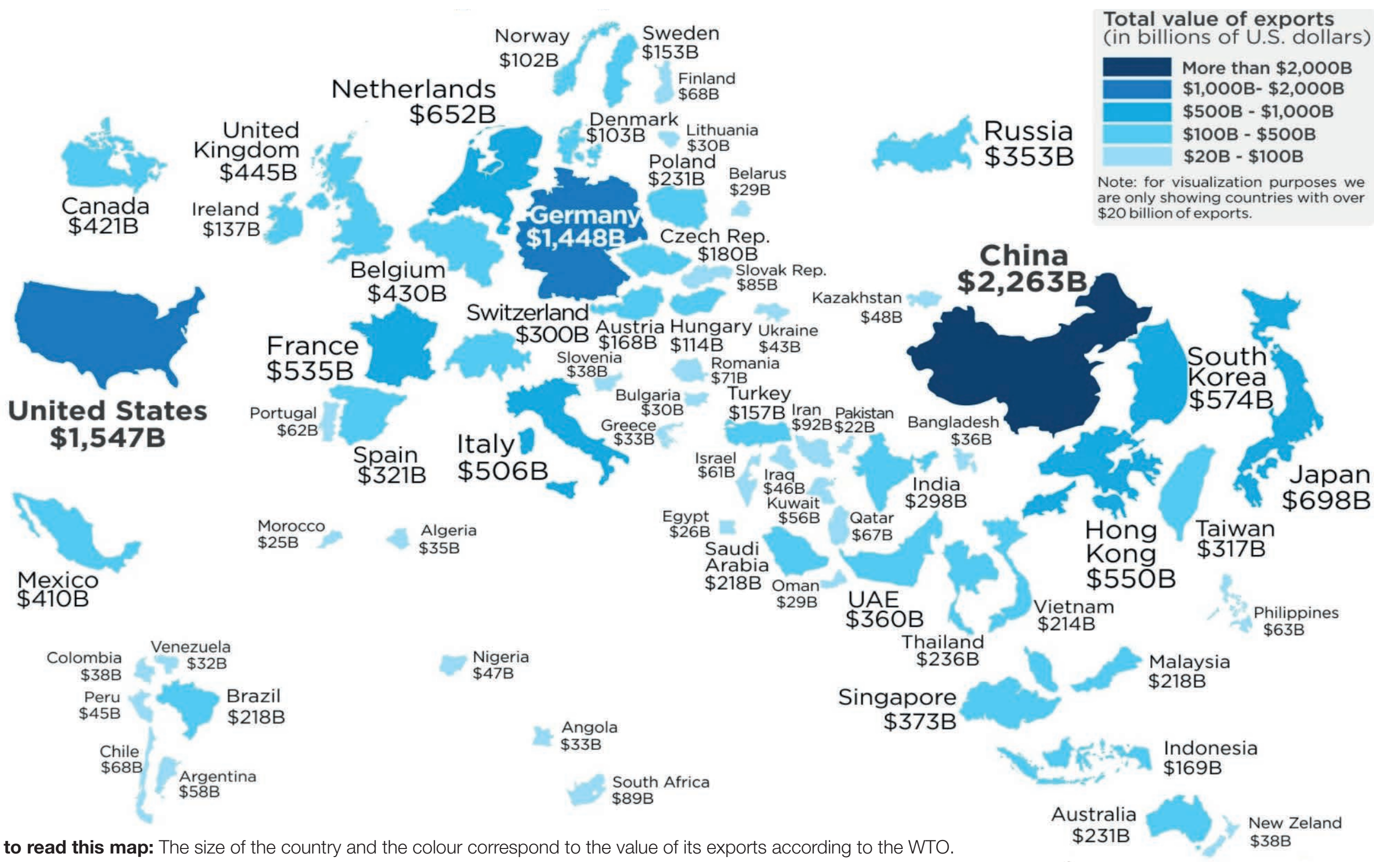
With Lowes continuing to grow and attract new clients, the opportunity then arose to become a Consultant. "Everything I've done in my career in financial planning has been to help clients find the best solution for their needs and so moving into a Consultant role has been a natural progression for me," Barry says. "I get to use my knowledge and experience, supported by the strength and depth of the Lowes team, in a more direct way with clients. Every client is different and needs a different solution and working on that with them is very fulfilling.

"Lots of people know they need advice and part of my role is showing and explaining how they would directly benefit from our expertise and experience. I would say it is never too early, or too late, to get an Independent Financial Adviser involved in your financial affairs."

Law of Unintended Consequences

Doug Millward, Lowes' Investment Manager, looks at the imposition of trade tariffs and their potential effect on the global economy.

The World's Top Exporters in 2017



How to read this map: The size of the country and the colour correspond to the value of its exports according to the WTO.
Article and Sources: https://howmuch.net/articles/largest-exporting-countries-2017

MUCH HAS BEEN SAID AND WRITTEN IN THE MEDIA recently about Donald Trump's decision to impose tariffs on a range of goods and materials coming in to America.

In a way, President Trump's frustration with current arrangements is understandable. With China, for example, foreign firms wanting to trade in China must do so by teaming up with a Chinese company, and in doing so must give them access to their intellectual property. This is giving Chinese businesses a massive leg up in terms of technological advancement at very little financial cost. Another concern, and slightly more pragmatic, is the size of the trade deficit between the U.S. and some other countries (the difference in value between the amount the U.S. sells to a country compared to the amount they buy). The U.S. buys $568 billion more in goods from other countries than it sells by far the biggest deficit is with China which accounts for almost 60%.

Whilst being a popular policy at home, with his approval ratings as president soaring in the aftermath, the longer term effects may not be what he or his supporters initially expected.

The imposing of tariffs on imported goods and materials makes them more expensive and consequently home-produced goods relatively more attractive, but it doesn't make them any cheaper. The increase in cost will lead to a rise in inflation, and consumers will also have less spare income to spend on more "luxury" items.

We were given a good example of this at a recent presentation, from a policy of Barack Obama, Donald Trump's predecessor. In 2012, in response to cheap tyres coming into America from China he imposed a tariff on these, announcing that his policy had saved 1,200 jobs in the American tyre industry. American tyres didn't become any cheaper, of course, so Americans ended up spending over one billion dollars more on tyres because of the policy. That extra money had to come from somewhere, which meant that people's discretionary spending had to reduce. A study by the Peterson Institute of International Economics suggested that this reduction led to the loss of 3,700 retail jobs over time.

Rising prices at home are not the only effect of these tariffs either. Tariffs are being applied to goods imported from China, for example, but China is not so much a manufacturer of some of these but rather an assembler. This may seem like a pedantic distinction, but some of the components used to make the goods in China are themselves imported from other countries, many of which are allies of the United States. They are not going to be happy seeing demand for their goods falling as a result of the US tariffs.

Hopefully these tariffs are just Donald Trump's opening moves in an attempt to renegotiate existing arrangements with America's trade partners. We have seen already that he is bringing the same tactics he used in business to politics, namely starting out aggressively and then pulling back on his rhetoric to make a deal.

The response of other countries with the immediate imposition of tariffs of their own seems to signal they are unwilling to be bullied into a deal, however, in a world where nations' economies are increasingly more reliant on their trade with each other, the unintended consequences of this policy may be felt for many months and years to come.