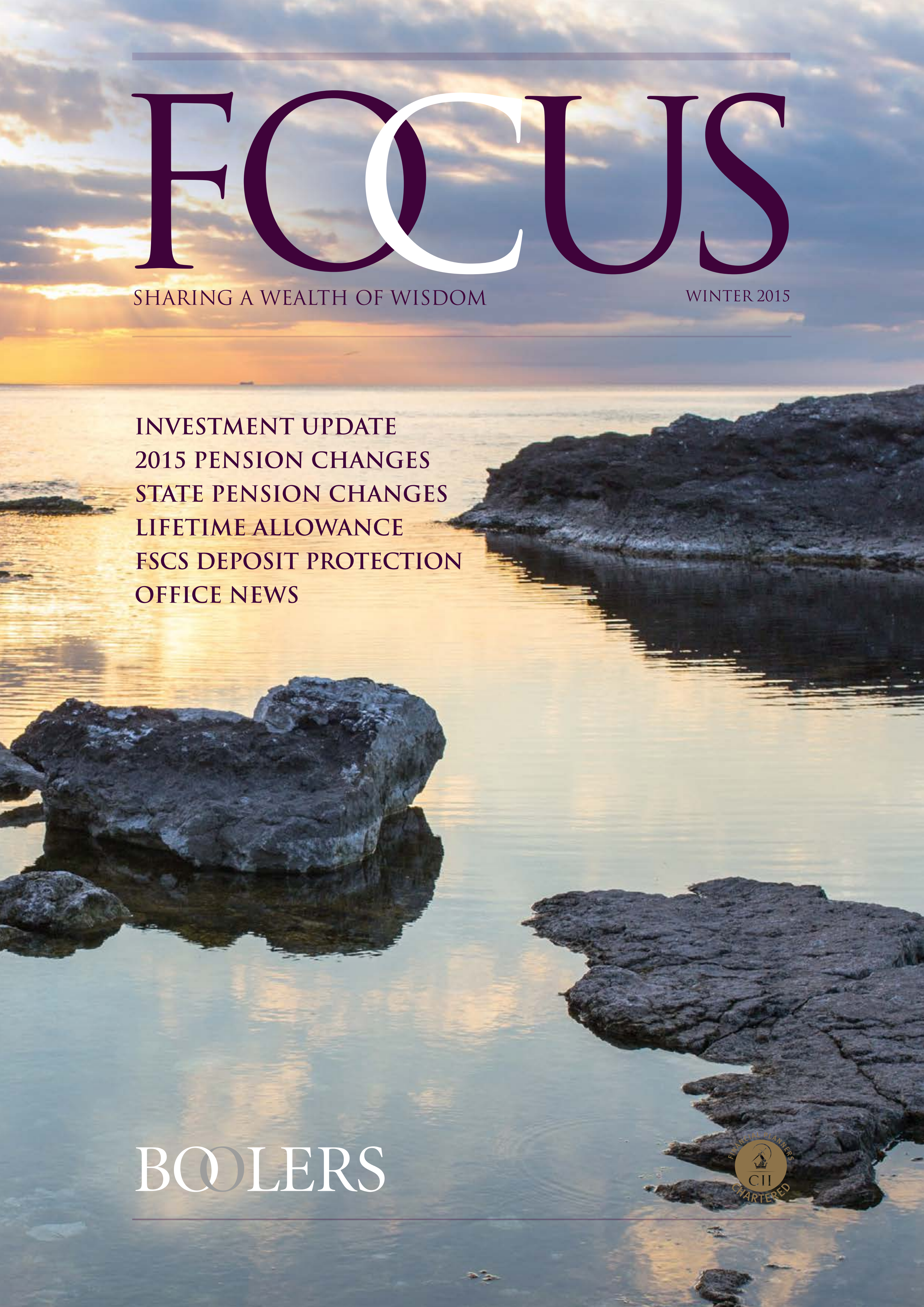

FOCUS

SHARING A WEALTH OF WISDOM

WINTER 2015

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BOOLERS

CHARTERED FINANCIAL PLANNERS CII

> "The pace of change in the advice world is accelerating"
>
> David Ball

We started our newsletter distribution some eight years ago, the objective being to keep clients up to date with the business' activities and important legislation changes. It is amazing how events have turned throughout that time and to a self-confessed technophobe, the use of websites, modern communication systems and the internet in general have grown rapidly.

End of Paper

We have perhaps been a bit slow in admitting that paper can be dispensed with. A truly paperless world for Boolers is some time off but our first step will be to convert our newsletter to an internet friendly document with distribution via email.

The pace of change in the advice world is accelerating. The one thing that is absolutely certain is that since 2008 and the crisis seen by financial organisations such as banks, more and more cash has been required in order to meet solvency margins.

The first reassurance is that we have quietly gone about our own business and taken all of these extra cash calls in our stride. We have always been able to invest in staff, and to some extent technology, in order to meet the demands of the more sophisticated market we trade in year by year.

Man vs. Machine

Topical news items are pointing towards what is commonly known as 'robo advice'.

The analogy I would look at is engaging a man with a spade and working out that hiring a digger is more effective. The problem is that there are very few digger drivers that have natural skills and those hiring the digger very quickly work out that they need to hire a man to use the digger to get the best results.

The experience of what is known as robo advice in the States is that it works up to a point where the technology on offer needs a skilled pair of hands in order to maximise its use.

The objective of Boolers is to get to the point where we have a better interface with clients through on-line delivery but one which is always supported by a clear and concise voice of advice in your annual meetings.

So in signing off the Focus Newsletter in hard copy the next one will emerge on-line and probably in a more compartmentalised format, with focused subjects being reported on on a regular basis. What is absolutely clear is that it does not really matter how you tell the story, it is the quality of the storyteller that counts.

Our commitment is to continue growing the quality of our advice and to make sure that it is financed at levels that meet and exceed regulators demands.

David Ball

INVESTMENT UPDATE

Gavin O'Neill
Chartered FCSI, APFS

NOVEMBER 2015

We approach the end of the year hoping for some much needed stability after what has been an incredibly volatile third quarter. As discretionary managers we have been following markets closely throughout the year and ensuring that our portfolios are positioned accordingly.

We have highlighted below the current themes driving investment markets and how we are addressing these within portfolios.

Positive themes	Portfolio Action
Strong UK and US GDP growth in 2015 and 2016	Our portfolios retain an emphasis towards UK and Global equity markets
Merger & Acquisition activity to continue	Positive for equities – as above
Interest rates set to rise, albeit modestly	Beneficial for higher yielding equities, e.g. Financials
Negative themes	**Portfolio Action**
Interest rates set to rise	Retain low exposure to bonds (fixed interest)
Geopolitical risks (Grexit)	Retain an underweight exposure to European equities
Chinese GDP slowing	Low exposure to Asia and Emerging Markets generally

Last year we were delighted to launch our Discretionary Investment Management Service and provide a more focused and proactive management of client assets. Clients have been keen to allow us the ability to manage their affairs with greater flexibility and remove a further layer of paperwork and the need to be involved in ongoing decisions. Our process and strategy of selecting funds remains consistent for both of our management approaches, with management of risk being key.

Moving back to 2015, despite all of the increased volatility in financial markets we do believe that equities can still provide competitive returns for investors over the medium term and our portfolios are positioned accordingly. It is pleasing to see that throughout the volatility this year, our discretionary portfolios have provided positive returns and outperformed our specified WMA (Wealth Manager Association) benchmarks and the wider market.

As a firm we have been extremely pleased with the new discretionary service and the positive feedback from clients, which has seen over £250m of clients' monies invested to date. We are proud of the significant resources and experience within our Investment Team, with three dedicated managers and five support staff and we are always available for direct comment or to answer queries whenever required.

As longer term investors will appreciate, markets are ever changing and we will continue to manage portfolios to provide competitive returns into 2016 and beyond!

2015 PENSION CHANGES (OR MAYBE SLIGHTLY FEWER!)

PHEW!!!!!!!!!!!!!! Where do I start?!

In our Winter 2014 newsletter, my colleague Chris Ward wrote about the Ch-Ch-Ch-Changes to pensions that had been introduced during 2014 and of his surprise at the number of changes made.

Rather than quoting David Bowie, Chris really should have been singing the Bachman Turner Overdrive hit lyric ‘you ain’t seen nothing yet’! Come the dawning of a new year in 2015 and riding high on election success, George Osborne appears to have entered into a kind of ‘budget frenzy’, which has seen sweeping changes announced to much of the UK’s financial landscape, and pensions have certainly not escaped the touch of his heavy hand.

We have already written to many of you in detail about the changes and elsewhere in this newsletter you will read detailed articles on changes to The State Pension, the reduction to the Lifetime Allowance and the latest round of Protection. The purpose of this article is to act as a brief summary and to highlight any opportunities or action for you to take before the end of the tax year.

April 2015 – what changed?

April saw the biggest shake-up to pension legislation for a number of years. The Pensions Freedom and Choice changes were introduced and these have had a massive impact upon the way that individuals are accessing their retirement funds. The headlines:-

Flexibility of income

Members can now access money purchase pension benefits without limit. **Flexi-Access Drawdown** allows members to withdraw pension income without limitation, subject to income tax. **Uncrystallised Fund Pension Lump Sum** (UFPLS) allows a member to withdraw any amount from their uncrystallised pension fund; 25% of this withdrawal can be paid as a tax-free lump sum and the remaining element is taxed as pension income.

Death

You can now nominate ***any* beneficiary** to receive your money purchase pension funds in the event of death; this is no longer restricted to your ‘dependants’.
On death **below age 75**, beneficiaries can access the money purchase pension fund **tax-free**, whether taken as a lump sum or as income (subject to a lifetime allowance charge on non-vested funds). **Over 75**, the beneficiary will pay tax at their **marginal rate** (from 2016/17).

These income and death benefit options have not been extended to defined benefit (final salary) schemes, which has caused a large increase in the number of members seeking to transfer their final salary benefits to a pension vehicle that will provide these flexibilities.

Money Purchase Annual Allowance

Where a member has accessed pension funds under either UFPLS or Flexi-Access Drawdown, their maximum contribution into a money purchase fund is just **£10,000 p.a.**, with no ability to carry forward unused relief.

Reduction to the Lifetime Allowance (LTA)

The LTA is currently £1.25 million and will reduce to £1 million on 6 April 2016. You will have the opportunity to protect existing pension accrued by applying for Individual Protection 2016 (if funds are already at or over £1 million) or Fixed Protection 2016 (but pension contributions must cease). Please see Michelle Mason’s article later in this newsletter for more detail.

Carole Waghorne APFS
Chartered Financial Planner

Summer Budget – more changes

Transitional Pension Input Periods (PIPs)

All **PIPs** open on 8 July 2015 closed on that day and a new PIP opened on 9 July 2015 that will end on 5 April 2016. This may give an **opportunity** for pension scheme members to make **additional pension contributions** before the end of the tax year.

Tapering of the Annual Allowance

From 6 April 2016, **high earners** may see the maximum amount that can be contributed to a pension scheme (annual allowance) reduced, from **£40,000** down to **as little as £10,000**. If your annual income is £110,000 or less you will not be affected by this, but if income, including employer pension contributions, is over £150,000, then your annual allowance will reduce by £1 for every £2 earned over £150,000.

Action

Consider maximising pension contributions before 5 April 2016 to take advantage of the additional annual allowance in this tax year, especially if you are likely to earn over £110,000 in 2016/17 and could suffer a reduction to your annual allowance or if you are thinking of applying for Individual or Fixed Protection 2016. Please speak to us to obtain specific and personal advice on this subject.

Autumn Budget – what next?

At the time of writing this article, the House of Lords had just voted for the Government to delay the proposed tax credit cuts, which were due to take effect in April 2016. In response, Frank Field, Labour MP and Chairman of the Work and Pensions select committee, suggested that the budget savings which were due to be made from the tax credit cuts could come instead from cutting pension tax relief.

A Treasury Consultation on reforms to the way pensions are taxed, announced in the summer Budget, closed to responses on 30 September 2015 and we were expecting to hear George Osborne’s plans for reform by the end of 2015. However, the Government have just announced that they will postpone their report on pension tax relief until March 2016, so we will have to wait a little longer to see if any changes are going to be made.

Whether or not Frank Field’s recommendation will be taken up remains to be seen. However, what is fairly certain is that the Government has not yet finished with pension changes. Watch this space…!

> “Consider maximising pension contributions before 5 April 2016”

STATE PENSION CHANGES

For many of our clients, the State Pension represents a strong core to their retirement income. However, the changes to the State Pension can often leave people wondering if they are getting a 'fair deal' out of their many years of National Insurance Contributions (NICs).

We wanted to take the time to look at the changes that are coming in, and to give you our considered thoughts on what these changes might mean for you.

When can I have my State Pension?

The first change is to the age at which you are entitled to receive your pension. The government has a useful calculator to give you a clear indication of when you are entitled to receive the state pension, which can be found here;

https://www.gov.uk/calculate-state-pension

For women, the State Pension Age is aligning with men and will be harmonised at age 65 by December 2018. If you are female, and born between 6th April 1950 and 5th December 1953, you have been/will be affected by the increasing pension age. Equality makes sense, however some will feel aggrieved to have seen slightly older friends benefit from an additional five years of state pension!

As the table below shows, moving forward the pension age for both males and females will harmonise and increase over time. The first increase is to age 66.

Date of Birth	Date State Pension Age Reached
6 December 1953 – 5 January 1954	6 March 2019
6 January 1954 – 5 February 1954	6 May 2019
6 February 1954 – 5 March 1954	6 July 2019
6 March 1954 – 5 April 1954	6 September 2019
6 April 1954 – 5 May 1954	6 November 2019
6 May 1954 – 5 June 1954	6 January 2020
6 June 1954 – 5 July 1954	6 March 2020
6 July 1954 – 5 August 1954	6 May 2020
6 August 1954 – 5 September 1954	6 July 2020
6 September 1954 – 5 October 1954	6 September 2020
6 October 1954 – 5 April 1960	66th birthday

Furthermore, if you were born between 6th April 1960 and 5th March 1961, you will see your pension age increase as the state pension age is 'transitioned' up to 67.

These changes are designed to reflect the increase in life expectancy and will undoubtedly create some frustration. More than ever, having income available from your private pensions will be essential to ensure a successful retirement.

Chris Ball DipPFS
Financial Planner

State Pension Top Up

One area of change to State Pensions that might have some attraction is that of the new 'top up' system. To qualify, you must have an entitlement for the basic state pension or additional state pension and be either;

1. A man born before 6 April 1951
2. A woman born before 6 April 1953

If you qualify, the top up allows you to lock into an additional income of between £1 and £25 per week by making a lump sum payment before 5 April 2017. The cost to purchase each additional £1 per week of income depends on your age. The example given on the government website is a 68 year old purchasing a top up of £1 per week in October 2015, at a cost of £827. Is this good value? The crude answer is that it depends on how long you and any spouse plan on living! Because the state pension (including the top up) is index linked, the longer that the income is paid the better value the initial cost becomes. Assuming inflation of 2.5% p.a. the 'break even' point on the example above would be 13.57 years; thereafter the income would be 'profit'. On face value, for most individuals the top up looks a little expensive.

The other potential attraction to this purchase is relevant if your beneficiaries are likely to face an inheritance tax bill in the event of your death. Purchasing additional guaranteed income from surplus cash balances may be more attractive in your own mind if these monies are destined to be 'attacked' by a 40% tax in the event of your death.

As always, letting the tax attraction dictate your financial planning can be dangerous and we would recommend that you speak to your designated consultant before making any decisions. Also it may be worth considering voluntary NICs to create a full state pension entitlement before any other top up is undertaken.

Single Tier State Pension

Regardless of your opinion of the state pension top up, those reaching State Pension Age on or after 6th April 2016 will face the new single tier system of state pension.

To qualify you must have a minimum of 10 qualifying years of NICs /credits. To gain a full single tier pension an individual must have 35 years of NICs. If you have existing qualifying years when the new single tier pension starts, then a calculation will be done to determine the level of state pension that you would have received under the old rules versus the new single tier system. The higher of these two figures will become your Foundation Amount.

If your Foundation Amount is already at or above the full single tier state pension level (£151.25 in 2016/17), then you will not be able to accrue any further pension. However, if your Foundation Amount is lower than the full single tier state pension, you will be able to obtain further qualifying years to increase your entitlement, up to the value of the full single-tier state pension. Unlike the existing State Pension, the new single tier system does not create an entitlement based on your spouse or civil partner. However, the transitional rules should ensure a fair reflection of NICs under the differing state pension rules.

Feasibly, an individual born in 1997 could face a state pension in 2067 which still has some form of recognition of the NICs they paid before April 2016! This is a level of complication that boggles the mind. Many articles have already complained about the level of confusion that state pension forecasts can offer and this does not appear to be simplified anytime soon.

What about deferral?

Lots of people took advantage of the state pension deferral option which granted an uplift of 10.4% per annum of deferral. These rules will still apply if your state pension age is reached before April 6th 2016. If you reach pension age after April 6th 2016 the deferral option is still available but is less attractive. The effective rate of increase is 5.77% per annum, with a 1% increase being granted every 9 weeks of deferral. Also, the option to receive the deferred amount as a lump sum has been removed.

Summary

Overall the State Pension continues to be a strong underpin to retirement income planning. The changes may create confusion and frustration but should not see many, if any, clients materially worse off. If you reach state pension age before April 6th 2016, your existing pension entitlement will not be affected at all.

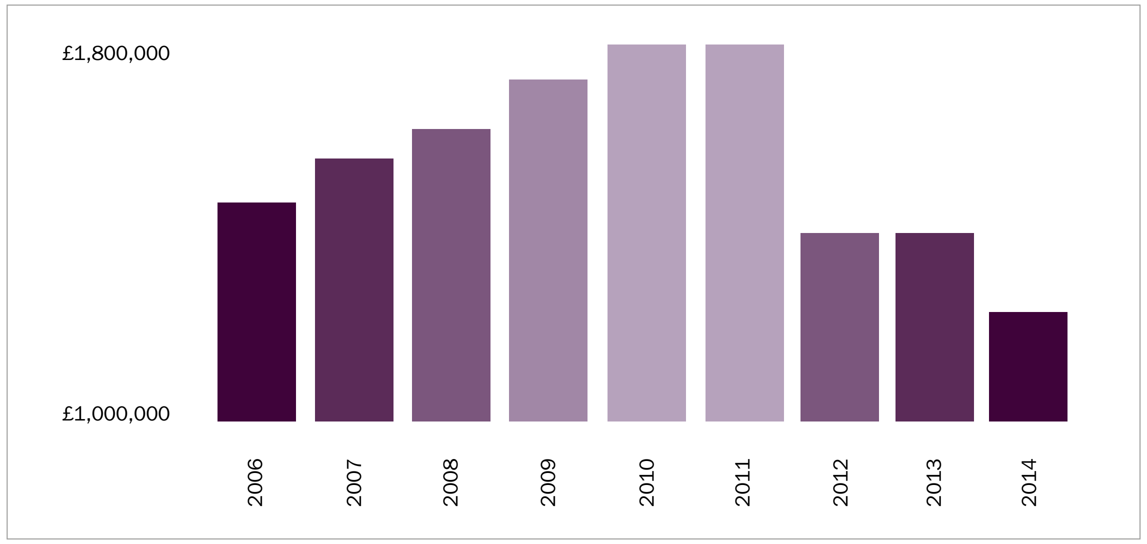
If you end up feeling frustrated at the changes and how they affect you, just remember that some of us were born in 1987 and are looking at a very long wait for state pension entitlement!

LIFETIME ALLOWANCE CHANGES (AGAIN!)

Round 3 – FP2016

Having already faced 2 rounds of Protection (FP2012 and FP2014) since 2006 when pensions were changed (simplification), we are now looking at round 3 to endeavour to ring fence pension fund values away from tax charges, should they exceed the Lifetime Allowance.

Over the years since 2006 we have seen the Lifetime Allowance rise and fall, as you will see from the table below:-



The Chancellor announced that the standard pensions Lifetime Allowance, which is the total value of pension savings that can be accumulated without a tax charge, will be reduced from £1.25 million to £1 million from 6 April 2016, and will be index-linked from 2018.

Here is an overview of the two protection options available:-

Fixed Protection 2016 (FP2016)

- Offers a protected Lifetime Allowance of £1.25m
- No minimum fund value requirement
- Money purchase contributions must cease by 5 April 2016
- Final salary allows limited accrual based on CPI increase or potentially other increases covered in scheme rules
- Not available to those with Primary or Enhanced Protection

Individual Protection 2016 (IP2016)

- IP2016 will be available to those with funds valued at £1m or more as at 5 April 2016
- Protects the value of the fund at 5 April 2016 up to a maximum of £1.25m, but will not protect any growth thereafter
- Contributions and/or benefit accrual can continue
- Not open to those with Primary Protection
- Potentially no time limits on application

HMRC will launch an online self-service application process from July 2016, with paper requests considered from April 2016 for those wishing to take benefits immediately in the new Tax Year.

Valuation of benefits

The first step is to carry out a valuation of your current benefits to enable us to provide the relevant advice in regard to the most appropriate protection options.

As a summary the benefits are valued as follows:-

- Money purchase (MP) – value of fund
- Defined Benefit (DB) – value of accrued pension x 20 + tax free cash (unless met by commutation of the pension)
- Pre-A Day pensions/annuities – value is 25 x the pension in payment at April 2016
- Pre-A Day drawdown – 25 x 80% of maximum drawdown at April 2016
- Crystallised rights valued at amount tested against the Lifetime Allowance and re-valued in accordance with the changes to the limit.

Who will be affected?

Individuals who have undrawn pension funds in UK registered pension schemes, and certain overseas schemes, where the aggregate lifetime savings exceed £1 million in value as at 6 April 2016.

It will also affect some individuals who are already drawing pension benefits but who may have future benefits that need to be tested against the Lifetime Allowance (e.g. individuals under age 75 who are in drawdown).

For an individual with a defined benefit (e.g. final salary scheme), the Lifetime Allowance reduction will take effect where the prospective pension at retirement is more than £50,000 per annum (assuming no lump sum or other pension benefits are taken).

Maximising Contributions – Carry Forward

Following an application for FP2016, contributions are no longer an option. Therefore, this brings a final opportunity to maximise unused annual allowances and carry forward, and thus it is very important to consider this prior to 5 April 2016 if you are making such an application.

When applying for IP2016, contributions made before April 2016 will increase fund values, potentially allowing a higher amount to be protected.

Impact via Auto Enrolment for Employers and Employees

Individuals intending to use FP2016 will need to make decisions before 5 April 2016 since "benefit accrual" after 5 April 2016 will invalidate/disqualify an individual from registering for FP2016.

Taking one example, the simple message to a new recruit after 5 April 2016 "if you have (already) registered for FP2016, you might not want to join our scheme" will need to become long-term "if you are considering registering for FP2016 and have not yet disqualified yourself then you might not want to join our scheme".

Summary and Overview:-

Downsides

- The continuing reduction in Lifetime Allowance will be most unpopular for taxpayers who have built up pensions savings with the initial limits in mind.
- Looking at the total cuts in the last four years, this represents a reduction of 44% which means taxpayers of a relatively modest wealth may now be drawn into the impact world of the Lifetime Allowance charge.
- Care needs to be taken where employer contributions are being made which could be out of your control without sufficient due diligence being applied.

Upsides!

- The newly introduced protection should help to limit the impact of the Lifetime Allowance reduction. You will need to check whether savings should be ceased from 5 April 2016 if the Lifetime Allowance charges are to be avoided.
- Those who had pension savings in excess of £1.25m as at 5th April 2014 (and do not hold primary protection) still have the opportunity to apply for Individual Protection (IP 2014) as a personal lifetime allowance of between £1.25m - £1.5m can be secured. You must apply for such protection before 5 April 2017.
- Taking advantage of maximum contributions when applying for IP2016 could lead to you being able to protect a higher amount.

Michelle Mason DipPFS
Financial Planner

Chris Ward
DipPFS
Pensions
Manager

FINANCIAL SERVICES COMPENSATION SCHEME

REDUCTION IN DEPOSIT PROTECTION LIMIT

The Financial Services Compensation Scheme (FSCS) was established to provide a level of protection on business conducted by firms authorised by the UK regulators, the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA), including:

- Banks and Building Societies
- Credit Unions
- Insurance
- Home Finance (including mortgage advice)
- Investments
- Pensions
- Endowments

As a fund of last resort, the level of compensation available varies, ranging from £50,000 per person per firm for investments and home finance to an unlimited amount for insurance business.

From 1 January 2016, the deposit protection limit in respect of banks and building societies is reducing from £85,000 to £75,000. This limit protects most depositors, including individuals, small companies and registered pension schemes, against a failure of the individual businesses up to this amount.

Deposits held at the same bank, building society or credit union are combined for this purpose, meaning that if total savings are in excess of £75,000 with the same or with linked providers operating under the same banking licence, only £75,000 is eligible for protection by the FSCS.

If you have eligible deposits with any single bank, building society or credit union in excess of £75,000 (£150,000 for joint accounts) you may wish to take action prior to 1 January 2016 to remain fully covered by the FSCS.

We are aware that many banks, including Investec Bank, Scottish Widows Bank and Cater Allen on our panel, are offering the ability to make a one-off withdrawal of up to £10,000, without any penalty or charge, for those accounts with balances above £75,000 that do not allow free and immediate access, and this includes their fixed rate products.

If you wish to make any change to any bank accounts that we operate on your behalf, please discuss with your usual Boolers contact.

Any questions regarding the change in the compensation limit, or in regards to linked providers operating under the same banking licence, should be directed to the FSCS at:

Financial Services Compensation Scheme
10th Floor Beaufort House
15 St Botolph Strret
London
EC3A 7QU

Telephone: 0800 678 1100
Email: ICT@fscs.org.uk
Web: www.fscs.org.uk

OFFICE NEWS

Jo Clamp
HR Manager

Professional Development Programme

As a Chartered Business we continually encourage and support all staff to progress and develop in their roles and a large part of this is for them to obtain further qualifications. I am pleased to report that this year has been no exception and there have again been many exam successes in a variety of specialties, such as Retirement Planning, Investment Principles and Regulations and Ethics to name just a few.
There are too many successes to mention each person individually but our congratulations go to all of them.

Recruitment

As the Business continues to expand and develop we strive to maintain the high standards of professional service to clients which we, as a Business, pride ourselves on. As we grow the Teams also grow and develop and new staff join us. The latest recruits and staff changes are:-

Pensions

To provide additional support to the SSAS team, Alex Williams moved from the Compliance Team to take up the position of Trainee Accounts Executive in October. Having spent 12 months working in Compliance, Alex has gained a good overall grounding within the Business which will help her immensely in her new role in SSAS.

Compliance

Gabriella Bennett joined the Team as a Compliance Assistant in November. Gabriella attained a Law degree from Cambridge University and has worked in both financial recruitment and financial services.
We are delighted that she has joined us.

Business Development

Sophie Partyka, who initially took up the role of Trainee Financial Planner towards the end of last year, completed an extensive training and development programme in financial planning and in April 2015 she was given FCA approval to provide advice across the full range of services.

Charity Events

Since our last newsletter we have continued to sponsor and support a wide variety of charities again, the most notable being:

- **On a very wet evening in April a number of brave and hardy members of staff did the Leicester Twilight 10k Walk. This was done in aid of LOROS who are a Leicester based Charity, specialising in Hospice care and offering family support. A fantastic £845 was raised.**
- **The annual Macmillan coffee morning held for staff and local businesses in September raised an excellent £676.**
- **The Jeans for Genes Day on 18 September raised £85. Money raised on this day went towards funding initiatives that improve the quality of life of children affected by genetic disorders.**
- **Whilst in Australia on September 28th, Narisha Bhakta jumped out of a plane from a height of 14,000 feet, to raise money for Cancer Research UK, as well as the Day Oncology Department at the Royal Children's Hospital in Melbourne, which helps provide a safer environment for all children receiving treatment. £800 has been raised so far!**
- **On Friday December 11th, we will be putting on our Christmas Jumpers to show our support for After Adoption. All the money donated will go to After Adoption which is a voluntary national adoption agency who help all those affected by adoption by creating, maintaining and reuniting the family connections many of us take for granted. They are dedicated to improving the lives of children in care who need a family and in providing lifelong support to adoptive families, adopted adults and birth relatives.**

Hatched and Matched!

2014 was the year of Boolers babies and significant birthdays! 2015 has and is still proving to be the year of the Wedding. By the end of December 2015, there will have been no fewer than six Boolers Weddings!
Congratulations go to:-

Alex Williams and her partner Ashley, Maria Ranger-Holt and Dan, Dom and Sarah Gray, Louise and John Hazelman, who all got married this year. Good luck also to Chris Ball and Donna and Catherine James and her partner Jen who will be getting married over the Christmas break.

IMPORTANT NEWS

Please note our telephone and fax numbers have changed.
We are now available on the following geographic numbers:-

T 0116 240 7070
F 0116 240 7098

Our existing 0845 number will shortly be decommissioned - meanwhile if you use it, the cost will be 10p per minute plus your telephone provider's access charge. Direct dial numbers for individual staff members are unchanged.

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