100th Issue

"Success is getting what you want,
happiness is wanting what you get."
W.P Kinsella

INSIDE TRACK

Client Competition: A good year for gold – so far

WHERE DID YOU PLACE THE PRICE OF A TROY OUNCE OF GOLD COME 31 DECEMBER 2016?

That's what we asked you to do for this year's client competition, with the person closest to the final price, set to receive £250 of Marks and Spencer vouchers. Your guesses ranged from £950.00 to £2300.00.

At the end of the third quarter, the price of a troy ounce of gold was $1322.25, up 24.7% year-to-date. We will have to wait and see just where it will be at the end of the year and who has won our competition.

Gold price December 2015 to June 2016 (US$)	
31/12/15	1060.00
29/01/16	1111.80
29/02/16	1234.90
31/03/16	1237.00
30/04/16	1285.65
31/05/16	1212.10
30/06/16	1320.75
31/07/16	1345.65
31/08/16	1309.25
30/09/16	1322.50

Take a virtual tour of Fernwood House

WHILE MANY OF OUR CLIENTS VISIT US IN JESMOND, WE ARE aware that we have a substantial number of clients around the country who will not be able to regularly see our new office.

If you want to have a look inside our client meeting rooms and reception at Fernwood House, you can take a virtual tour in Google by searching 'Lowes Financial Management' and clicking 'see inside' on our image.

Another award for Lowes

WE ARE DELIGHTED TO BE ABLE TO TELL YOU THAT LOWES has added another accolade to those we have received over the years, namely the Commended award for Investment Adviser of the Year from Moneyfacts Life and Pensions.

Pictured are Doug Millward (right) and Paul Milburn of the Lowes Investment team collecting the award from the host, TV presenter Claudia Winkleman.

THANK YOU TO EVERYONE WHO RESPONDED TO OUR LOWES MAGAZINE SURVEY.

While we may have been producing our magazine for nearly 25 years, it is important to us that we have your views on what you would like to see covered. Over 750 of you responded to our recent survey and we were very pleased to see that overall you find our content interesting and relevant. In future issues you can look forward to seeing more of your comments and suggestions that we took on board featured in the magazine.

Follow us online to stay up to date with company articles, blog posts and updates.

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					
Branch, telephone, postal, online	£1+	Coventry Building Society	Easy Access Saver (3)	1.0%	coventrybuildingsociety.co.uk
Accounts with first year bonus					
Online	£1+	Tesco Bank	Internet Saver Account	1.01%*	tescobank.com
Fixed rate bonds					
Online	£1,000+	Charter Savings Bank	1 Year Fixed Rate Bond	1.38%	www.chartersavingsbank.co.uk
Telephone & postal	£1,000+	Secure Trust Bank	2 Year Fixed Rate Bond (Issue 14)	1.50%	www.securetrustbank.com
Online & telephone	£1,000+	Vanquis Bank	3 Year Fixed Rate Bond	1.56%	www. vanquissavings.co.uk

Notes
* Includes a 0.26% bonus for 12 months.

Measures of inflation - The average change in prices of goods and services over a 12 month period to August 2016

Retail Prices Index (RPI) 1.8% | Consumer Prices Index (CPI) 0.6%

Sources: Providers' websites, Office for National Statistics, www.thisismoney.co.uk, www.moneysupermarket.com, www.moneyfacts.co.uk 06.10.2016. All accounts subject to terms and conditions.

Covershot: Tyne Bridge, Newcastle
Copyright: NaturesMomentsuk

This magazine is not personal advice. If you are unsure as to the suitability of any intended course of action, please contact your usual Lowes Consultant or this office.

Why it doesn't pay to stash your cash

RECENT HMRC FIGURES SHOW THAT TOO MANY people are putting their savings into Cash ISAs despite the Bank of England base rate running at historically low levels.

Around 73% of ISA savers have consistently put their savings into cash compared to 27% who invest in stocks and shares ISAs. There are gender and age biases highlighted by the figures as well, with women placing 80% of their ISA money in cash, compared to men who place 72%; while those under 25 place 92% in cash compared to those aged 55+ who put 72% into a cash ISA.

Alarmingly, Citizens Advice figures reveal that three in 10 retirees who are drawing cash out of their pension then put that cash into their bank accounts, which typically pay zero to hardly any interest on it.

With inflation at 1.6% and most ISA cash accounts paying below 1%, few if any are making savers money. In fact, keeping cash in bank or building society cash accounts is losing you money in real terms.

Cash savers have been further disadvantaged recently by the Bank of England cutting the base rate for the first time in seven years, from 0.5% to 0.25%. There have been hints from the Bank's deputy governor Ben Broadbent that a further cut could be on the cards later in the year, which means returns for cash savers will get worse before they get better.

Whilst we suggest that clients have some cash in the bank for easy access or emergencies, increasingly putting excess cash into alternative strategies as part of carefully controlled financial planning can make your money work harder for you.

If you want to know more, please talk to your usual Lowes Consultant or call our office on 0191 281 8811 and we will arrange for someone to get back to you.

Sudoku

For the puzzle enthusiasts among our clients we are pleased to include another Sudoku puzzle with this issue of the magazine.

To complete the puzzle fill the grid so that each row, column and 3x3 block contains the number 1-9. The solution is on page 15.

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

Source: www.printmysudoku.com

COMMENT

100th Issue of our magazine

WELCOME TO THE 100TH ISSUE OF THE LOWES MAGAZINE, filled with financial facts and information that we hope you will find useful when considering your financial affairs.

When the Lowes magazine was first published in the early 1990s the Lowes team probably wasn't thinking about the 100th issue, but here we are, 25 years on, with many different people in the business but the same philosophy towards the way we handle our clients' financial wealth.

It is also the year in which Lowes Financial Management celebrates its 45th anniversary. It seemed fitting, therefore, that in addition to the usual 12 pages of the Lowes magazine, we have a special section in which we look at our history as well as the culture and ethos of the company. You'll find that section in the middle of the magazine.

Turning to issues of the day, one of the problems with which we are dealing at present is the exceptionally long period of low interest rates. This situation was exacerbated recently by the Bank of England cutting rates again in response to the result of the EU Referendum and there is also every possibility that the rate could be cut further.

With inflation running above the rate paid by most cash accounts, we can surmise that it is going to be some time yet before interest rates rise to a point where holding your money in a cash account will be doing anything but lose you money in real terms.

One of the alternatives to cash currently being popularised is Peer to Peer (P2P) lending. This is where small investors invest money in a platform that then lends money to borrowers. The investors benefit from the interest paid, which can be considerably higher than returns from a cash ISA, for example, although there are tax issues to factor in.

However, a significant number of the companies running P2P lending schemes have been losing money – often because this is a volume game and they need to market heavily to attract investors. You may well have seen advertising for one or more of them.

We've been keeping a watchful eye on this nascent market and I have personally met with a number of the platforms to ascertain their pedigree and potential.

While I am not investing personally in any of these platforms at present and certainly, as a company, Lowes is not in a position where we are confident to put our clients money into this market as yet, we believe there are some emerging propositions worth further attention.

In particular there are propositions being run by companies that we know and respect, on which we are conducting detailed research. One in particular addresses the concerns that we have with the sector and we believe may present an opportunity.

Once our thorough research and due diligence has been carried out, if we like the look of it we will invest in it ourselves to ascertain any pitfalls before we take the step of bringing it to our clients' attention.

For the time being, should you be approached to invest in a P2P platform, before doing anything, please talk to your Lowes Consultant or call our main office number – 0191 281 8811 – for advice.

Ian H Lowes,
Managing Director

If you would like to receive further information on any of the subjects featured in this issue of **LOWES** please call:
0191 281 8811, fax: **0191 281 8365**, e-mail: **client@Lowes.co.uk**, or write to us at:
Lowes Group PLC, FREEPOST NT197, Fernwood House, Clayton Road, Newcastle upon Tyne NE2 1BR.
Lowes® Financial Management Limited. Registered in England No: 1115681.
Authorised and Regulated by the Financial Conduct Authority.

PLANNING

Financial needs across the generations

IF WE THINK ABOUT THE DIFFERENCES IN THE WANTS AND needs that can exist between the generations, the issues this can create and the demand for appropriate financial planning solutions, it can become something of an eye opener. Each generation requires advice that is particular to their aims, ambitions and financial objectives – and our Consultants use their experience and expertise to ensure every client, no matter what generation they belong to, will receive the best advice and solutions for their individual circumstances.

Rod Molyneux is one of our Consultants who has a history of serving a family throughout the generations. He describes two examples of how members of the same family have needed differing sets of advice pertinent to their age and circumstances, and how when a family has joined together to receive advice, the benefits have been significant.

A mother and daughter

The first family Rod talks about came to Lowes through the daughter, Rose*, who was in her 40s at the time. "She attended one of our seminars that we held in the North East and came to us for a general review of her investments," Rod explains. "We helped her with her portfolio, reviewing it and making suitable recommendations and we continued to serve her as a client for around five years. At that point, her mother, Dorothy required tax advice and pleased with what we had been doing for her, the daughter introduced her mother to Lowes."

Dorothy was in her 80s at the time and had a set of financial objectives that were very much in contrast to those of her daughter. This was mainly because she was a widow and had a large estate which was being managed from an investment point of view by a stockbroker. The problem was, Rod explains, "the stockbroker wasn't giving her any long-term financial planning advice."

Rod accompanied Rose to see Dorothy to talk about her concerns. "Being elderly, the first thing we had to deal with was a potentially large inheritance tax liability. Dorothy knew she had a liability but she had no idea how to approach it. I looked at her full financial position and we were able to help her create a proper financial plan and take steps to help mitigate the inheritance tax situation."

Rod continued to advise both ladies and when Dorothy sadly passed away, their family saved around £200,000 in inheritance tax because of the financial plan Lowes had put in place.

"It's only when something occurs in our lives that we realise why we need financial plans in place," Rod says.

Once the inheritance was arranged, Rose asked Lowes to manage all the family wealth, including the investments, helping to grow and protect their wealth over the years. Now, she has just retired and is facing similar issues in respect of inheritance tax, although she has less qualms about the situation having had first-hand experience of how Lowes can help her deal with it.

"Rose's needs have changed and now she is looking both for income from her portfolio of investments in order to enjoy her retirement and also to protect her wealth for her own daughter," Rod says.

The couple in their 50s

The second example, is a couple named John* and Diane*, who were in their late 50s and who had accumulated a reasonably large investment portfolio between them. They felt somewhat overwhelmed by the responsibility of trying to manage their investment portfolio by themselves and came to Lowes for advice on a suitable investment strategy as they approached their retirement.

"Unfortunately, Diane died unexpectedly. We helped the family set up a discretionary trust that enabled John and other members of the family to benefit from her wealth while minimising the tax liability," Rod says.

Seeing how well Lowes handled his mother's affairs, their son Steven* also became a client of Lowes. "Steven asked us to advise on his pensions and investments and soon after, his wife became a Lowes client as well.

Rod Molyneux has been a Consultant at Lowes for over 20 years and has worked with many families down through their generations.

"We have since helped John plan in terms of inheritance tax and in addition, he has looked to us to help invest some money on behalf of his first grandchild in appropriate vehicles, with a long-term outlook as he knows that will benefit her the most."

The financial planning around this family is a standard example of how people's needs will change over time, Rod says. "John, our original client, initially came to us when he wanted investment planning advice, looking to grow his investment with a view to creating wealth for retirement. Now we are advising him on protecting his estate, inheritance tax, lifetime gifting, reducing risk in his investment portfolio, and consolidating his assets to make them easier to manage.

"Steven and his wife, on the other hand, are firmly into accumulating their wealth and are looking for strategies that will help them do that."

Differing needs

In general terms, Rod considers that more mature clients will tend to look for inheritance tax planning, income from investments, a means to supplement their pension income in retirement, greater levels of security and lower risk, and often will want to consolidate and rationalise their investments, in order to make them more manageable.

In contrast, younger generations can be more open to taking greater risk with their investments, as they have a longer time frame in mind, for example when planning for retirement; they are looking for capital accumulation, financial security to prepare for the uncertainty that the future can at times bring and also to create wealth for their own retirement.

"We find how people view risk is where there is most difference between the generations, for very practical reasons," Rod says.

When asked if serving a family makes it easier to plan for the individuals in that family, Rod says: "Definitely. What you get is the ability to have joined up thinking. If you have different advisers dealing with different members within the same family, you can end up with competing or contradictory objectives, or simply planning that doesn't work together."

Areas that might be overlooked without collective advice can be; inheritance tax planning, use of trusts in family tax planning, tax efficiency and falling into tax traps without realising it.

Rod cites lack of inheritance tax planning as the most common area where families can lose out.

"Sometimes individuals will either defer or overlook issues like inheritance tax planning simply because it might not yet affect them. The people we see who are most keen on inheritance tax planning are the sons and daughters of someone who has died recently, who have had to write a large cheque to the taxman, when some simple planning could have saved them much of that pain. It tends to be a learning process for the children in that situation and we find they come to us then because they don't want their children to have to go through the same situation.

"It can make a lot of sense for one family to use the same firm if possible."

Where families are using the same firm, Rod stresses, "it is absolutely critical that there are strict Chinese walls between each generation's finances. There has to be 100% confidentiality for the individual family members."

In practice, Rod says, there can at times be mutual benefits from discussing things in the family. "We find that family members do come together and share information. I've often had meetings with different generations in the same room willing to talk about and share their financial information so that they structure a financial plan to everyone's advantage.

"But otherwise, there is absolutely no transfer of information between the family members about their private financial affairs."

Working with families can be very rewarding, Rod says. "Financial planning can feel theoretical when you are doing it. It's only when something happens and the reality of the situation hits home, that the full benefit can be seen. There can be a demonstrable impact on clients' lives. It's why we do what we do and it reinforces the value for people of taking good quality Independent Financial Advice."

■ ***If you, or any of your family members, would like to arrange a meeting with a Lowes Consultant, you can contact our office on 0191 281 8811.***

Three key points

1. **Financial plans may be individual but they can affect the whole family.**
2. **Inheritance tax planning is where families commonly lose out without advice.**
3. **Using one firm to advise family members can help avoid the tax traps.**

** Client names have been changed*

Death benefits – the tax take

THE CHANGES TO PENSIONS DEATH BENEFITS, THAT WERE introduced from April 2015 under pension freedoms have given pension plan members and their beneficiaries a generous range of options in respect of who can benefit from a pension and how they can take the money.

One of the key changes was that the pension plan member is able to nominate any beneficiary to receive the payments from the pension, either lump sum or income/annuity payment. However, there are differing tax considerations for the beneficiary depending on the age of the pension plan member when they die.

On death before the age of 75 all withdrawals and payments to the beneficiary will be made free of tax. The nominated person can take the benefits as they choose either as a lump sum or as regular or flexible income.

On death after the age of 75, payments to the beneficiary will be subject to income tax at their marginal rate.

In addition, new rules also allow the nominated beneficiary in turn to pass on any unused pension funds on their death to their own nominated beneficiary, known as a successor. The same tax treatment applies but the relevant age will be the age of death of the beneficiary rather than the original member. If the beneficiary dies before age 75 the successor can receive a tax free lump sum or a drawdown pension tax free. If the beneficiary dies at age 75 or over, then any benefits can either be taken by the successor as taxable drawdown income or a lump sum, currently taxed at the recipient's marginal rate of income tax.

In addition, funds within a pension are normally exempt from Inheritance Tax. This gives the potential to pass pension funds down through the generations without ever falling into anyone's estate for inheritance tax (IHT) purposes.

For more information on how the rules affect your personal circumstances please contact your Lowes Consultant or call our main office on 0191 281 8811.

Pension death benefit options

Pre age 75

- Tax free lump sum
- Tax free income via drawdown
- Beneficiary's annuity free of tax

Age 75 or over

- Drawdown income taxed at beneficiary's marginal rate
- Lump sum payment taxed at beneficiary's marginal rate
- Beneficiary's annuity taxed

Lowes Consultant Andrew Gardiner says:

ALONGSIDE HAVING A WILL, ONE OF the most important things for people to do is make clear who they want their pension benefits to go to. How you do this will differ depending on the type of pension plan.

For final salary/defined benefit (DB) pensions, the pension plan member should contact the pension plan administrator to obtain an Expression of Wish form. Without this signed form the decision will fall to the trustees of the pension plan who usually follow strict protocols as to who will benefit, which may not be in accordance with your personal wishes. Even if you have stated in a will who you want to receive your pension benefits, trustees are not obliged to comply if it goes against the pension fund's terms. Some plans may place restrictions on who may benefit.

For Personal Pensions/SIPPs a similar form needs to be completed. This is known as the death benefits nomination form and can be obtained from the pension plan administrator.

Celebrating 45 years of client service

Lowes Staff at the opening of Fernwood House on 23rd May, 2016

LOWES FINANCIAL MANAGEMENT IS CELEBRATING 45 YEARS as an Independent Financial Adviser firm. From humble beginnings when the business consisted of just the founder Ken Lowes and his secretary, Lowes has since grown significantly over the years.

We serve clients around the UK, helping to grow and protect their wealth, and steering them through the inevitable ups and downs of the financial markets.

We have a wealth of skills, expertise and experience within our teams, including our Consultants, Investment Managers, Technical staff and Senior Management of the company.

Our Financial Consultants have built longstanding relationships with our clients, to the point where we are now serving and two and three generations of a family.

Above all, our service is always delivered in accordance with the philosophy we have stayed true to over the decades: "Where personal finances are cared for personally.'

100 issues of the Lowes magazine

When the staff at Lowes were writing the very first edition of the Lowes Magazine in 1991, it's unlikely they were thinking ahead to the 100th issue. Neither, probably, would they have been able to imagine the differences between the worlds in which we live. Then the Internet was in its infancy, whereas now, one way or another, it is part of our everyday lives – it is certainly core to the financial services industry.

We may be 25 years on from our first issue, with many different people in the business, but one thing that hasn't changed in that time is our dedication and commitment to doing the right thing by our clients.

Independent Financial Advice

WE ARE LONGSTANDING BELIEVERS IN THE POWER OF Independent Financial Advice when helping to bring people the prosperity, financial stability and peace of mind they want, particularly in their retirement years.

Why Independent Advice? Simply, because as advisers it gives us the freedom to research the full range of financial solutions available to UK savers and investors to find the best ones for our clients.

It is vitally important that through our personal approach to financial planning we not only help our clients build their wealth but also to protect it.

Chartered status

AS WELL AS BEING INDEPENDENT FINANCIAL ADVISERS, Lowes upholds the status of 'Chartered Financial Planner' - the highest accreditation a financial advisory firm can hold. In fact, we were one of the first Independent Financial Advisers in the UK to attain this prized status when it was launched in 2007.

The accolade 'Chartered Financial Planner' is awarded by the Chartered Insurance Institute (the qualifications body for financial advisers) and is only awarded to firms that are capable of demonstrating a commitment to an overall standard of excellence and professionalism, not just to clients but to employees and stakeholders as well.

Lowes is proud to have held this status for close to a decade.

PROFILE

Personal insight

IAN LOWES BUILT HIS KNOWLEDGE OF THE BUSINESS BY working in various roles within the company, including as Operations Manager and Technical Sales Manager, where he was analysing new products and opportunities that were coming to market. He found having "an analytical mind as well as a healthy skepticism" proved to be a valuable combination when finding the best solutions for Lowes clients. In 2002 when his father Ken Lowes decided to retire from leading the company, Ian became the Managing Director.

Journalist Rob Kingsbury questioned Ian about his career, the culture and ethos of the company, and how he sees the business developing.

What influenced your decision to join Lowes?

You could say financial services is in my blood. Lowes was founded while I was an infant and I saw close up just how passionate my father Ken was about the business. That stirred my interest in finances and I remember at an early age watching The Money Programme on TV; I even began my own shadow portfolio of company shares, tracking their movements week by week.

Not surprisingly I wanted to join the family business. However my father always made it clear I would not be in for an easy ride and initially, he was even against me joining the company. In fact, my first job out of school fulfilled my other passion, as I was working as a photographer for a local newspaper. It wasn't until 1988 that I joined Lowes, starting in the pensions department. I worked for the company until 1994 when I left and set up a number of successful businesses, as well as gaining a degree in Business Management and Administration from the Open University. In 1999 I returned to the company permanently, working in various departments, which gave me a real feel for the business before becoming Managing Director in 2002.

What vision did you have for Lowes when you took over as Managing Director and how does it compare to where the company is now?

My vision for Lowes was the same then as it is now, to carry on the company's great tradition of delivering high quality Independent Financial Advice; ensuring our Consultants are among the best in the country and that they are the right people to deliver the right advice in the right way to our clients. That has been the bedrock of the company for over 45 years.

If there were one thing you'd say you've learned from your 25-years experience of working in financial services, what would it be?

There are several but 'always remain skeptical' and 'never put a client's money into something that you wouldn't invest in yourself' are two that stand out.

Lowes has had the philosophy 'Where personal finances are cared for personally' since the early 1990s. But can personal finances be cared for on such a personal level in the fast moving financial services world of today?

The simple answer to that is Yes. If we have learned anything in the past 45 years it is that everyone's personal financial situation is individual to them.

As much as people think everything can be delivered online these days, people cannot be commoditised and just given an Internet link and be expected to sort things out for themselves.

People want and need personal advice about their particular circumstances. This includes conversations with someone they know they can trust to help them understand the options open to them and who will do the best to care for, grow and protect their personal wealth not just now but over many years.

Lowes has some of the most highly qualified people in the industry. How important is that for the company?

The importance of having qualifications was part of the culture drilled in to the company by my father right from the beginning. He set the standard of always wanting to be the best at what we did. He insisted that all Lowes Consultants were appropriately qualified well before it became mandatory in the profession and this still applies today, not just to our Consultants but for everyone in the company who would benefit from furthering themselves through gaining new skills and qualifications.

That being said, it's not just about passing exams – we value experience.

> *"As much as people think everything can be delivered online these days, people cannot be commoditised and just given an Internet link and be expected to sort things out for themselves."*

It's about knowing to ask the questions people in this profession wouldn't even realise are relevant.

It's also about a culture of collective knowledge and collaborative advice. Behind the scenes we have some of the best people in the profession working with our Consultants, pooling together years of knowledge so we get the best solution for our clients.

In your opinion, what makes Lowes stand out from other Independent Financial Adviser firms in the UK?

Lowes stands out in the sector for many good reasons: Our history; our level of support; our level of qualifications; our hard-won reputation; and our experience.

Lowes has been built on an ethos that has not wavered since it was established – doing right by people.

We treat individuals in the way that we would want to be treated ourselves.

> *"Lowes has been built on an ethos that has not wavered since it was established – doing right by people."*

We are down to earth individuals who are appropriately skeptical about new investment offers and we have a reputation for putting our clients first. While we have 15 Consultants, we have over 70 people associated with the company helping them deliver the right advice, including dedicated technical and investment management teams. Our investment management has been honed over 45 years to not chase the investment fads but to deliver good solid investment performance for our clients, especially in sometimes difficult markets.

When we carried out our biennial client satisfaction survey, over 96% of respondents rated Lowes as good or very good* when it comes to investment performance and client service. That is the differentiator of which we are most proud.

What is your vision for the company over the next 10 years?

Lowes operates on the principle that we put the clients first, people in the business second and shareholders third. We must run a successful business for shareholders but if we concentrate on a culture that looks after the interests of the clients first and foremost then everything else tends to fall into place.

While we are looking to continuously expand, it has to be done so at a sensible and controllable rate where we can bring more clients into the Lowes fold while balancing that with growth in the number of Consultants and good people behind the scenes.

With the move to larger premises at Fernwood House, we now have the space to accommodate future growth. In fact, the move to Fernwood House has been very positive and set the company off on a new impetus. It's the equivalent of our move to Holmwood House in 1984 and is a great part of the company's history.

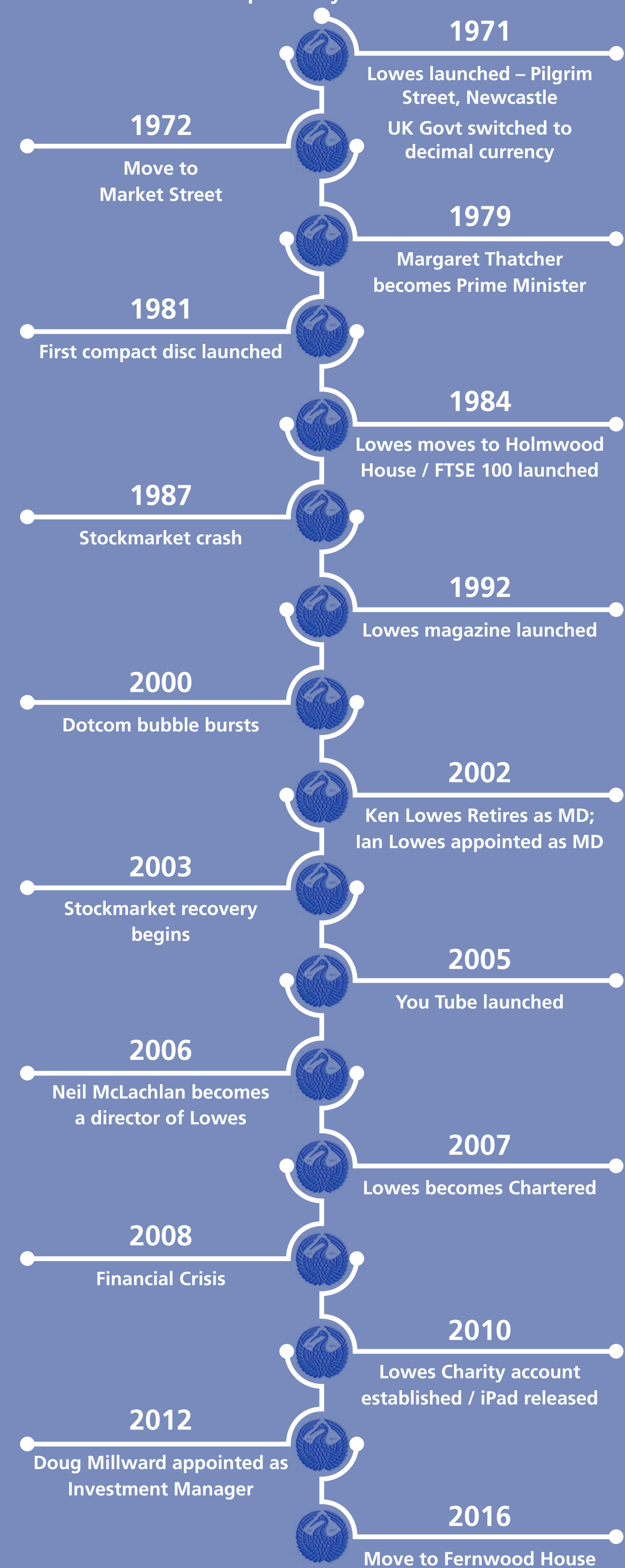
Overall, if we can enjoy what we do while meeting and exceeding our clients' expectations, then the business will continue to be successful.

*Based on over 1250 respondents from our 2015 biennial client survey.

If your family or friends are seeking Independent Financial Advice, please have them call our number 0191 281 8811 and we will have one of our Consultants contact them for a free initial consultation.

Lowes Timeline

Here we chart milestones for Lowes against some of the notable events of the past 45 years.



Then and Now

Just to show how much the financial landscape has changed during the time the Lowes magazine has been running, we've pulled together some key facts published in the first Lowes magazine 25 years ago and compared them to the latest available data now.

Magazine edition	1st	100th
Average weekly earnings UK	£263.10	£505.00
Inheritance Tax threshold	£128,000	£325,000
Average house price	£57,245	£214,024
RPI (1987 = 100)	129.3	264.4
Average cost of a loaf of bread	50 pence	£1.01
FTSE 100 (30 Sept)	1990.20	6899.33
Unemployment in the UK	8.7%	4.9%
Individual tax wrapper limit	£6,000	£15,240

Sources: ONS, HMRC, Halifax.

Brenda Joyce: 25 years with Lowes

BRENDA IS THE FRIENDLY FACE OF LOWES THAT OUR CLIENTS see when they first step through our doors or whose voice they hear when they call us.

She has been with Lowes for nearly 25 years now, joining on 18 February 1992. "I remember the date distinctly," she says. "It was during the recession and I was made redundant from my previous position on a Friday. I saw the advert for the receptionist job at Lowes on the Monday. I had an interview with Caroline Robinson, who is a non-executive director now but at the time was the administration manager, on the same day and I started work on the Tuesday."

Twenty-five years later she still loves the job. "I like meeting everyone, whether it's a life-long client who I get to catch up with or a brand new person coming to their first consultation. All our clients are very friendly and over the years I've got to know some of them very well. We'll often have a chat. I suppose I'm the face they know best at Lowes, alongside their Consultant."

One of the big differences Brenda notes between when she started and now is that things are a lot busier. "That's because the company has grown so much, and with our move to Fernwood House, we are definitely the largest we have ever been."

What hasn't changed about the company in the 25 years, she adds, is everyone has remained so friendly. We work hard but we also have a laugh with one another. As a company we'll go on activity days and we recently had a garden party where old members of staff came back to see everyone. In fact I've recently met up with a group of girls who used to work here to talk about old times and catch up with all the new things that are taking place.

"There are several of us who have been here a long time and, I'm talking decades each! We've all stayed because it is a good place to work. We are one big family really."

Four challenges affecting retirement year investments

WHEN IT COMES TO RETIREMENT, WHETHER we're looking to put our feet up, travel or undertake challenges like sailing across the Atlantic, how we manage our finances is crucial to the lifestyle that we want to live.

The importance of proper planning and selection of the right retirement product and/or investment strategy cannot be underestimated.

There are four key elements that will challenge any retirement investment strategy and which need to be planned for. These are:

1 Longevity

Statistically speaking, our chance of living longer is increasing and poses numerous questions not least, for how long we will be drawing from our pension savings? Where we put our money, the risk that we are prepared to take with all or some of it and balancing regular income with the potential need to grow capital for a longer period, are all factors we must consider.

2 Flexibility

We must recognise that our needs and, therefore, the demands upon our investments, may change throughout retirement. Balancing the potential need to access a pension fund because of unforeseen events, for example going into long-term care, with receiving a regular income over what could be decades of retirement. In addition, we need to consider the most efficient order to draw down pension income or other savings in terms of preserving capital and tax planning.

3 Inflation

Low interest rates on cash accounts have meant that, over the past 8 years, inflation has had more of an effect on people in retirement than any other group. The right investment approach, looking at alternative ways to create an income stream, can help manage this.

4 Volatility

Staying invested in the stockmarkets will mean being subject to their inevitable ups and downs over time. Having a long-term plan and spreading the risk through diversification in a portfolio is important, as is, in our view, mixing product sets, including actively managed investments alongside those that can help protect capital while also providing known returns at set future dates.

Investing for income

FOLLOWING THE FINANCIAL CRISIS AND THE SLASHING of interest rates by the Bank of England, for most people, holding money in cash accounts is no longer a reliable or indeed viable way to generate income.

These days, savers have to consider alternative ways of generating the income they need. Often this means looking to equity (stocks and shares) based investments.

This, in turn, usually means taking more risk with your money. Just how much risk will depend on how comfortable you feel about it. In general terms, the more risk you take, the more the potential rewards – but also the more chance for loss.

Already, you may be thinking this is not for me but there are several factors that, combined in a sound financial plan, can help generate income and to mitigate the risk involved. These include:

- Building a portfolio of investments that spread the risks.
- Investing for a longer time frame, which may allow for more risk to be taken.
- The amount of income needed compared to assets held. Could other assets be sold to deliver income?
- Could a proportion of the money be kept in less risky investments while the remainder works harder in riskier investments?
- Using capital growth products to generate income.

Lowes Consultant Barry Hopper says:

I WOULD URGE INVESTORS TO BE WARY of products offering easy income.

In the past where there have been scandals it has often included products that offered a lucrative income stream but failed to adequately warn the investor of the downsides or the risks involved. In our view, there is no such thing as easy income, particularly in current markets. It requires carefully thought-out financial planning.

Investment mistakes made by rich investors

WHEN IT COMES TO INVESTMENT EVEN THE WEALTHIEST people admit they have made mistakes.

A recent survey conducted by an international intermediary company among 652 high net worth investors in the UK, Asia, Africa, the Middle East and the US, who have investable assets of more than £1m (or the equivalent), revealed that the following top investment mistakes, in order of magnitude:

- *Failure to properly diversify their portfolios;*
- *Not having started to invest earlier;*
- *Focusing on the short-term;*
- *Being emotional over investments;*
- *Not having kept enough cash in reserve.*

We would add some others that we have seen over the years:

- *Holding investments for sentimental reasons*
- *Investing in a hobby*
- *Investing in things too good to be true*
- *Following convoluted tax strategies over simple yet sound financial planning*
- *Being too greedy.*

So how do you avoid making those same mistakes?

Being sensible and taking Independent Financial Advice will help avoid most of them.

Ensuring your portfolio is properly diversified is one of the fundamentals of successful investing. Yet it is surprising just how many people, when left to their own devices, will fail to do this. Having a well-diversified portfolio across asset classes, sectors and regions means you are best placed to mitigate risks and also best placed to take advantage of important market opportunities when they arise.

Likewise, being too focused on the short term can lead to errors of judgment being made. Stockmarkets are often driven by sentiment and so, by their very nature, are volatile, going up and down in reaction to market and political events.

All too often people buy at the high points, usually during times of investor euphoria, and selling when markets are at a low, when the fear factor sets in, almost inevitably losing money in the process.

Fear, greed, or the desire to follow the crowd, are amongst the worst traits for any investor.

Over the long term, stockmarket investments have trended upwards. There have been serious knocks along the way but a long-term strategy, combined in our view with well-chosen actively managed funds, can have a positive effect on a portfolio.

Objectivity is crucial and that is what an Independent Financial Adviser brings to the table.

If you, your family or friends have investments you would like reviewed please telephone our office number – 0191 281 8811 – and we will arrange for a Consultant to call.

Lowes Consultant Jennifer Morris says:

IN MY VIEW, KEEPING TO CORE financial planning principles is the way to achieve financial security. Steady accumulation of wealth, through a diversified portfolio, with some protection built in to help manage market volatility, has been proven to work year after year.

I have come across numerous investments claiming to be the next best thing, 'guaranteed' investment. When you dig down into the details you can see they simply will not do as they say. The trouble is that people get enticed in by the promises and they can lose their money as a result. The promoters of these products and services play on people's emotions – they know which buttons to press.

I would urge anyone who is approached to invest in products that appear to offer the guarantee of an excellent return with no apparent risks to call your Lowes Consultant for advice – that is what we are here for after all.

How much can active managers positively skew returns?

A RECENT PIECE OF ANALYSIS BY RESEARCH COMPANY FE into how much active managers can skew returns in negative and positive markets has shown that actually very few of them do so. So why are we using active managers you might ask?

First let's take a look at the research. This analysed UK equity investments (funds invested in stocks and shares) and sterling corporate bond funds, which had a 10-year track record, filtering them to ensure it looked at only truly active funds. It then compared performance against the index in times of positive and negative movements.

What it was looking to prove was whether active management could help a fund suffer less extreme losses than the market in bad periods. This was on the basis that investors generally put greater value on a fund manager that reduces their losses in falling markets than one that aims to shoot the lights out – potentially only to lose them an equivalent amount the following year.

The research found that on average having an active manager running a fund did not necessarily mean that when the stockmarket fell the fund would fare better.

But it did find that a proportion in the sample of 62 funds that it used had, what it termed, "superior characteristics".

The bottom line, as concluded by the research, is that putting money into any old fund is not going to work, you need someone picking the minority of fund managers that consistently have been able to skew their funds to do better in both positive and negative markets.

We have a dedicated research team that not only monitors and analyses the markets but talks to fund managers and really digs down into their funds, assessing the ethos, the structure, the fund manager's support team, the performance and how consistent that performance has been. We don't have knee jerk reactions when markets get tough. We've stayed loyal to some fund managers going through a rough patch due to changes in the market, because from analysis of their long-term performance, coupled with our conversations with them, we are confident they will deliver more times than not, all of which leads to long-term performance for our clients.

Why we avoid knee-jerk investment reactions

FIGURES FROM THE INVESTMENT ASSOCIATION SHOW that in June 2016, around the time of the Brexit Referendum, a staggering £3.5 billion (yes, billion) was withdrawn by retail investors from UK investment funds, followed by another £2.2billion in July.

This was mainly from stocks and shares funds and is in large part seen as a reaction from investors to the 'Leave' vote as there was a flight to perceived 'safe harbours' of fixed income and cash.

Initially, stock markets did fall off in the days immediately after 23 June, dropping to 5982 on 27 June 2016. But the stockmarket quickly rallied again, rising to 6578 by 1 July and at time of writing, the FTSE 100 is at over 7000.

Investors who jumped out of the market in the month before the vote or immediately afterwards or, equally, held back from investing, will have paid a higher price to get back into the market as a result.

Markets by their nature can be volatile and hindsight is a wonderful thing but our general advice to our clients in these periods of uncertainty is to stay calm and look to the long term, as over time markets tend to recover from their fluctuations. Trying to time the market has caught out many a professional investor and can be incredibly costly.

If you would like to talk about your investments please contact your usual Lowes Consultant or call 0191 281 8811.

Information Overload

"We are drowning in information, but starved of knowledge"
– John Naisbitt

THERE CAN BE NO DOUBT THAT TECHNOLOGICAL ADVANCES have made the accessibility of information greater than it has ever been.

No longer are we reliant on the daily broadsheets or visits to the library to gather the information we require on which to base our decisions. A simple connection to the internet can now provide us with this information and more, all from the comfort of our own homes or indeed anywhere with internet accessibility on our smartphones.

The increase in the amount of information available due to these advances has been staggering. Indeed, in 2003 Eric Schmidt, then CEO of Google, was quoted as saying that "we create as much information in two days now as we did from the dawn of man through 2003". Today Google's index now contains over 48.5bn web pages and processes 40,000 search queries every second.

The world of investments has not escaped this revolution and the number of providers of information which investors, current or potential, can access has grown exponentially. It is now very simple to obtain information on funds and markets such as performance data. As with everything however the availability of such vast amounts of information does not necessarily make the task of identifying what is important and what is not easier. It can actually make it more difficult. When presented with a vast amount of data it can be very difficult to disseminate the information which is needed to arrive at the right conclusions.

The way in which information is reported can also create behavioural bias amongst investors. The race to be the first to report breaking news means that today we receive information as events occur. This can create knee jerk reactions in the market place, some of which can prove to be the wrong decision to make. The fear of going against the herd however is enough for some investors to feel compelled to act. This can initially prove rewarding as momentum within markets carries the prices of assets in the direction from which you will benefit. Those who are early to trade can profit and benefit. Those following however often benefit less, if at all, and find themselves crowded with others.

So in an age where we are surrounded by 'information overload' how can we disseminate what is important in order to be able to make sensible investment decisions? We believe the key to success is by having strong and most importantly repeatable processes in place. Tried and tested processes, which have proven themselves during different periods of the investment cycle and through a range of market events, can help us avoid the short term noise which we now constantly hear. This allows us to remain focussed on the fundamentals which, over the medium to longer term, are likely to be the key determinants of investment returns.

With regard to fund manager selection we have in place bespoke software along with analysis tools which help us to identify the performance attributes which we are looking for. In today's markets however we believe it is just as important to understand how a manager is positioning their fund rather than simply relying on historical performance data. We are constantly meeting with fund managers, those who we currently allocate to and just as importantly those that we don't. So far during 2016 we have heard from 117 fund managers and over 50 fund group representatives. Not only do we use today's information but we also recall what has happened in the past through the experience we have gained. "History doesn't repeat itself, but it often rhymes" (Mark Twain).

For all its vast abundance, information is clearly important in the many forms in which it is available today. However it is the interpretation of this information which is, and always will be, key to arriving at the right decision. To quote Clifford Stoll, "data is not information, information is not knowledge, knowledge is not understanding, understanding is not wisdom". All together however they can help us to improve our decision making.

Spotlight on Ken Lowes

FOR OUR 100TH EDITION WE TURN OUR SPOTLIGHT ON the founder and original Consultant of Lowes Financial Management, Ken Lowes.

For Ken, Lowes Financial Management has been a passion. When he established the company in 1971 he did so on the robust foundations of thinking differently and a culture of always treating clients in the way that you would want to be treated yourself. That ethos of doing the right thing remains firmly at the heart of the company today and has made Lowes one of the longest standing and most successful Independent Financial Adviser firms in the country.

Lowes Financial Management's history started when Ken was compassionately discharged from the RAF in 1964. Needing a job, a friend introduced him to the Northern Echo where he was taken on as a circulation rep. Within weeks, thinking differently, he changed the way things were done, increasing business substantially as a result. The salary wasn't great at £12 per week and so he moved on, working face-to-face with clients, for two insurers, first for The Royal London and then Manufacturers Life.

Whilst at Manufacturers Life he adopted the approach of total financial planning, which ensured clients bought what they needed rather than what they were sold. But he was restricted to advising only on the company's product portfolio, so the next natural progression was to start his own firm, independent of product bias.

> *"I had a clear objective, make the company and its advisers available to those who would not necessarily think of themselves as wealthy."*

This was a radical way of thinking at the time, as personal finances were mostly dealt with by bank managers, lawyers and accountants who usually had a single agency with a life insurance company and a contact with a stockbroker.

Leaving a very successful career with Manufacturers Life was not an easy choice, as his sons Peter and Ian were toddlers. But with the full support of his wife Rosie, in 1971 he opened a first floor two-room office in Pilgrim Street, Newcastle. Kenneth J Lowes Estate Planning and Investment Services was born. Within months Ken decided to employ an assistant to help analyse company products and changes in tax law, increasing the wage bill to two staff. The firm continued in this way until 1982, when having established a good reputation for his approach to financial planning in the North East, he decided to expand.

By this time the company had become Lowes Financial Management.

Ken says: "I had a clear objective, make the company and its advisers available to those who would not necessarily think of themselves as wealthy or feel comfortable discussing their financial needs within a sterile office environment. This and the basic principle of "doing what was best for the client" lost him money at times, he admits, but it is the ethos that pervades Lowes today. "It's in the Lowes DNA."

To start with Ken approached his friends who were in completely different businesses and persuaded them to join him. Tom Harris, his best friend from his Round Table day's was the first, followed by two existing clients Mike Coxon and Peter West and then Peter Collins in 1984 – who is still with Lowes as a mentor – and David Hopper in 1987 whose son Barry took over David's practice on his retirement.

Ken then set up a technical department to help support the Consultants. Again, this concept was well in advance of the times.

After 25 years of running the company Ken wanted to take more of a back seat. He appointed various chief executives while he kept a watching brief on the company, but it didn't work, "simply because to them it was a job while to me Lowes was a passion", Ken explains.

Eventually it became obvious that there was only one person who could take over the company and run it with the same dedication, principles and ethos as Ken – that was his son Ian. In July 2002 it was announced that Ian would be taking over from his father, in the role of Managing Director.

Ken also decided that he should relinquish his place on the Board as there was no room in the field for the "Old Bull". He admits that finally letting go of the company was hard to do. "It was tougher than I thought it would be. Painful. But I wanted to know Lowes was being passed into a safe pair of hands who would continue to uphold the principle of doing the right thing for our clients. You can't buy that culture, it has to be built and nurtured. It is the foundation on which Lowes was built and of which I am very proud."

Sudoku solution

Here is the solution to the Sudoku grid on page 3 of this issue of the Lowes magazine.

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

Money from Nothing?

AFTER THE REFERENDUM RESULT IN JUNE, the Bank of England was quick to act, announcing a new round of Quantitative Easing (QE) after the Monetary Policy Committee meeting in August. But how is this supposed to help the economy grow?

First, they extended the existing QE programme by adding a further £60 billion into the economy to buy government bonds (gilts). With such a large buyer in the market this pushes up the prices, which reduces the yield in percentage terms. This then makes it cheaper for the government when issuing new debt to the market. Importantly, the Bank of England holds the bonds the same as any other investor, they aren't cancelled, but the coupons paid by the Treasury are returned back to them. With this new money added to the £375 billion already in place, the government now effectively has a £435 billion interest free loan.

As gilt yields have fallen, investors who would normally have used them to provide a secure income have had to accept additional risk to achieve the same level of income offered by gilts historically. The next step up is corporate bonds – loans to companies. As more money moved in, the price on corporate bonds also rose, and as with gilts this rising price pushed yields lower in general, reducing the borrowing costs for new issuers.

To further help companies reduce their borrowing costs, for the first time the Bank of England has allocated £10 billion to buy corporate bonds. This is a departure from their previous strategy as up until now they had only bought gilts, and is intended to give more of a direct benefit to corporate borrowers.

Their third action was to reduce the base rate from 0.50% to 0.25%, a level which it has never been at before. Whilst commercial banks will lend to people at a higher level than this rate, it tends to form the basis of their interest rates – both for lending and for savings accounts. To encourage the banks to pass on this reduction, they made up to £100 billion available to banks under a new "term funding scheme", provided the money was then lent out rather than kept on their balance sheet.

By making it cheaper for people and companies to borrow money, and at the same time making the benefit of saving minimal, it is hoped that this encourages spending which in turn boosts the overall economy.

Impact of the Bank's actions

Some have said that the Bank of England moved too soon, as the positive economic data from the UK has shown it to be unnecessary. Mark Carney, the Bank of England governor, counters that the positive economic data only came about because of the Bank's early and decisive actions, and if they hadn't acted the UK economy would have likely entered a recession.

Of course we will never know what would have happened had the Bank not acted. There are some, however, who believe that the Bank shouldn't have acted even if that did mean the UK would have entered a recession.

Historically, as an economy entered a recession, those companies which were already struggling would no longer be able to operate and would have to close. Whilst from an individual's perspective this is terrible, with people losing their jobs, from an economic perspective it is healthy, as the stronger, more efficient competitors, or new start-up firms move in to fill the gap left, creating a more productive economy moving forwards.

With interest rates at such low levels for so long, however, it has led to what are known as "zombie companies". Companies which under normal circumstances would have ceased trading, but are managing to keep going because borrowing costs are so low. By continuing to trade they are stifling competition and acting as a drag on the growth of the economy as a whole.

Further action needed

It was interesting to note that in the statement announcing the latest round of QE, Mark Carney also added that monetary policy alone would not be enough, and a change to fiscal policy was now needed. This is effectively an admission that any further QE will have a limited effect on bolstering the UK economy, if any. The new chancellor, Phillip Hammond, has already hinted that he is prepared to act in this regard, unlike his predecessor, by borrowing more to invest.

We won't know for definite what his plans are until the Autumn statement on the 23rd November, but he has already hinted that he will first consider smaller infrastructure projects which can be started quickly and give a boost to productivity.

No doubt the reduction in borrowing costs for the government following the Bank's recent actions will come as a welcome help to the funding of this and will allow the investment without unbalancing the budget too much. Whether this combined effort will be enough to see the economy through the potentially rougher waters ahead as the Brexit negotiations get underway, however, remains to be seen.

This magazine is not personal advice. If you are unsure as to the suitability of any intended course of action, please contact your usual Lowes Consultant or this office on 0191 281 8811.