Issue **97**

"To improve is to change; to be perfect is to change often."
Winston S. Churchill

INSIDE TRACK

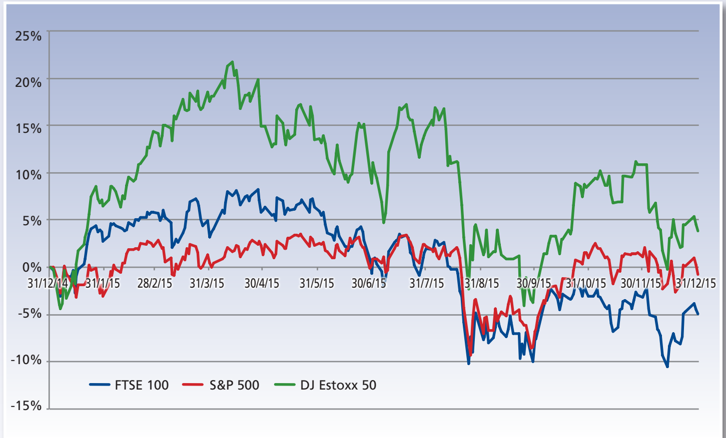
The winner of the 2015 Lowes Annual Client Competition

ONE OF OUR FAVOURITE ITEMS IN THE MAGAZINE AT THIS time of year is the announcement of the winner of the Lowes Annual Client Competition.

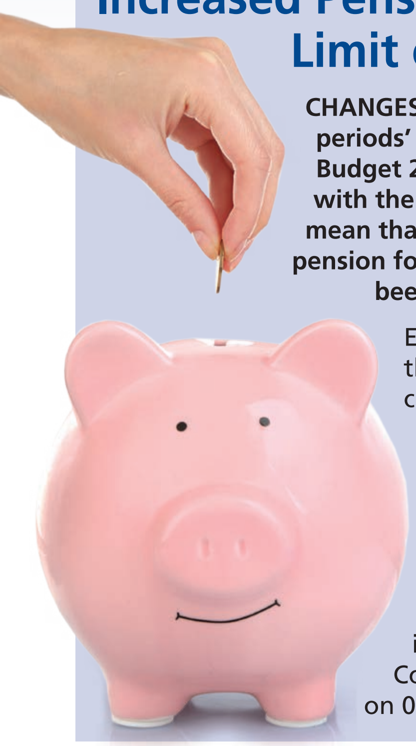
This year we are pleased to congratulate Mr W Gibbard from Haydon Bridge who wins £250 of Marks & Spencer vouchers.

Mr Gibbard successfully placed in order by performance three indices, the EuroStoxx 50 (3.85%), the S&P 500 (-0.73%) and FTSE 100 (-4.93%), based on the greatest percentage rise from 1 January to 31 December 2015 and most closely predicted the percentage rise of the best performing index at the end of the year.

■ *For details of how to enter our 2016 Client Competition turn to page 11 and see the paper insert.*



Increased Pension Contribution Limit ends in April



CHANGES TO 'PENSION INPUT periods' announced in the Summer Budget 2015, bring them into line with the end of the tax year, and will mean that the maximum allowable pension for the current tax year has been doubled to £80,000.

Even those who thought they had maximised their contributions through the carry forward rules, potentially can invest another £40,000. Not everyone will benefit from this anomaly, which will last until 5 April 2016, so anyone looking to take advantage of it should contact their Lowes Consultant as soon as possible on 0191 281 8811.

Improvements to our back-office system

LOWES HAS A LONG HISTORY OF USING TECHNOLOGY to help provide the very best service for our clients.

In fact, in the 1980s, Lowes built one of the very first back-office systems for financial advisers, in conjunction with a Professor from Newcastle University, and also began a supplementary business distributing the system. For years, many of the software houses that evolved in the same space could trace their roots back to this original Lowes enterprise.

As part of our ongoing commitment to using the best technology available in the market, we recently undertook a review of our back-office administrative system and decided to switch to a system which will both increase our efficiencies and improve our service capabilities.

The new system will lead to a new online client portal being launched in late February which will provide a much improved user experience for those who like to regularly monitor their investment performance.

Lowes Financial Management has joined Facebook.

Follow us for company updates and articles.

Our cover shot:

Paddy rice field © Shutterstock

Make your money work Best bank & building society accounts

Type	Amount	Provider	Account	Gross Rate	Contact
Unrestricted instant access accounts					
Online	£1+	Paragon Bank	Limited Edition Easy Access 2	1.46%	paragonbank.co.uk
Branch, post	£1+	Virgin Money	Easy Access Saver Issue 16	1.01%	virginmoney.com
Accounts with first year bonus					
Online	£1+	Tesco Bank	Internet Saver Account	1.21%*	tescobank.com
Fixed rate bonds					
Online	£1,000+	FirstSave	1 Year Fixed Rate Bond	2.12%	firstsave.co.uk
Online	£1,000+	FirstSave	2 Year Fixed Rate Bond	2.40%	firstsave.co.uk
Online	£1,000+	FirstSave	3 Year Fixed Rate Bond	2.73%	firstsave.co.uk

Measures of inflation - The average change in prices of goods and services over a 12 month period to November 2015

Retail Prices Index (RPI) 1.1%	Consumer Prices Index (CPI) 0.1%

Sources: Providers' websites, Office for National Statistics, www.thisismoney.co.uk, www.moneysupermarket.com, www.moneyfacts.co.uk 4 January 2016. All accounts subject to terms and conditions.

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.

Lowes client sails the Atlantic

LOWES CLIENT SAMUEL LECKEY HAS JUST completed a 2,700 nautical mile sailing trip as part of the Atlantic Rally for Cruisers (ARC) event from Gran Canaria to St Lucia.

Attracting over 200 boats a year it is a 'must do' for many sailors. Mr Leckey and three friends aboard the Alpaire (Irish for Sea Vulture), a Hallberg-Rassy 48 out of Dublin, completed the event in 16 days 12 minutes 27 seconds. At one point the crew had to regain two sails lost over the side when a shackle failed in 30 knot winds "all on a pitching deck in the dark" Mr Leckey says. It is no surprise that he describes taking part in ARC as a "great personal goal achieved".

Change to FSCS limit for deposits

FROM 1ST JANUARY 2016 THE COMPENSATION LIMIT AN individual might be able to recover from the Financial Services Compensation Scheme for financial loss should a financial institution like a bank go bust, has been reduced from £85,000 to £75,000 (£150,000 for joint accounts).

It should be noted that the £75,000 applies per group or institution, so check that you are not holding money with a group's subsidiaries or other brands. If you are, then you might consider moving some of your funds to a different institution.

Sudoku

We hope you are enjoying the Sudoku puzzle we are including in each issue. They have certainly been keeping us entertained.

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 11.

Source: www.printmysudoku.com

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

COMMENT

From small acorns…

A RECENT SURVEY FROM AEGON UK SUGGESTED THAT consumers believe they need an investment or pension pot valued at around £120,000 before they will seek out Independent Financial Advice.

At the same time, we are hearing increasing reports of wealth managers and financial advisers believing they should only serve people with significant net worth – over £250,000 to invest – and effectively dismissing clients with assets below that figure.

These beliefs have helped create what has come to be called the 'Advice Gap', where people think they cannot afford or do not have sufficient wealth to deserve proper advice.

Whilst, of course, we at Lowes have a vested interest bias, we can say from our experience that the figure at which good, solid Independent Financial Advice can start helping people is much lower than £120,000.

What has been forgotten in this type of survey and by these advisers, is that while everyone starts at different levels of wealth, as our wealth grows so does our need to manage and protect it.

Every Financial Adviser has aspirations to look after millionaires and indeed, at Lowes we do, but not all of them were millionaires when they came to us originally. From our earliest beginnings, over 45 years ago, Lowes has helped people from all walks of life to build and protect their wealth because we recognise that someone's position today is not necessarily where they will be in 10 years time.

The vast majority of our clients are people in or approaching retirement that are building or have accumulated investment and pension pots and want help to manage their wealth into and through retirement and for their next generation.

And here's another thing, I would suggest that, in general, those who use the services of an Independent Financial Adviser are far more likely to build up and surpass the 120,000 figure sooner than people who don't.

The savings and investment landscape is complex – more so since the introduction of the pension freedoms – and failure to get the right guidance at the right time can be very costly.

Holistic financial planning is not just a matter of choosing investments but rather requires that the whole picture be looked at, paying particular attention to taxation of returns and how various solutions can interact more positively for the investor.

We're unlikely to be able to turn £50,000 into £1million as we're not big risk takers in our investment strategies but we know from years of experience that, over time, we can successfully help build and retain wealth for our clients and their families. Our focus is on helping our clients over the long-term. In return, many of you refer us to family, friends and colleagues making it a worthwhile relationship for all concerned.

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, Holmwood House, Clayton Road, Newcastle upon Tyne NE2 1BR.

Property wealth of over-55s could reach £2.5 trillion by 2035

THE TOTAL PROPERTY WEALTH OF OVER-55'S IN ENGLAND, currently estimated at around £1.2 trillion, could more than double over the next twenty years, according to calculations based on over 55 households where the property is owned outright (i.e. without a mortgage).

The findings, reported by Age Partnership, were based on the calculated uplift in bricks and mortar wealth where property prices in the UK rose by a modest annual average of 2%. Even if house prices remain completely flat, it calculated that the housing wealth of the over 55's is forecast to increase by 38% to £1.7 trillion by 2035.

It also took into consideration that the number of people in England currently aged 55 or older (15.9m) is expected to rise by 33.8% to 21.3m by 2035 as people increasingly live for longer. This compares to a much slower growth of 10.8% for the population of England as a whole.

One of the main drivers for the growth in this age group is that the large post-war baby boomer generation, who are currently at or nearing retirement age, is expected to benefit from longer life expectancy. This generation has also benefited from rising house prices.

Forecast growth in property wealth of over 55's, 2015-2035

	2015	2025	2035
If house prices do not change (0% HPI)	£1,201bn	£1,453bn	£1,661bn
Forecast % growth from 2015		↑ 21%	↑ 38%
If house prices grow by 2% each year	£1,201bn	£1,771bn	£2,465bn
Forecast % growth from 2015		↑ 48%	↑ 105%

Source: Age Partnership

Working in retirement

MORE AND MORE PEOPLE ARE WORKING INTO their retirement years according to figures compiled by Aviva alongside data from the Office for National Statistics (ONS). In fact, the over 50's are now making their biggest contribution to the UK workforce since records began.

Until 2011, when the default retirement age was scrapped, employers could force employees to retire at 65 purely on the grounds of age. But headline figures comparing data from 2011 with 2015 show three major changes since then:

1. Employment among over-65's has grown significantly, up by 33% from 2011 to 2015, faster than any other age group since 2011.
2. Almost a third of adults employed during Jan-June 2015 were aged 50+.
3. The second fastest growth rate (11%) was among 50-64's, which suggests the number of working over-65's will continue to rise in the years ahead.

This reflects both the aging demographic of the UK, with the baby boomer generation now all over 50, and the need for people to make their savings last the distance, but also the ability and willingness of people to continue in work because of their personal preference.

Certainly, with prudent financial planning, we would expect any Lowes client working past 65 to be doing so out of choice rather than necessity.

Buy without advice and regret it later

SOME 18.2 MILLION PEOPLE BOUGHT A FINANCIAL services product in the past two years. Of them, it has been reported that 2.7 million did so not just without getting financial advice but also without collecting any information beforehand. The body that released these figures – the International Longevity Centre (ILC), based in London – called this "worrying".

The ILC also reported that the number of people just relying on 'advice' from friends and family before taking out a financial product is even larger – about 4.4 million. Among them, older consumers (aged 75 plus) tended to be over-represented.

The research has led to the ILC calling for people to undertake a mid-retirement financial health check.

Of course, we consider this to be very sensible, particularly following the introduction of the pension freedoms, which has actually made financial planning in retirement more complex than it was for many individuals.

Better still, anyone approaching retirement with pensions and/or other assets should seek out the services of their Lowes Consultant by contacting us on 0191 281 8811 who can help them with the planning and tax issues that inevitably they will face.

Working with charities

Some of the hundreds of staff at Blyth Valley Disabled Forum

WHILE DEALING WITH PERSONAL FINANCES FOR individuals is the primary business of Lowes Financial Management, a less well known aspect of what we do is providing financial and investment advice to charities. This is specialist work in which we have many years of experience.

One North East charity, the Blyth Valley Disabled Forum, has trusted its finances and investments to Lowes for over 15 years. Their financial affairs were first handled by Lowes Consultant David Hopper. When he retired in 2005, the reins were passed to his son Barry. David has since become the volunteer vice chairman of the Forum.

The work Barry Hopper carries out focuses on making sure the charity's money is appropriately invested as per the rules and regulations to which charities must adhere. Indeed there is a legal requirement for charities to, as per the statement on the Government's website: "make sure you know what you're doing when making investment decisions" and to "take advice from an expert where necessary".

Charities rely on the money they raise to provide their services, therefore it is essential that any money they make is properly looked after, through cash for short term commitments and needs, and appropriate investments to help the money grow over a longer period of time as well.

As with the portfolios we manage for our individual clients, Lowes looks to manage risk to the charity's funds, for example by spreading the investments across a mix of assets.

Barry also has helped the charity with selecting the right bank accounts for its purposes. This is important because different accounts have different terms and conditions around how quickly the money may be accessed (without penalty) and the interest rates payable.

"There needs to be some money the charity can call upon in emergencies, as well as some on deposit over differing time frames," Barry says.

Barry also attends the Forum's Annual General Meeting and helps the charity to explain its investment policy in its annual report.

"Our work is about ensuring the charity has a suitable reserve of money, which is appropriately invested so that if there is a call upon monies at any time it can be met through its bank accounts and investments," Barry explains.

The charity provides a range of specialist care services

As well as the AGM, there are regular meetings every six months to review the investments in the charity's portfolio "and we will also present on the investments and how they have performed at the charity's one-day strategy meeting every year," Barry says.

Lowes is proud to be associated with an organisation carrying out such essential work for the community and providing the opportunity to maximise the funds available to them to help their good work go even further.

The Forum's arrangement and services

The Blyth Valley Disabled Forum was established as a charity in 1984, primarily to provide services to people who were disadvantaged and disabled, allowing them to gain access to activities and the wider community.

However, in 1993 the Forum also began to provide Care in the Community, to adults with learning disabilities and physical disabilities. With the success of these services came the provision of a variety of other services to people in their own homes, creating further expansion of the charity's work, so that now it provides a wide range of high dependent care services. It has two distinct units, the Disability Centre and the Home Care Centre. The various services offered include an enabling service, respite care at home, domestic services and palliative/end of life care.

The Trustees of the Forum are all volunteers. If you're interested in learning more about the Forum, their web address is: **www.blythdisabledforum.co.uk**

The shape of things to come

How planning for our retirement years is changing as we adapt to new pension rules and the reality that people will live longer into retirement.

OUR RETIREMENT YEARS ARE CHANGING IN SHAPE – both in the length of time we spend in retirement and what we can achieve throughout this time. Consequently, our financial planning must change to adapt to the new landscape.

The UK population is enjoying increased longevity. It is estimated that from now on, for every 100 people alive at age 65, some 31 men and 39 women will still be alive at 95. That is markedly different from forty or fifty years ago and is down to advances in healthcare, safer jobs, better housing, improved nutrition, lifestyle changes and a growing perception of what we need to do ourselves to remain healthy in terms of diet and exercise.

But the fact is that we can't enjoy our retirement without sufficient income to do what we want to do, so a key priority is to both accumulate an investment and savings pot of sufficient size and then to create and manage an income stream that will give us the freedom we'd like in retirement.

That income stream will likely have to be managed very carefully and in different ways over the years as our needs and wants change.

For example, early on in our retirement we might want to travel more and that will require a certain level of expenditure, while we must still ensure we retain sufficient funds for our future years. Later, as we get less mobile, our financial outlay may be less. Then there is the potential that we will need Long Term Care later in life, for which plans need to be put in place.

As the length of time we spend in retirement increases (which could be 30 years plus as the norm) it presents us as individuals with a major issue when planning how we use our retirement investments and savings, namely to ensure that we don't run out of money towards the end of our lives. Indeed, as well as living a full and happy retirement, most people have a desire to pass on some of their wealth to family and other beneficiaries.

Effective financial planning is essential

Having a properly managed financial plan is particularly important since the Pension Freedoms were introduced in April last year. Now we have far more flexibility in the way that we manage our retirement finances but, of course, with that choice comes more complex decision-making.

It used to be that people would pay into a pension and then buy an annuity to provide a regular and ongoing income in retirement. Now, while buying an annuity can still be a valid option, people may need access to more of their funds at certain points in their retirement, such as in the early years when they are more active, which means they should consider taking advantage of the flexibility open to them.

In future, given the right size of pension pot, a retirement income strategy might include a 'guaranteed' payment to cover or help meet regular outgoings, alongside an element that remains invested and is aimed at achieving an additional income stream or from which further payments can be drawn.

What also has to be incorporated into any financial plan now is the flexibility to pass on pensions to named beneficiaries without paying inheritance tax. This means it can be more beneficial for people to spend the money in their investments first and save their pension money to last; which is the reverse of the mainstream advice in the past.

What is fundamental is that people are able to look ahead with a view as to how they want to spend their retirement years and to plan so that their finances and investments help them to achieve their wishes.

This has to include short- and long-term planning, which looks at what money may be needed at the various stages in a 30-40 year period, and how savings and investments can deliver those needs.

What people will also need to do is regularly revisit their financial plan to ensure it is still on track and to take into account any changes in their lifestyle or health. Examples would be where someone wants to continue travelling for longer than originally intended and so needs to adjust their finances accordingly, while bearing in mind future needs. Likewise, where they may have fallen into ill health and it may be better for them to switch retirement income products, such as into an enhanced annuity to increase the value of their regular payments.

Whatever the needs of our clients, one of the benefits of the greater flexibilities is that Lowes Consultants now have access to a larger range of tools and options with which to advise on people's individual circumstances.

If you want to discuss your retirement plans or you know someone who would benefit from receiving Independent Financial Advice, please contact your usual Consultant or call 0191 281 8811.

Technology innovations that will help change our lives

WHILE HAVING ENOUGH MONEY TO LIVE ON IS CRUCIAL AND requires proper handling of our savings and investments, how we live our lives is changing too. Indeed, our retirement years have the potential to be a new and vibrant period of life that is about living better as much as it is about living longer.

The opportunities opening up to retirees through technology, for example, are going to significantly expand what we can and can't do in retirement.

Through technology we will be able to have better control of our health, to connect and network socially, to work longer if we want to, to stay mobile and to access care when we need it.

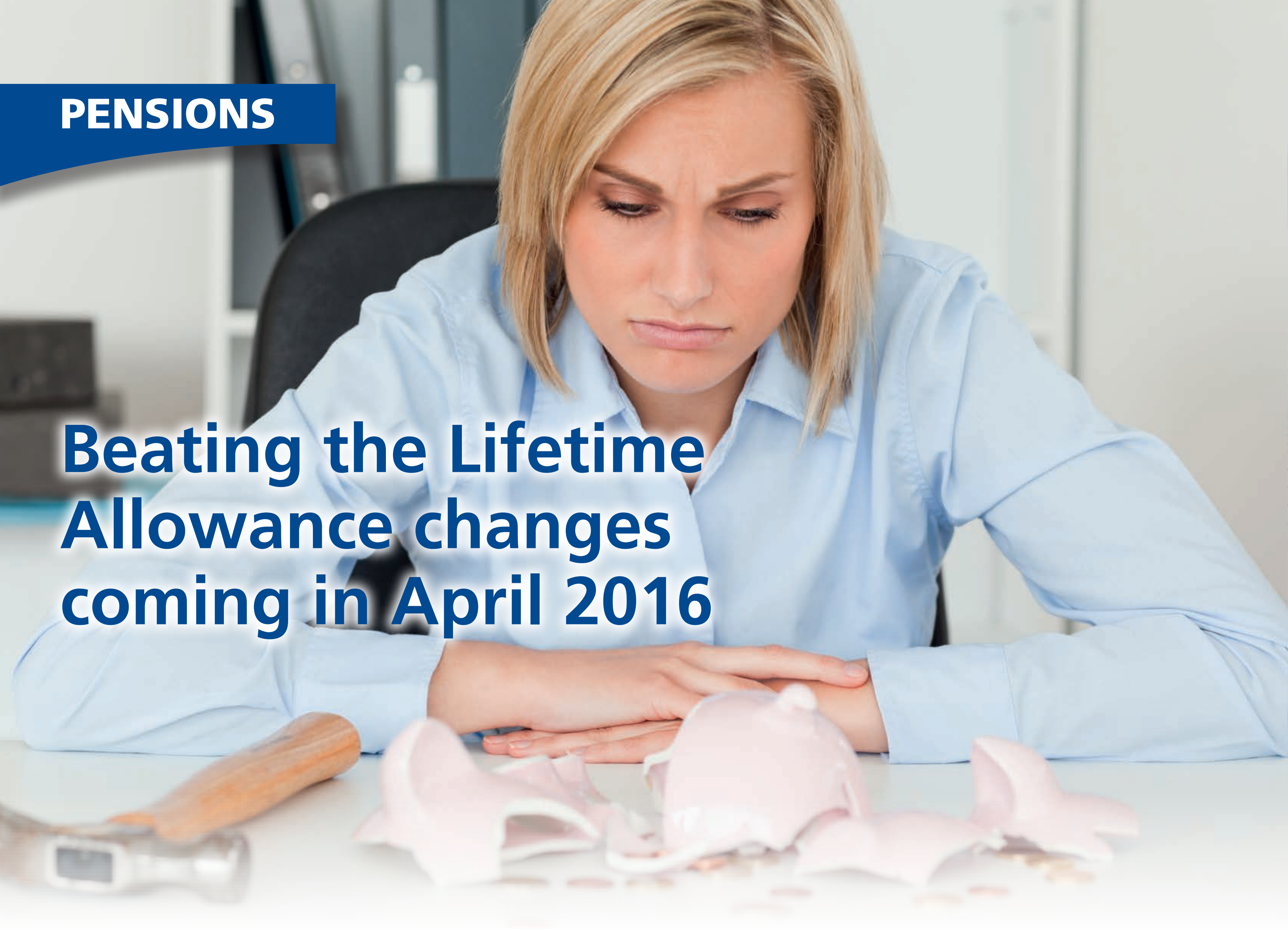
A key factor in our health and wellbeing is social activity. Yet many people in retirement can feel isolated, as their family and friends may have moved away. This can be exacerbated after the loss of a spouse or partner. Smart phones already enable people to keep in touch through voice, text, email and video calling. Similarly, Internet applications like Skype, which provide cheaper Internet-based communication, as well as social sites such as Facebook – no longer the domain of the younger generation – are allowing individuals to see what friends and family are doing, making them feel more involved.

Likewise, technology now enables us to better monitor our health. There are already mobile phone Apps we can use to measure our levels of exercise and our heartbeat, as well as automated devices that we can wear or which can be fitted in our homes, which can monitor physical data to keep us fitter by helping to detect health issues and bring them to the attention of medical staff and/or family at an early stage. This may also help people requiring care to be able to stay in their own homes.

Technology in vehicles is providing automatic parking, collision warnings and blind-spot detection. This will help make it possible for retirees to keep driving safely and for longer than might be possible now. Even where someone has to give up driving, soon programmable self-driving cars will take individuals from A to B, meaning they can still get around.

In addition, we will also be able to keep working full- or part-time, as technology offers new options and flexibility. Retirees are starting up and running virtual businesses and are taking on project-based work that fits in with their retirement lifestyle and plans.

These are just a few of the new technologies that are becoming available and easier to operate and cheaper to use. They will cost money but combined with appropriate financial planning they will offer the opportunity for an easier and more fulfilling retirement lifestyle.



Beating the Lifetime Allowance changes coming in April 2016

SINCE IT WAS INTRODUCED IN 2006, THE GOVERNMENT has been gradually reducing the Lifetime Allowance (LTA) on pension contributions – that is the total sum that a person can save into their pension over their lifetime and receive tax benefits on the money paid in.

From 6 April 2016 the LTA will reduce to its lowest level yet – from £1.25m to £1m. It will remain at this level for two years until April 2018, when, under current plans, it will start increasing each year with inflation, in line with the Consumer Price Index (CPI), assuming inflation rises.

This latest reduction, of course, will bring more pension savers within its sights. In fact, according to latest HM Revenue & Customs' estimates, somewhere in the region of 360,000 high earning pension savers will face a tax bill equivalent to several years' salary if they exceed the new lower lifetime pensions allowance.

What happens is that for anyone over the £1m limit, HMRC will apply an LTA tax charge on money withdrawn from the pension, whether as a lump sum or as income, designed to take away the benefit of tax relief for savings above the LTA. Any excess amount over the LTA will be taxed at 55% (if taken as a lump sum) or 25% (if taken as income).

The question is, how likely is someone to breach the new limits? Taking into account an annual growth rate of 5%, any individual with a fund currently worth £358,000 with 20 years to go until retirement is likely to hit the £1m ceiling. Similarly, someone retiring in 15 years with a pension pot today of £463,000 could also be affected. And, of course, these days many people have more than one pension fund, which can make the calculation more complicated.

What can be done to avoid LTA tax charges?

Fortunately, at the same time as applying these reductions HMRC recognises that it would be unfair to penalise people who have been saving to the old LTA rate and as a result would breach the new lower rate. Hence, in the past HMRC has offered two types of 'transitional protection' and April 2016 is no different.

Individual Protection 2016 is available for those with pensions valued at more than £1m on 5 April 2016. The value, up to a maximum £1.25m, becomes a personal LTA and allows further pension contributions to be made to existing or new pension schemes. This is not available for anyone who has already taken out this kind of protection at an earlier date.

Fixed Protection 2016. This, as the name implies, allows the LTA to be fixed at £1.25m but no further pension contributions are allowed. This can be useful if a pension fund is expected to grow to over £1m, or if the fund is already over £1m. Again, it is not available for anyone who already has primary or enhanced protection, or fixed protection 2012 or 2014.

Choosing to protect the LTA won't be right for everyone. Pension values as well as time to retirement are clearly important factors so this is an area where individual retirement goals are very important.

■ ***If you know you are affected by this change, or believe you could be, please contact your usual Lowes Consultant on 0191 281 8811 who will be able to talk through the issues with you.***

Autumn Statement highlights

IN HIS AUTUMN STATEMENT THE CHANCELLOR OF THE Exchequer was clearly more focused on the bigger picture economy than on financial services. This came as a welcome relief after 18 months of change, with which the financial services market is still getting to grips. Here we look at the financial services highlights from the Chancellor's Statement.

The Chancellor confirmed that the State Pension would increase, under the triple lock guarantee, by £3.35 to £119.30 a week from April 2016. The maximum single tier state pension that will apply for those of state pension age on or after 6 April 2016 will be £155.65 a week, slightly more than the previously announced £151 a week.

The Chancellor took two actions to support people buying homes to live in over those buying residential property as investments or as second homes – targeting Stamp Duty and Capital Gains tax on residential property.

First was a 3% Stamp Duty surcharge for the purchase of second homes and investment properties, applicable above a threshold of £40,000 on property purchases, with effect from 1 April 2016. So someone purchasing a £275,000 buy-to-let property or second home would see their stamp duty bill rise from £3,750 to £12,000.

Secondly, under current rules, CGT is paid at the end of the tax year. This allows individuals to offset any losses made through the year against gains and pay the correct amount of tax. The Government wants to speed up the payment of CGT, so from 2019, rather than reconciling at the end of the tax year, individuals will have to pay CGT within 30 days of the disposal of a residential property. This will only affect those with multiple properties, as primary residences are exempt. The annual allowance for CGT purposes is currently set at £11,100.

The Government also took the opportunity to clarify a pension issue concerning drawdown – namely that unused drawdown funds are not subject to IHT on death. Before pension freedoms, not drawing down from the fund could be treated as reducing the value of an estate on death. It is good to see the Government clarifying the IHT position, which is now a significant benefit of pensions over other savings vehicles. This change is being backdated to 6 April 2011, which was when flexible drawdown came in and, therefore, the first point when someone could have withdrawn all of his or her fund.

One notable figure announced was that the Chancellor's latest forecasts predict a significant increase in inheritance tax (IHT) receipts, up to £5.6 billion by 2020/21. This is an increase on the estimate for the current tax year of 47%. This large predicted rise suggests the importance for a growing number of people to take advice on estate planning, which could ultimately lead to saving a significant sum from being paid to the treasury on death, and that money instead being passed to the family.

Pension tax relief from April 2016

In the Budget of March 2014, the Chancellor initiated a consultation on whether the tax treatment of pensions needed to be changed. Ostensibly this was to 'strengthen the incentive to save', although cynics have pointed out the Government's proposed changes would also make significant savings for the public purse.

The suggestion was to change the tax relief from the current system where people pay no income tax on money paid into a pension or during the life of the pension but pay tax on the income they take in retirement (called the EET system: Exempt Exempt Taxed) and instead move to a taxation upfront system (TEE - Taxed Exempt Exempt) offering no tax relief on money paid into a pension but taking no tax from income drawn in retirement. This is the way that ISA wrapper works.

One argument for keeping the system as it stands is that tax relief upfront means more is saved and accumulated within pension pots over time, and a greater amount of money is released into the economy in retirement. One argument against, says tax relief upfront is not understood by the majority of the public whereas the ISA-style system is easier to comprehend.

The Chancellor has said that the Government's policy decision will be announced in the 2016 Budget in March. It is very likely that any change to the tax relief system will be immediately effective from the date of the Budget, so with possible change in the pipeline as early as April 2016, now is a good time to be reviewing pension contributions to take advantage of the current tax relief system.

MARKETS

Structured products:

The proof of the pudding...

LOWES IS A WELL-KNOWN AND RESPECTED ANALYST within the financial services industry when it comes to structured products.

Not only do we have a long history of using the products effectively in investment portfolios, and of assessing and being asked to provide our expert view on products when they are launched, but also we provide probably the most comprehensive set of data on structured products maturities to the industry.

For us, using structured products in a diversified investment portfolio simply makes sense. Specific advantages are:

- Investors know what they will get, when they will get it and in what market circumstances.
- They can be used in tax planning, as well as for specific financial goals.
- They can provide useful diversification to help balance out a portfolio.
- The returns are attractive and the risks defined.

As with any investment, they are not going to be right for everyone. There are risks to be considered and weighed against the potential rewards. But overall, and the reason that we recommend them to our clients, is that they do what they say on the tin and investors know what outcomes they are buying into.

Generally, we would recommend that they are used as part of a balanced and diversified portfolio and we tend to use them alongside actively managed funds, specifically selected to provide consistent levels of performance over the long term.

Performance

So how have structured products done over the last five years? There is an old saying, "The proof of the pudding is in the eating" and as can be seen from the tables on this page, the 1,875 structured products that matured in the last five years, have produced average annualised returns of 6.37%. *(See table 1)*

The most popular products are linked to the FTSE 100 only. These products accounted for 73% of all products that matured over the five-year period, 1,376 out of 1,875. Of those, 1,233 returned a gain, 138 returned capital only and just 5 produced a loss. *(See table 2)*

The average annualised return for the top 25% of maturing FTSE 100 products over the period was 10.75%, over an average term of 3.11 years, while the average for the bottom 25% was 1.65%, over an average investment period of 5.18 years.

Our investment philosophy is not one where we are looking to chase headline grabbing returns (which can lead to increased volatility, risk and disappointment), but rather we are looking to invest in a range of solutions that will produce steady, consistent performance for clients. Hence, where we believe it is appropriate, and in line with our client's objectives, attitude to risk and personal circumstance, structured products will feature in our selection pick when we are constructing investment portfolios.

Table 1: Maturities in the past 5 years to 31/12/15 – all products

	Capital at Risk	Capital Protected	Deposit based	Total
No of products	1060	405	410	1875
Average term	2.96	5.11	4.32	3.72
Average annual return % - all products	8.26	3.81	4.01	6.37
Top 25% Average	12.92	8.14	7.20	11.57
Bottom 25% Average	3.38	-0.57	0.25	0.72

Table 2: Maturities in the past 5 years to 31/12/15 – FTSE 100 only products

	Capital at Risk	Capital Protected	Deposit based	Total
No of products	698	326	352	1376
Average term	3.12	5.06	4.18	3.85
Average annual return % - all products	8.27	4.05	4.47	6.30
Top 25% Average	12.23	8.09	7.26	10.75
Bottom 25% Average	4.73	0.05	0.98	1.65

Lowes Annual Client Competition 2016

THIS YEAR THE LOWES MAGAZINE ANNUAL CLIENT Competition focuses on the gold market.

Gold is often thought of as providing a comparative 'safe haven' against downturns in other investment and financial markets because it tends not to move in line with other assets. It is also seen as offering an insurance against inflation and the potential negative impacts on the stock markets.

Hence following the Financial Crisis of 2008 – 2009, the price of gold soared reaching a new high of $1895.00 per troy ounce. Since then the price has fallen. At the end of 2015 a troy ounce of gold was selling for $1060.00

As a physical commodity gold has to be stored, it pays no income and so investors have to rely on the price of gold going up to make money on it, or to believe that markets will experience a notable fall in value, in which case gold's safe haven reputation in stormy markets will be of benefit.

For this reason, holding gold in an investment portfolio can be a useful diversification tool. Typically this will be done by buying into a fund invested in gold, rather than holding gold as a physical commodity.

Our competition this year looks at the price of an ounce of gold. The price of gold can fluctuate markedly during the year, so what we are asking you to do is predict to two decimal places the price of a troy ounce of gold at 31 December 2016.

We will be using the price as recorded by the Gold Council and to help you in your prediction below is a table of the end of year price of gold over the past 10 years.

The person closest to the price of gold as recorded by The World Gold Council on 31/12/16 will win vouchers from Marks and Spencer to the value of £250.

Historical Gold Prices over 10 years (2006-2015)

Annual end of year price			
Year	**Price in US$**	**Year**	**Price in US$**
2006	632.00	2011	1531.00
2007	833.75	2012	1657.50
2008	869.75	2013	1204.50
2009	1087.50	2014	1206.00
2010	1405.50	2015	1060.00

Source: World Gold Council

Sudoku solution

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

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

Spotlight on your Lowes Consultant

AFTER OBTAINING A FIRST CLASS Honours degree in Accounting, Barry Hopper began his career in management with British Airways. It wasn't until he returned to Newcastle as a chartered accountant, to take up a Finance Director position in the Sage Mid Market Division, that the idea of becoming a financial adviser really took hold.

"I'd been talking to my father – Lowes Consultant David Hopper (now retired) – about what he did for over a year. What appealed to me was that rather than effectively being a cog within a large machine, which is what most people are in corporate finance, you are affecting people's lives directly on a day-to-day basis.

"That's what attracted me to the role and even today it's helping people to plan for their retirement and organise their income stream, for example, which gives me the greatest satisfaction. You see that the work that you do impacts the individual sitting in front of you."

In 2004, his father began talking about retiring and it seemed like the perfect opportunity for Barry to follow in his father's footsteps. And he literally did that, shadowing his father for a year and meeting his clients, before finally taking over the reins. At the same time Barry was taking all the necessary exams in order to become qualified to be able to give Independent Financial Advice.

What he also likes about the role of Consultant is that every day is different. "Although your title says 'financial adviser' you get involved in a thousand and one different things within people's lives," he says. "Giving people an independent view they can make a decision based on as much information as possible is vitally important."

An essential and often emotive side to the role, says Barry, "is when you've been advising a couple and one of them dies. That is often when I feel we give our best service. We will take over as much of the responsibility for the finance and the probate and all the other things involved as the remaining partner wants us to."

Asked if there are parts of the role he doesn't like, he admits it is the paperwork. But, he adds, "I really enjoy the job. I made the right decision over 10 years ago to come to Lowes and it is probably the best decision I've ever made."

If there is a common theme to the way advice has changed over the past few years, he says, it involves the low interest rate environment, which has made people see the need for them to make their money work harder through investments. Likewise, he says, the new pension rules, which have made the taking of retirement income more complex. "It means that now there is a need for people to visit their pension arrangements on a regular basis. That's a huge change."

Outside of work Barry is interested in modern history, particularly from the 1960s onwards, as well as family history.

Anytime is fine – as long as it's now

WHILST ATTENDING AN INVESTMENT CONFERENCE AT THE end of last year, a presentation was given by a gentleman called Ben Hammersley, who had the intriguing job title of "Futurologist". The lecture touched upon where he expects to see technology advancing in the coming years, but mainly covered the effects of technology on the workplace.

At Lowes we have always been proponents of using technology to improve the level and quality of service we can provide. In fact my first foray into investment analysis came while I was still working in IT and developing the software that processes the data to help identify the funds we need to be looking at – both good and bad. Things such as this, and the new software we are currently introducing as our main back-office system, are there to free up our time to focus on where we can better apply our expertise.

But the advances have negative effects too. I'm sure most of us can remember the massive change caused by the introduction of automation in heavy industry back in the 70's and 80's, and a similar effect is now occurring in the service industries, as more and more complex tasks can be performed by computers, effectively rendering some roles obsolete.

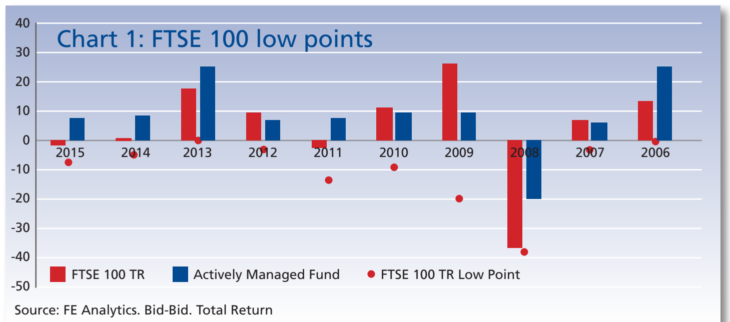
Technology also allows us to do some things which were never possible, even just five or ten years ago. In the financial sector, one such area is that of "High Frequency Trading", where computer programs constantly analyse share price movements, and buy and sell millions of shares in fractions of a second. This takes advantage of very small anomalies in pricing, but multiplied by millions of shares this can lead to significant profits. Enough, in fact, for the companies to invest millions in making sure the cable connecting them to the stock exchange is as straight as possible to shave tiny fractions of a second off the time it takes the computer to place the deals.

While perhaps not at the same speeds, the Internet gives us all instant access to more information than was ever possible before. Historically, valuing an investment portfolio would have involved several phone calls and trawling through the prices in the *Financial Times*, but now it can be done with a few clicks of a mouse. This is, of course, a good thing and gives us more time to focus on and understand how a fund is achieving its performance, or the reasons behind a downturn.

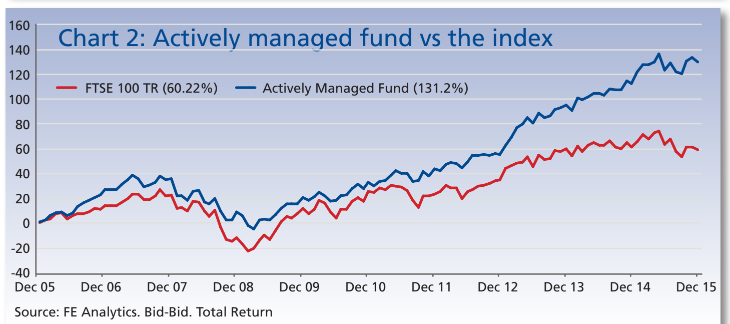
One negative from the information overload, however, is a definite move to short-term views on investments rather than the longer-term view that should still be taken. A short term dip in performance of a share or fund compared to another is now instantly obvious and can lead investors to sell a holding and invest in another, probably just before a reversal of fortunes leads the relative performance to switch. According to the Bank of England, in the mid 1960's the average holding term for a share was eight years. Today it is around six months. This will be skewed by the High Frequency Traders mentioned above, but the trend is still for shorter term investing.

Whilst a fall in performance can be a signal to sell, it is first important to understand the reasons why the performance has turned, and whether it is the start of a long-term trend, or merely a short-term blip.

This is best summed up in the accompanying charts. The red dots in Chart 1 show the biggest fall in the FTSE 100 in each calendar year for the last ten years. It's at this point that the TV and newspapers will be full of stories about the losses on the stockmarkets, and people will be scared into cashing in their investments. The bars show the performance of the FTSE 100 Total Return index (which includes the reinvesting of dividends) over the full year, and also a mainstream UK fund which has been part of our portfolios over the whole period. Despite the falls during the year, it's interesting to note that in only three of the last ten years did the FTSE 100 produce a loss, and only during the financial crisis of 2008 was the loss more than 3%. The actively managed fund has fared better over the same timeframe, posting a negative annual return only once – at the height of the Financial Crisis - and despite underperforming the FTSE 100 in four of the last ten years, investors would have been rewarded for staying with the fund rather than switching to a tracker, as it has returned more than double the index (see chart 2).



Source: FE Analytics. Bid-Bid. Total Return



Source: FE Analytics. Bid-Bid. Total Return

This is why we embrace the changes brought about by advances in technology, using them to free our time to sift through the information that is now readily available to sort that which is relevant from the hyperbole. This helps us to fully understand what is happening before making a decision and often involves sitting down with the fund manager to discuss how they are running the fund, which is something computers can't do. Yet!