Issue **103**

"Please think about your legacy, because you're writing it every day."
Gary Vaynerchuk

Our new look website

WE'VE LAUNCHED OUR NEW REDESIGNED WEBSITE, where people can learn more about Lowes and how we can help them invest, plan, protect and pass on their wealth. If you're yet to visit our new website please do take a look at: www.Lowes.co.uk

If you know anyone looking for Independent Financial Advice, our website is, of course, a useful way also for them to find out more about who we are, what we do and how we do it. They can also download our free pension guide, subscribe to the magazine and request a free consultation.

Inflation - an increasing issue

AT THE BEGINNING OF THE YEAR ECONOMISTS WERE predicting that UK inflation would rise to 4% during 2017.

In May, the Consumer Prices Index (CPI), the Treasury's inflation benchmark, reached 2.9%, up from 1.8% in January and 0.3% in May 2016. In contrast, wages (and savings rates) have not kept up with inflation. This means we are paying more for our essential living costs and most people are worse off than they were just a year ago.

Inflation is now notably in excess of the Bank of England's 2% target, which is why members of the Bank's Monetary Committee recently voted for the interest rate to increase from its current 0.25%. Rate hikes tend to curb spending and help keep inflation under control. Interest rates have been at an all-time low since 2009, when they were slashed as an emergency measure to help boost the economy.

While an increase in interest rates might seem positive for savers, in the short-term rates are only likely to rise by 0.25% increments, not enough to make much impact on savings returns (particularly as rate increases are not always passed on straight away to savers by banks and building societies). Certainly, one or two increases are unlikely to be enough for most cash accounts to deliver inflation-beating returns, while debt repayments would become more expensive for everyone with a mortgage or needing a loan.

Over 50s big users of contactless cards

THE ATM MAY BE 50 THIS YEAR BUT cash is no longer king among the over 50s, many of whom have been quick to take up contactless payment, according to figures from Saga.

In a recent survey of 9,586 people aged 50+, Saga found that half use their contactless cards when doing the weekly shop, whilst almost a third (29%) like the convenience when grabbing a coffee, and 10% use contactless when picking up a newspaper. Saga extrapolated the results to conclude there are probably around 12 million over 50s actively making contactless payments.

People said they liked not having to carry cash around with them, and not having to remember numerous passwords and PIN numbers.

However, 70% admitted to worrying about security and 48% thought contactless would lead to an increase in pickpocketing.

While contactless can have similar loss protection to normal debit and credit cards, if your card is lost or stolen you should contact the bank straight away so your card can be blocked.

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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+	Ford Money	Flexible Saver	1.07%	www.fordmoney.co.uk
Accounts with first year bonus					
Online	£1+	Tesco	Internet Saver Account	1.11%*	www.tescobank.com
Fixed rate bonds					
Online	£1,000+	OakNorth Bank	1 Year Fixed Saver	1.86%	www.oaknorth.com
Online	£1,000+	Paragon Bank	2 Year Fixed Saver	2.05%	www.paragonbank.co.uk
Online	£1,000+	Paragon Bank	3 Year Fixed Saver	2.10%	www.paragonbank.co.uk

Notes: *Rate drops to 0.4% after 12 months.

Measures of inflation - The average change in prices of goods and services over a 12 month period to May 2017 (latest at press date)

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

Sources: Providers' websites, Office for National Statistics, www.thisismoney.co.uk, www.moneysupermarket.com, www.moneyfacts.co.uk, 10/07/2017. All accounts subject to terms and conditions.

Cost of moving home

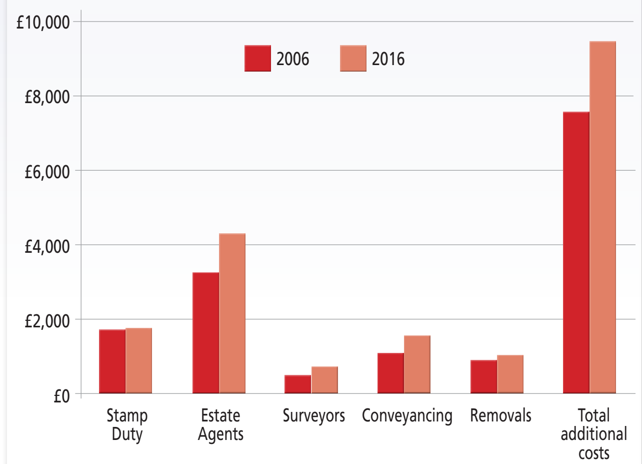
IF YOU HAVEN'T MOVED HOME RECENTLY YOU MAY be surprised at the costs involved.

Your mortgage aside, the additional costs involved in moving home – such as estate agent fees, conveyancing costs, removals and stamp duty – have increased 25% over the past decade, with 8% of that rise taking place in the past year alone.

Figures compiled by the Post Office show that while rule changes in 2014 saw stamp duty bills fall for homes under £937,000 now homebuyers will spend an average of £9,472 on these additional costs, and this is expected to rise to £12,267 by 2020.

This is something to bear in mind, for example, when looking to downsize in retirement.

Breakdown of additional costs of moving and how they have changed between 2006 and 2016



Source: Post Office/Cebr - for average house price per year

Sudoku

Welcome to our latest sudoku. We hope you find these puzzles an enjoyable aside to the financial issues in the magazine. The aim is to fill the grid so that each row, column and 3x3 block contains the numbers 1-9. You can find the solution on page 11.

Source: www.printmysudoku.com

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

Out of the bag

WE HAVE A PROBLEM. OVER RECENT DECADES WE, IN THE developed world have had an eye on environmental concerns, focusing on the likes of greenhouse gas production and sustainable forestry whilst, at the same time, enjoying an exponential rise in the use of plastic.

I can remember being impressed with my first plastic cola bottle. No longer would my mother have to lug heavy, breakable glass bottles from the shops and this ultimately led to bigger bottles. Fast forward forty years or so and the number of plastic bottles and other plastic 'disposables' being produced every day is staggering. It is estimated that a million plastic bottles are bought around the world every minute; most are single use and less than half of these are recycled.

The problem, of course, is not limited to bottles. Next time you're in a supermarket, ponder on, for example, the quantity of packaging utilised in the bacon, ham and pork aisles. I don't think I'm too far wrong suggesting that we produce more plastic per pig, than pig! Whilst the pig is biodegradable, the plastic is not. Hypocritically, the same supermarkets often claim to be striving for sustainability by printing their till receipts on recycled paper!

With significant advances in solar and battery technologies I believe that humanity is very close to solving our clean energy demands but I fear that without prompt action, we're going to find ourselves buried in waste plastic and this is already finding its way into our food supply.

Technology-based solutions for processing the waste efficiently and cleanly may be around the corner and could represent significant opportunities that ultimately, might be represented in our Changing World Portfolio. However, until there is a viable solution we at Lowes will be aiming to reduce our plastic footprint and that is why this and future issues of the Lowes Magazine will be delivered in a recyclable, biodegradable, paper envelope, rather than the cheaper, polythene bag alternative.

In addition, we are supporting some relevant charities who help raise awareness of the issue and are promoting measures to reduce and eventually eliminate, single use plastics from our premises. We accept that this will only have a very small impact on the problem but we recognise that everyone making a small impact can lead to a big one.

Client survey

We received almost 1400 responses to our 2017 Client Satisfaction Survey, a figure which in itself, we are delighted with. Whilst we are equally pleased to have received a number of suggestions as to how we can further improve what we do, the overall results have given the whole team here at Lowes a significant morale boost.

All of my colleagues work hard to provide you with a unique, personal service, delivering the best advice, leading to the best outcomes and it's great to receive confirmation that, in the main, we're getting it right. Over 97% of survey respondents stated that they would recommend Lowes to a friend, relative or colleague. Please do not hesitate to do so – we'll be delighted to help them.

A summary of the Client Satisfaction Survey results are on page 10. Thank you to all that responded.

Ian H Lowes,
Managing Director

Covershot: The tip of an iceberg
By: Jorge Gamboa

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.

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:
Freepost LOWES FINANCIAL MANAGEMENT.

Residential Nil Rate Band

THE RESIDENTIAL NIL RATE BAND CAME IN FROM 6 April 2017, and is a new Inheritance Tax (IHT) allowance designed to help people protect their family home from inheritance tax. It started at £100,000 and increases in £25,000 increments each year until the 2020/21 tax year, when it will be worth £175,000 per person.

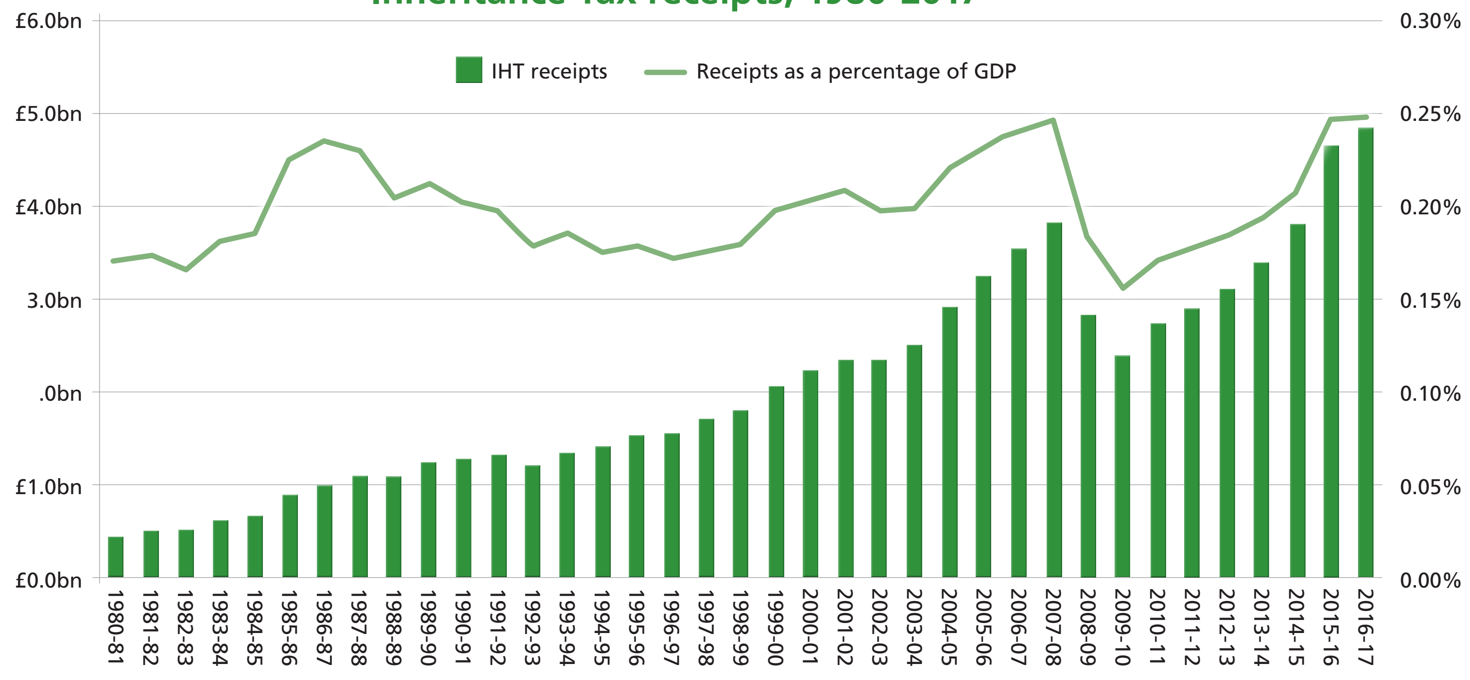
This means, for example, that a couple with their own home and direct descendants to pass it on to, will have an extra £350,000 IHT allowance. Combined with their nil rate band per person of up to £650,000 per couple (£325,000 per person), this could amount to a total combined nil rate band of £1 million.

There are four main facts to consider:

1. The residential nil rate band only applies on death and to properties that have at some time been the residence of the deceased. Only one property can qualify.
2. It will be phased in gradually over four years in £25,000 increments, from £100,000 for tax year 2017/18 up to £175,000 for tax year 2020/21. Thereafter, HMRC says the amount will increase by the rate of inflation.
3. The allowance is transferable between spouses/civil partners, but only applies if it is 'closely inherited', i.e. by direct descendants including spouses, widow(er)s, children, stepchildren, adopted and fostered children, children of those children.
4. Special rules apply where a parent has downsized or disposed of the property prior to death (for instance, when moving into residential care).
5. Restrictions apply for estates with a 'net' worth over £2 million, so including all assets and before any tax reliefs or exemptions are applied, such as the nil rate band, business property relief or spousal exemption.
6. Similarly, restrictions apply where a property has been gifted away in trust.

We factor in this tax allowance, where applicable, in the financial advice we give you but if you have any questions or concerns regarding your particular situation, please contact your usual Lowes Consultant or call 0191 281 8811.

Inheritance Tax receipts, 1980-2017



Source: Office of National Statistics (ONS), April 2017

Lowes Consultant Rod Molyneux says:

This additional nil rate band adds a new dimension to inheritance tax planning but as with most taxes, it doesn't come without its complexities.

For most people, it will seem straightforward enough but for those with estates which are worth over £2 million, tapering of the nil rate band will take place with a reduction of £1 for every £2 the estate is worth above the £2 million.

Where downsizing has occurred or a property has been gifted things also get more complicated and Independent Financial Advice is essential.

Also, it should be noted that direct descendants do not include brothers, sisters, nieces and nephews, and people without direct descendants do not qualify for the additional tax relief.

The different types of risk

WHENEVER WE SAVE OR INVEST WE TAKE RISK WITH OUR money. Whether we invest in adventurous funds or put our money in a savings account or even under the floorboards, there are different risks involved. Our job as Independent Financial Advisers is to help you to both understand the risks involved and to mitigate against them as far as possible.

We do that primarily by carefully selecting investments, diversifying your portfolio, and building a long-term investment strategy that looks to balance the ups and downs of the market over time.

How you feel about risk and what risks you are both willing and able to take, will form an important part of our conversations with you on your investment journey, whether you are a new or longstanding client.

The worst case scenario has to be the total loss of capital and this risk is present with virtually all investments to a greater or lesser extent. But there can be upsides from taking the risk as well, which, of course, is why we take the risk in the first place. No risk can be totally avoided but with careful planning, there are options we can take to better help safeguard our money.

In a short series over the next few issues of the Lowes Magazine, we will look at different risk types.

It is important to us and important for you, that there is a clear understanding of the risks involved in any savings and investment strategy. For example, putting money in a savings deposit account has credit risk while investing in the emerging markets has market and geo-political risks. To try to help our clients understand risk we represent them as four levels. These are the starting point for this series and we will look at where certain risk categories fit within them in further issues.

Risk Level 4

Investments designated as Risk Level 4 have the potential to produce large rewards but equally have the potential to produce large losses. The returns are unpredictable and, therefore, investment in this risk category for all but the most adventurous investor, should normally only be considered as part of an overall portfolio. Example investments include: small equity portfolios, Emerging Markets unit trusts, VCTs.

Risk Level 3

Whilst there is a real possibility of negative returns, investments in assets classified as Risk Level 3 are expected to produce greater returns than Risk Level 1 and 2 investments over the anticipated holding period. The longer the holding period, the greater the chance of achieving favourable returns. Example investments include: Diversified equity portfolios, Index Tracking funds.

Risk Level 2

The value of such investments is still likely to fluctuate from day to day but over the anticipated holding period of the investment, we feel that Risk Level 2 investments are less likely to produce a negative return. However, positive returns are not guaranteed; the investment could result in a loss, although we feel the chances of this are low. Where losses do occur over the anticipated holding period, they are not expected to exceed those that would occur in an investment with a higher risk level although, again, this is not guaranteed. The risk of inflation eroding the real value of your investment over time is a possibility if the investment does not perform. Example investments include: certain mutual funds, investment grade corporate bonds, Gilts not held to redemption, protected investment contracts and With Profits funds.

Risk Level 1

Your investment is expected to be secure over the anticipated holding period. Only in what we consider to be very unlikely circumstances would you suffer a loss of some or all of your original capital, e.g. default by major financial institution, bank or Government. The price of security is that returns from this area of investment are not expected to be significant and, therefore, the risk that over time the investment value can be eroded by inflation should not be overlooked. Example investments include: National Savings (including Premium Bonds), Bank and UK Building Society accounts and Gilts held to redemption.

Gifting your money

THERE ARE MANY WAYS TO HELP MANAGE INHERITANCE tax (IHT) so that you can pass on as much of your hard-earned wealth to your loved ones and other beneficiaries rather than to the taxman. One way is to gift your money during your lifetime.

In tax terms, giving our money away during our lifetime is called making a Potentially Exempt Transfer (PET). It is potentially exempt because the person giving the money away has to live at least another seven years for the money to pass out of their estate for the calculation of IHT.

This seems simple but, in our experience, there are several issues that can arise where a PET is used, including:

- The seven-year time frame
- The fact that it is a gift and cannot be returned
- Once given away the beneficiary can do what they like with the money
- Gifting money early may advantage one family member over another
- People are often wary that hard earned family money may be lost through, for example, divorce
- The benefactor may need the money themselves later in life.

There are a number of ways in which someone's inheritance tax liability can be mitigated, including gifting, and having the right advice before taking any action is imperative. Even the order in which gifts are made, in relation to setting up of trusts, for example, can affect whether or not the money becomes liable for inheritance tax.

Keeping control

Parents who choose to gift part of their wealth to their children are often keen to keep control over how any money they leave after they die is spent.

A recent survey undertaken by the Prudential among the over-55s, revealed that while they may be planning to pass on significant assets to their heirs, three-quarters of those surveyed said they wanted to have some control of how their legacy is spent.

Key concerns for parents in passing on their wealth are where that part of the inheritance could end up being given to spouses of their children in the event of a divorce; their hard-earned money might be squandered by their children; wanting to ensure that their grandchildren also benefited from having the inheritance passed down to them.

Accordingly, 12% of parents said they wanted to specify what their legacy is used for and a similar number had already sought, or intended to seek, financial and legal advice to help ensure that their legacy is used wisely.

One in 10 wanted to stipulate that their children must receive professional financial advice on receiving their inheritance.

The Office for National Statistics (ONS) inheritance tax data shows estates liable for inheritance tax in the UK face an average bill of nearly £175,000 each.

Yet the survey revealed that despite more than a third of over-55s being concerned about having to pay inheritance tax on their estate, less than a fifth have actually taken action to reduce their potential tax bill.

■ ***If you would like advice on inheritance tax planning or a review of your arrangements, please contact your Lowes Consultant or call 0191 281 8811.***

Inheritance tax figures

£325,000
Nil rate band for single people

£650,000
Nil rate band for married couples/civil partnerships

40%
Tax on assets above the nil rate band

£100,000-£175,000
Residential nil rate band (restrictions apply)

(Rising by £25,000 a year from 2017-2020)

Charitable giving and IHT

GIVING AT LEAST 10% OF YOUR TAXABLE WEALTH away to charity, either now or in a will, can reduce your inheritance tax (IHT) liability. Any money left to charity won't count towards the total taxable value of your estate and a lower IHT rate of 36% applies to the balance.

As a simple example: Your net estate is worth £425,000, which you leave to your children. Your nil rate band is £325,000. So your 'net estate' of £100,000 would be taxed at 40% = £40,000.

By leaving 10% of your 'net estate' to charity (i.e., £10,000), you'd leave your children £415,000, of which £90,000 would be taxable at 36% = £32,400. The net result is that children inherit £2,400 less but the charities receive more than four times the amount.

The rules are not always as simple – this is IHT we're talking about after all – but if you would like to support a charity, making a charitable legacy now has IHT advantages.

If you'd like to let your beneficiaries decide which charity or charities the money should go to, then the Charities Aid Foundation Account can hold the money and distribute it according to their instructions.

Lowes Consultant Craig Moffat says:

Gifting money needs to be considered carefully. There is a balance to be struck between giving away wealth during our lifetime to reduce the size of our estate and maintaining some form of control over who can access it and when.

In my experience, not many people feel comfortable giving away their wealth early enough in their life for their beneficiaries to inherit it tax free. Often this is understandable because they do not know what might happen in their own lives and whether they might need the money for their own financial security, such as to help fund their retirement or if in later life they need to stay in a decent care home.

People often feel comfortable giving away smaller sums of money through Potentially Exempt Transfer (PET) but for more significant amounts of money I find that is best done through careful inheritance tax (IHT) planning. In addition to gifting there are several options which should be considered that can provide for, or help navigate, any potential IHT liability.

IHT planning will depend on an individual's particular circumstances, which are likely to change over time. As a person gains more wealth and property prices increase but the IHT nil rate band threshold stays the same (it is currently frozen at £325,000 per person until 2021, although for some people an additional £175,000 may be available through the residential nil rate band), IHT liability and planning will require re-assessment on a regular basis.

Business Property Relief

BUSINESS PROPERTY RELIEF (BPR), IS NOW MORE THAN 40-years old. It was originally introduced in 1976 to enable families to pass family businesses down through the generations without incurring inheritance tax on the company shares, which in some cases was forcing businesses to be sold or, where that wasn't possible before the tax had to be paid, go under.

These days as well as helping family firms, BPR gives investors the opportunity to invest in certain types of companies and benefit from the IHT exemption. There are, of course, caveats but BPR is relatively straightforward.

Broadly speaking, investments in the following kinds of businesses that carry on a trade rather than investment activities, could qualify for BPR, including:

- Shares in qualifying companies that are not listed on any stock exchange.
- Shares in qualifying companies listed on the Alternative Investment Market (AIM).
- An interest in a qualifying business, such as a partnership.

The shares in a qualifying company have to be held for two years before they can be passed on free from inheritance tax.

In addition, since 2013 investors have been able to hold AIM-listed shares in ISAs. This means that as well as the IHT advantage, the investments can also offer the benefits of tax-free income and capital growth.

The caveats for investors Include:

- The shares have to be held until death to qualify for the IHT exemption.
- AIM-listed companies are not part of the main stock exchange and so tend to be riskier investments.
- The value of the capital invested could grow but, as with any investment, there are no guarantees and it is possible to lose some or all of the money invested.
- As the shares tend to be more volatile they can be harder to sell if the need arises.
- The Government could shift the tax goal posts, making BPR less attractive.
- The company invested in could grow and become listed on the main stock exchange and as such, no longer qualify.

The advantages, in addition to the IHT exemption benefit, include:

- You remain in control of the shares – compared to gifting them away, for example – even though you are in effect holding them for your beneficiaries. Hence if there is a need you can sell them.
- It takes only two years for the money to become 100% tax exempt, rather than the typical seven years when gifting or giving away wealth, as long as the shares are held until death.

■ ***Nowadays, there is greater analytical focus on AIM investments, which means there is more information on the companies listed on that exchange. BPR can be a useful and viable tax planning tool but as not all AIM shares qualify for BPR expert advice should be sought. If you would like to know more please contact you usual Lowes Consultant or call 0191 281 8811.***

Transferring out of a defined benefit scheme

THE PENSION FREEDOMS INTRODUCED IN APRIL 2015 have encouraged an increasing number of people to think about how best to access their pensions and one of the key decisions currently, is whether to transfer out of a defined benefit pension scheme and into a personal pension plan.

We say currently, because while final salary or defined benefit pension schemes have long been seen as the 'gold plated' pension, changes in the market have made it beneficial for some people to move into an alternative arrangement.

One reason for this is that the cash values being offered for transferring out of defined benefit pension schemes are higher than in previous years, sometimes much higher. The reason for this is that pension schemes have to balance their risk with their liabilities to make regular payments to their pension holders, many of whom rely on them for their incomes. They reduce risk by investing in UK Government backed bonds – gilts. However, falling returns from gilts have increased the cost for schemes to provide benefits. This has prompted them to offer improved transfer values to leaving members to help balance the books.

Individual circumstances will dictate whether someone should swap a guaranteed pension income for life for an invested personal pension account. For some it may make sense to transfer to a personal arrangement, as it can give the member far greater control over their pension pot and, importantly, take advantage of the pension freedoms rules which allow the fund to be passed on to their beneficiaries free of inheritance tax. For others, it will still be right for the individual to remain in the scheme.

For people who already have a good level of guaranteed income for life or substantial assets, a transfer could be an option to consider, particularly in terms of intergenerational wealth planning.

Lowes Consultant Andrew Gardiner says:

Most individuals who are lucky enough to have a defined benefit pension and especially those who are active members within their current employer's scheme, should not be transferring out. But for certain members of schemes there are several reasons to consider a switch from a defined benefit to a personal pension plan. Here are five to consider:

Flexible access. Full access is available to the fund at any time if transferred into a personal arrangement, giving the ability to choose when and how to take income after age 55. This can work better for tax planning.

Death benefits. Transferred funds might offer much better income to spouses. Defined benefit pension schemes normally automatically reduce income to the spouse by around half, and the pension pot usually cannot be passed on to future generations.

Health reasons. Where you have health concerns or issues, it can put the pension funds more under your control, both to draw upon for income and pass on to those you want to benefit from it.

Inheritance tax planning. The part of the pension that remains untouched, in some cases can be passed to the next generation very efficiently.

Income surplus to needs. In cases where income from other sources will exceed that required to meet the costs of living, a pension transfer could provide a method of drawing benefits tax efficiently and flexibly, as well as passing them on to beneficiaries in the event of death.

It has to be stressed that this area of financial planning is extremely complex and transfer of defined benefits to a personal pension arrangement carries a number of risks. It is important that a person's individual circumstances are fully considered and professional advice sought before going ahead with a transfer.

■ ***If you or anyone you know would like to discuss the options, your Lowes Consultant can help or please call 0191 281 8811.***

Lowes 2017
Client Satisfaction Survey Results

OUR SINCERE THANKS TO EVERYONE WHO RESPONDED to our 2017 Client Satisfaction Survey. We have been conducting our surveys every other year for 26 years and they are extremely important to us for gauging how you feel about Lowes and pinpointing ways in which we can improve our service to you and others.

We are delighted that once again, across almost all categories, our satisfaction ratings are at the very highest levels, with most of you rating us as very good or good in every category. Importantly, over 97% of clients said they would recommend our service to family, friends and colleagues. We believe that represents the ultimate accolade for our service and our people.

Below you will find some of this year's survey results. The full results of the 1391 surveys can be found on our website.

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

- Client service 95.93%
- Approachability 97.80%
- Friendliness 99.14%
- Helpfulness 98.42%
- Professionalism 97.63%
- Depth of knowledge 98.17%
- Investment advice 96.91%
- Integrity 98.41%
- Level and quality of contact 95.61%

THE ULTIMATE ACCOLADE

The ultimate accolade: 97.2%

Clients who would **recommend Lowes** to family, friends and colleagues

Lowes service reflects its motto: 96.41%

"Where personal finances are cared for personally"

What you think about **Lowes**

(A selection of some of the hundreds of positive comments)

"Lowes **continues to impress** with the professional, personalised and friendly service. **I owe my early retirement to Lowes!**"
Mr P Melton

"The **service, advice given and time** taken to make sure I understand any investments, are **first class.**"
Mr R Tatum

"We are so glad we received that seminar invitation from Mr Lowes when our retirement was imminent. The advice we needed **was superb** and still is."
J Peace

"I have been **perfectly satisfied** with the professional advice that has always been there for me when I needed it."
Mrs A Tucker

ISAs – which do you choose?

IF YOU ARE CONFUSED BY THE NUMBER AND TYPES OF ISAs now available in the market, don't worry you are not the only one. The Government seems to have launched them on a regular basis of late.

We encourage our clients to invest as much as they can in an ISA every year to take advantage of these tax-efficient wrappers, as you pay no Income Tax on the interest or dividends you receive from an ISA and any profits from investments are free of Capital Gains Tax. The amount that you can invest in an ISA has been increasing year on year, reaching £20,000 for this tax year. Since 2014 it has been possible to hold Cash and Stocks and Shares in the same ISA in any combination, up to the annual limit. It is possible also to move money between Cash ISAs and Stocks and Shares ISAs, making them much more flexible for financial planning.

There are several different types of ISA available to investors.

1. Basic ISA
This can be used to shelter cash savings and various investments from both Income and Capital Gains Tax. In 2016 further flexibility was built in allowing for money to be withdrawn and replaced during the same tax year without losing any of the tax-free allowance. But not all ISA providers offer this facility.

2. Help to Buy ISA
This ISA was introduced to help people save towards their first home. It allows for a maximum of £12,000 to be saved every year and a minimum of £1,600. The government will then add a 25% bonus on whatever amount has been saved. They can be opened only until 30 November 2019.

3. Innovative Finance ISA
This ISA recognises changes in the markets and allows people to invest in alternative savings and investments vehicles, like crowdfunding services.

4. Lifetime ISA
The latest of the bunch, introduced from April 2017, aimed at the under 40s, who are saving for a first home or for their retirement. It allows for £4,000 to be saved each year – with a 25% government top up bonus per year, only if the money is used for one or both of those purposes.

5. Inherited ISA
Further rule changes introduced now mean if your spouse or civil partner died on or after 3 December 2014, you can inherit their ISA allowance. As well as your normal ISA allowance, you can add a tax-free amount up to the value they held in their ISA when they died.

Sudoku solution

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

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

Spotlight on your Lowes Consultant

NICOLA WRIGHTSON IS NORTH EAST of England born and bred, having only ever lived outside of the region when she relocated to Edinburgh for eight years.

She joined financial services when she was 18, working first in research and analysis for financial advice firms before taking a sales role for the investment arm of Scottish Widows in Edinburgh. From there, she would travel around Scotland and the North East talking to financial advisers about investments. It was a job she loved, she says, because it was about meeting people and seeing how different businesses worked. She was so good at it that she was promoted to Investment Sales Director.

However, 11 years into the role and now a mum, she found the travelling was taking her away from her young family too much, so when the opportunity for voluntary redundancy arose she took it and looked to pursue her career nearer home.

She became Managing Director of a financial advice firm but realised, she says, that running a business was not where her passion lay. "It was a learning curve but I realised what made me happy and what I really enjoyed was meeting people and helping them solve their financial issues," she says. "That's why I moved to Lowes, because here I can focus on my clients and doing the best for them. It's that engagement and buzz that I love about the role."

Equally important in choosing Lowes, she says, was "the fantastic team we have behind us as Consultants".

"The personal finance world is multi-faceted, complicated and constantly changing. As Consultants we know a lot but we can't know everything there is to know about every subject. What we have at Lowes is some fantastic professional and technical people in areas like investment, pensions and retirement services, who have an incredible depth of knowledge and expertise in the market and who I know I can rely on.

"It is real team work. There are very few Independent Financial Advisers who have that support system and that brings tremendous value for our clients."

Equally, good advice requires the ability to break down complicated subjects that people are concerned about in a way that they can understand, she adds. "Our strength as Consultants is being able to do that for clients and make sure they understand what's going on and are happy and comfortable with the advice we're giving them. I like to draw pictures to help my clients understand things."

Nicola feels that there are many people who could benefit from Independent Financial Advice but may be wary of taking that first step. "I'd say to them, arrange to see a Lowes Consultant, because that first meeting is free and with no obligation. Having someone who can talk through what you've got, sort out what you need and then be there to hold your hand for the next 20 years or more is invaluable.

"While it is very rewarding to help clients improve their wealth, the biggest satisfaction I get from the role is knowing that someone has come to Lowes with financial concerns that they are losing sleep over and we've been able to sort things out and put them in a place where they don't have to worry anymore."

An interesting journey...

Lowes' Investment Manager Doug Millward looks at the impact of Quantitative Easing

THIS MONTH MARKS TEN YEARS SINCE THE BANK OF ENGLAND last raised its base rate. Less than two years later, in response to the financial crisis, the base rate had been cut to 0.5% in the UK, and central banks around the world subsequently embarked on an unprecedented programme of Quantitative Easing (QE).

The theory behind QE is simple. In the UK, the Bank of England creates 'money' out of thin air and uses it to buy financial assets (mainly gilts, which are certificated loans made to the UK Government) from banks and institutions such as pension funds. As the demand for gilts increases so the price rises. The annual return on most gilts is an amount fixed at outset, so the yield falls as the price rises given that investors are paying more for the same level of income. This makes gilts unattractive to those who normally buy them, encouraging them to buy riskier assets which have a higher yield, such as corporate bonds (certificated loans to companies) or shares. In turn, their prices then rise, meaning companies can borrow at lower rates encouraging them to spend and invest. The result: a boost to the economy and inflation.

That's the theory but the reality was different. While falling yields on gilts meant the UK government could borrow at much lower rates, its policy was austerity so it was looking to spend less, not more.

At the same time banks were coming under stricter rules to keep a bigger buffer of money aside in case the number of defaults in their loan books increased. Hence, rather than use the capital raised from selling their gilts to buy riskier assets or to provide new loans, they kept the cash on their balance sheets.

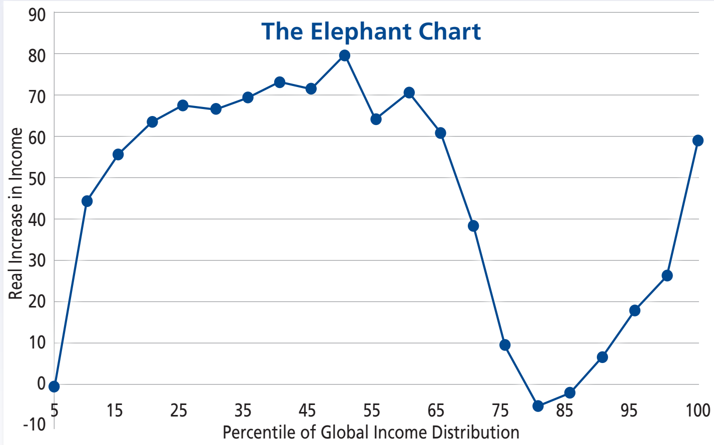
On top of that, the financial crisis had left people feeling nervous about job security and reluctant to spend, even when they could borrow at low interest rates.

These factors combined to counteract the intended effect of QE - i.e. putting inflation back into the economy.

The injection of money around the world did introduce inflation in asset prices, however. Global shares, as measured by the MSCI World index, have risen 164% since March 2009 purely on a price basis, ignoring dividends (Source: FE Analytics). From a social perspective, this exasperated a problem that was already coming to the fore.

The chart above, commonly known as the elephant chart due to its distinctive shape, shows how incomes increased over the 20 years to 2008 for people in different income bands across the globe. The world's poorest 5%, on the left of the chart, saw no increase at all. Moving to the right, people with higher incomes, mainly those living in emerging economies such as China and India, saw a big increase.

The last two points on the right shows how the top 2% of the world's population in terms of income had also benefitted, but those around the 75th to 90th percentiles, mainly people from the developed world, such as Europe, the UK and the US, showed little real growth in their incomes over twenty years, some even being worse off.



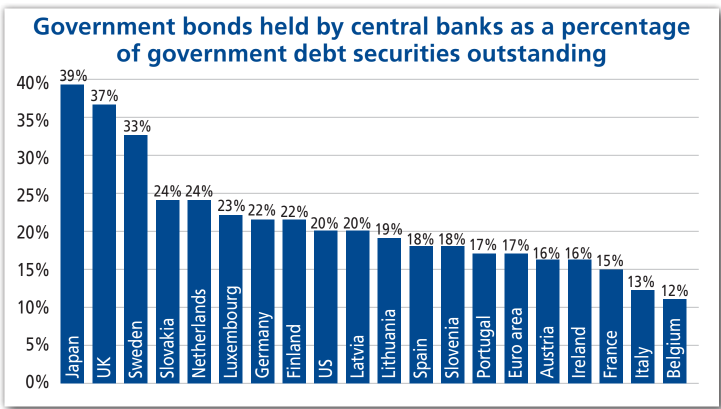
Source: World Bank Development Research Group

Asset price inflation caused by the injection of QE led to further increases in wealth for those who were already asset rich – those on the right-hand side of this chart – and this increase in disparity in the developed economies led to the rise of populist political movements, culminating last year with the election of Donald Trump in the US.

We now appear to be reaching the end game as far as QE is concerned. In the US, the Federal Reserve is increasing interest rates and talking of reducing its balance sheet. One way is to sell off the assets it purchased, or simply let them mature normally but not reinvest the proceeds as they currently do.

The withdrawal of the central banks from the bond markets may partially be offset by banks and institutional investors effectively continuing to be forced buyers of fixed interest securities due to the new rules governing their asset buffer. When the Federal Reserve does start reducing its balance sheet, how it does it and the effect it has on the markets will be watched closely by other central banks. As the second chart shows, a large proportion of sovereign debt around the world is held by central banks, and if not reduced prudently this could still lead to nervousness in the markets.

But with over half of conventional gilts having a maturity more than seven years away, from a QE perspective we may not even be halfway along what has already been an interesting and unpredictable journey!



Source: OECD, DB Global markets Research