FOCUS

SHARING A WEALTH OF WISDOM

SUMMER 2017

REGULATORY UPDATE:

BOOLERS

CHARTERED FINANCIAL PLANNERS CII

"
BOOLERS…HERE TO SUPPORT YOU IN THE MANAGEMENT OF YOUR WEALTH, BOTH NOW AND INTO THE FUTURE.
"

ANDREW WHITE

We decided to reinstate the hard copy of our newsletter late last year as it appears that not everyone wishes to receive such information via email and so here is your glossy purple print edition once again.

Let's face it, financial services is not the most interesting subject to most readers and therefore the challenge of this and all other newsletters is to make them both informative and at least half interesting. We call on different authors within the business, and occasionally professional or business connections, to try to provide interesting articles, preferring this approach to merely buying in a standard document that is the same as many others. Whether we look after your pension, your personal investments, or whether we advise you as a Trustee or company director, we hope you find at least a few articles of interest.

I would also encourage readers to look at our re-vamped website which, in conjunction with some outside help, our two new partners in the form of Chris Ball and Richard Borrington have worked very hard on over the last year or so. New articles are regularly posted and we have tried to make our website content informative for long standing clients as well as those looking for financial advice for the first time.

We regularly deal with new client situations, often complicated cases and under a host of different circumstances. True "advice" may have been absent for a number of years, long-engaged advisers may have moved jobs numerous times (which does not inspire confidence), advisers have retired, advisers or their firms may simply not be up to the job, or clients may simply wish to engage with an adviser for the first time.
We are well tuned to dealing with all of these situations and more besides. For some clients, we have managed their pension arrangements for many years but not all of their assets; more on this in Gavin O'Neill's piece.

As you will be aware from the media, HMRC has been granted a greatly expanded remit in recent years to crack down on tax avoidance in its many forms.
This newsletter includes some important information on how it is the responsibility of all UK tax payers to report on all of their income.

In spite of the UK government invoking Article 50, the FCA is still proposing that we press on with complying with the requirements of the EU-led MiFID II legislation, exact details of which have still to be made clear but where we, as an advice firm, will have yet more detailed reporting to provide to our Regulator.

Finally, and back to technology, this newsletter includes an article on Cyber security which we have written about in a small way previously, but is a topic that is becoming more relevant in all walks of life. Our intention here is not to alarm but to reassure all clients that we take Cyber and data security, in all its possible forms, extremely seriously and we are continually revising our procedures to try to ensure that we are as secure as we possibly can be. I would also add that this article was written before the NHS's recent problems in this area!

By the time this newsletter comes through your letterbox, the global political scene will no doubt have moved on and will bring about new challenges to us all.
Whatever they are, you can rest assured that Boolers' staff and advisers will be here to support you in the management of your wealth, both now and into the future.

I wish you all a most pleasant summer.

Andrew White

REGULATORY UPDATE

David Howard
Compliance Officer

HMRC

All Businesses in our sector have been instructed to assist HM Revenue & Customs (HMRC) in their exercise of gathering information from clients regarding their assets that may be taxable in the UK.

From 2016, HMRC is getting an unprecedented amount of information about people's overseas accounts, structures, trusts, and investments from more than 100 jurisdictions worldwide, thanks to agreements to increase global tax transparency. This gives HMRC unprecedented levels of information to check that the right tax has been paid.

If you have already declared all of your past and present income or gains to HMRC, including from overseas, you do not need to worry. But if you are in any doubt, **HMRC RECOMMENDS THAT YOU READ THE ENCLOSED FACTSHEET TO HELP YOU DECIDE NOW WHAT TO DO NEXT.**

Legal Entity Identifiers (LEIs) – What are they and which Entities or Structures require them?

What are they?

An LEI is a unique identifier for 'persons' that are legal entities or structures, including companies, charities, trusts and small self-administered pension schemes (SSAS).

Why are they required?

The Markets in Financial Instruments Directive (MiFID) is the EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives) and the venues where those instruments are traded.

Under MiFID II transaction reporting obligations, which become effective from 3rd January 2018, firms subject to these regulations will not be able to execute a trade, from that date, on behalf of a Client who is eligible for an LEI and does not have one.

How will Boolers assist relevant Clients in obtaining them?

Boolers will shortly be undertaking the actions necessary to obtain the LEI for Client entities that are Trusts holding Investments and SSASs that contain Investments, in readiness for the 3rd January 2018 effective date.

(Note: Individuals investing on their own individual behalf do not require an LEI)

The Cost of obtaining an LEI?

The issuer of LEIs, the London Stock Exchange, levies a charge, both for the initial issue of an LEI and also the annual renewal of the LEI. Relevant Clients will be contacted by Boolers to advise them of the costs.

INVESTMENT MARKETS

Simon Watts
Chartered
Financial Planner
FCSI, FPFS

With 2017 well underway it is worth recalling that in our last edition of Focus we considered Political Risk, and the likely effects of European elections (and the surprising outcome of a US one) on global stockmarkets.

So how have markets fared so far this year? As at the start of May nearly all major stock markets have posted modest gains, with small and medium-sized companies leading the way in the UK. Thus far, markets have taken most geopolitical events in their stride. A Referendum on Constitutional Reform in Italy and Elections in Austria and the Netherlands passed by without a murmur. In a reversal of recent poll results, Populism did not triumph.

In the UK, Article 50 of the Lisbon Treaty was invoked (as expected) to start the countdown for the UK to leave the European Union. So far, neither side appears accommodative to the demands of the other, so we should expect many months of tough negotiations ahead of us. Theresa May's snap Election announcement for 8th June was unexpected, and sent the FTSE 100 down by 3% and Sterling up against the dollar by around 2%. A stronger Tory majority is seen by some as increasing the likelihood of a "Hard Brexit", which could have adverse economic consequences over the medium to long term.

Gilt prices have risen gradually but steadily so far this year. This may just be a result of political/economic uncertainty, but we believe this trend is unsustainable over the medium to long term.

Meanwhile in the US, interest rates rose to 1% in March, but the "Trump Trade" appears to have faltered in the short term as markets have cast doubt on Trump's ability to follow through on campaign pledges of tax cuts, infrastructure investment and job creation. A deterioration in diplomatic relations with Russia and Iran, tensions with North Korea, and a willingness to engage militarily in Syria and Afghanistan, have created political uncertainty. One positive aspect of US/North Korean tensions has been the need for US/China co-operation in dealing with North Korea, resulting in Trump's declaration that China is not the world's biggest currency manipulator after all, putting fears of trade wars between the two nations on ice – at least for now.

In Europe, we have German Federal Elections to look forward to in late September, and markets have remained calm following the election of Emmanuel Macron in France. The success of Macron/Le Pen in the first round illustrated both the French malaise with the established political parties as well as a significant undercurrent of euro-scepticism. The result assures France's continued membership of the EU, though may herald tougher Brexit negotiations for the UK Government.

So what does all this mean from an investment point of view?

Headlines about a renewed Cold War between Russia and the West, and potential conflict between the US and North Korea will understandably put many investors on edge. However, history shows that stockmarkets in Developed Economies can be very resilient in the face of major global events, even armed conflict.

Events that are likely to have a long-term impact on a nation's economic stability will more profoundly affect stockmarkets. In other words, US economic policy is likely to be more important than its foreign policy, whilst UK/EU negotiations will be key for markets in the UK and Europe. A stockmarket index is more highly correlated to the trading results of its individual constituents than the health of the national economy it relates to. For example, the FTSE 100 Index consists of companies from many different industries with diverse trading outlooks at any given point in time. They rely less on the UK economy than smaller companies as they derive more of their earnings overseas. This means they can actually benefit when Sterling is weak, whilst not being quite as exposed to a downturn in the UK economy.

We generally favour active fund managers over passive (tracker) funds as they are able to select stocks which they believe will outperform, given the prevailing political and economic situation, and make changes when these circumstances change.

We believe that proactive management of a portfolio diversified across markets and currencies is the best way to manage both economic and political risk over the medium to longer term. Periods of uncertainty can also keep investors away from markets, which can be helpful in allowing more measured demand and growth in asset prices.

The World Bank's March update portrayed modest global economic growth, a more supportive environment for global trade and multi-year high Purchasing Managers' Index figures, indicating growing confidence from manufacturing industries and service providers.

In summary, whilst we are aware that political risk still exists and will create further stockmarket volatility in the short term, we continue to believe that equities (though not necessarily cheap in some areas) offer good value relative to fixed interest securities and cash, and can provide a valuable dividend stream for those requiring income.

INVESTING PERSONAL MONIES

Gavin O'Neill
Chartered
Financial Planner
FCSI, APFS

For many of our clients we are seen as pension specialists, focusing our advice on their pension affairs.

Personal monies may have been invested through other advisers, such as banks and wealth managers. Our investment strategy and management can be tailored to any tax regime, be it personal, pension, company or Trust. We adopt the same processes for risk profiling, timescales and objectives, as well as additional tax planning considerations, whoever the end client.

Over recent years we have seen many banks exit the investment advice and management market place or impose significant barriers for clients through an increased minimum portfolio size, for example £250,000 or even £500,000. In addition, the levels of service being provided have become much more remote with a move to telephone based call centres and/or various changes in personnel with advisers retiring, moving firms or selling out altogether.

We are certainly open for business and offer a professional, friendly service with dedicated financial planners, investment managers and support staff. This is combined with the added flexibility of trading and managing our own portfolios in-house and not being subject to a national process.

If you would like us to review and provide commentary on any existing personal savings that you have in place then please speak with your usual Boolers' contact or a member of the Investment Team.

Increased ISA Benefits

The new tax year has provided a welcome boost to personal savings through a significantly increased allowance and the introduction of the Lifetime ISA.

From 6th April 2017, the Individual Savings Account (ISA) allowance has increased by over 30% to £20,000 per individual. This now provides a much greater benefit to accumulate savings within a tax-free environment of having no assessment to Income Tax on any interest or dividends generated or Capital Gains Tax when funds are sold in the future.

The Spring Budget announced that the Dividend Allowance would reduce from £5,000 to £2,000 per individual from 6th April 2018. Due to the General Election, this change has been postponed for now but any reduction of this size makes utilising ISA allowances even more important going forward and certainly the ability for married couples to ring-fence £40,000 on an annual basis will help to reduce the tax assessment on dividends in the future.

At the same time, the Government has introduced the new **Lifetime ISA** with the aim of promoting savings focused primarily on the purchase of your first home and accumulating savings for later life (retirement).

The Lifetime ISA is available for individuals aged over 18 but under 40 to save up to £4,000 a year with the main benefit being that the Government will add a bonus of 25%, subject to a maximum £1,000 per annum up to age 50. The monies can be withdrawn without charge providing they are used to purchase your first home up to a value of £450,000. Alternatively monies can be left to access after age 60 without penalty.

A major downside though is that if monies are accessed before age 60 and are not used for your first house purchase then a penalty of 25% is applied and this is based on the amount withdrawn. This means that not only is the Government bonus clawed back but also some of your own savings!

With the upcoming election, we are of course aware that the favourable tax treatment of ISAs is not guaranteed and may be altered or removed in the future.

The key message is that ISAs provide a beneficial way of saving for the future, be it for the purchase of a first home, as part of a tax efficient investment strategy to provide income/growth or complementing existing pension savings. Many of our clients already have considerable monies held within ISAs, demonstrating the benefit of continually maximising allowances from surplus cash over time.

If you would like further details on saving tax efficiently then please speak with your usual Boolers' contact or a member of the Investment Team.

Gabriella Bennett
Compliance Assistant

TAKING CYBER SECURITY SERIOUSLY

In the digital era, we increasingly utilise the internet and technology to carry out our daily tasks, consequently the importance of robust cyber security is paramount. Looking at high level statistics gives an indication of the proliferation of cyber crime:

- ActionFraud, the National Fraud and Cyber Crime Reporting Centre, reported that one in four small businesses are affected by fraud every year.
- The Annual Fraud Indicator 2016 estimated that the cost of fraud to the UK is £193 billion a year, of which over 70% is now cyber enabled.

At Boolers we continue to embrace digital technology where relevant, such as launching our new-look website, with its wealth of technical insight, at the end of last year. Alongside the adoption of technology we have contemporaneously implemented policies and procedures to minimise and mitigate potential cyber risks in order to protect both ourselves and our clients.

Our regulator, the FCA, has been clear that it expects financial service firms to instil within themselves a 'Security Culture', driven from the top down. At Boolers we are committed to good governance in the area of cyber security and we continue to review our systems and controls to ensure we are following best practice and remaining vigilant to potential threats.

In December last year Boolers were proud to be awarded the Certificate of Assurance by the Cyber Essentials Scheme.

Cyber Essentials is a government-backed, industry supported scheme developed to help organisations protect themselves against cyber attacks and to define a baseline cyber security standard. Accreditation of the scheme requires demonstrating a high level of rigour and entailed Boolers undertaking an independently verified assessment. Our certification demonstrates to our clients that we have provisions in place to reduce cyber risks, ranging from ensuring our systems are securely configured to having appropriate firewalls and malware protection in place.

We recognise that cyber security is multifaceted and is not simply limited to being an 'IT issue'. Alongside placing due focus on matters such as having up-to-date protection software in place and conducting adequate due diligence on all our service providers, Boolers has invested time in improving staff knowledge and awareness.

Throughout April, staff at Boolers have undertaken specific cyber security training, delivered by the compliance department, to make sure they have the requisite knowledge to identify and respond to any potential cyber threats. The financial services industry is increasingly the target of fraudulent correspondence falsely claiming to be from clients or legitimate companies. As a result our training session covered the methods utilised by fraudsters to commit cyber crime and explored in detail how to spot spear phishing emails, as these become ever more sophisticated.

In light of this, clients should not be surprised if they are contacted by their adviser or dedicated administrator to confirm any requests for pension payments or investment withdrawals made via email. By way of example, these checks may be conducted where we were unaware of the client's intention to withdraw such funds and are being conducted to ensure the safety of clients' monies.

Our clients can rest assured that Boolers are taking the matter of cyber security seriously. We understand that the potential risks and threats are ever evolving, accordingly we are committed to monitoring and updating our systems and controls as necessary.

COMMERCIAL PROPERTY OWNERS – CALL TO ACTION

Carole Waghorne
Chartered Financial Planner

Commercial property has long been a favoured asset of SSAS and SIPPs, due to the tax efficiencies of holding property within a pension scheme.

But how energy efficient is your property?

Since October 2008, it has been necessary to obtain an Energy Performance Certificate (EPC) whenever a commercial property is sold. An EPC indicates the energy efficiency of a building, using grades from A to G (with A being the highest) together with a number. The greater the number, the less efficient the building. This is referred to as the 'Energy Performance Asset Rating' (EPAR). An EPC is valid for 10 years and fines of up to £5,000 can be levied if an EPC is not made available to any prospective purchaser or tenant.

Changes in legislation

With effect from 1 April 2018, it will be against the law to let a property (or renew a lease) with an EPAR within the two lowest bands, 'F' and 'G'. This applies to properties in England and Wales*, with separate rules applying to properties in Scotland.

The rules will apply to existing leases from April 2023.

*There are some exemptions to this rule, namely for listed buildings, religious buildings, low energy agricultural buildings and those about to be demolished. The following website gives more detail about buildings that will be deemed exempt:- *www.gov.uk/energy-performance-certificate-commercial-property/exemptions*

What needs to be done?

Firstly, if your property doesn't already have one, obtain an EPC. This will indicate the current EPAR and include a 'Recommendation Report', confirming the action to be taken to improve the property's energy efficiency. If you are not sure if your property has an EPC, you can check using the following website:- *www.ndepcregister.com*

Where necessary, you will then need to arrange remedial work. To lease the property, you will need to prove that your property has an EPAR of 'E' or higher and tenants may want to see an EPC which shows that.

Please remember that the cost of improving the property's rating will fall to the pension scheme and not to the tenants. Please speak with us, or ask your property manager to speak to us, to factor into the pension scheme cash flow the likely remedial work costs.

Implications of doing nothing?

Once the new rules are in force, if your property does not meet the new EPAR of 'E' or above, you cannot sell or lease that property. Existing leases cannot be renewed and the market value and marketability of the property is likely to be detrimentally affected.

Please start the process in time – take action yourself or instruct your property manager to do so.

Other property matters

Whilst reviewing your property, please check that the existing level of insurance is sufficient. Many property reinstatement values are much higher than their commercial value, and the property should always be insured at the higher value.

We now have access to a competitive block insurance policy for properties please let us know if you are interested in this.

Jo Clamp
HR Manager

OFFICE NEWS

Changes in Compliance

2017 sees the retirement of Paul Longmore after over 4 years working as Compliance Manager at Boolers, and a long and illustrious career in financial services. During his time here he has ensured that the Business has continued to comply with the ever increasing and changing laws and regulations of the governing bodies such as the Financial Conduct Authority and in doing so ensured the Business applies consistently high ethical standards.

We wish Paul a long and happy retirement.

New Recruits

Rob Wood has been appointed as the new Compliance Manager and will be taking over from Paul when he leaves in June. Rob has had his own Compliance Consultancy Business for the last 8 years advising 15 small IFAs on all aspects of Compliance. Prior to this he worked for 8 years as a Compliance Manager at Pearson Jones, a Leeds based financial services firm. He therefore brings with him a wealth of knowledge and experience in the Compliance field.

Rushi Pabari joined the SSAS Team in the early part of 2017. Rushi came to us with 4½ years' experience of working in Wealth Management and Pensions as well as previous working experience in banking. He has brought with him significant knowledge of the Pensions field and has already proved himself to be an asset to the Business.

Graduate Recruitment

As the Business continues to grow and develop, we have established direct links with Leicester University. This enables us to continue our ongoing programme of recruitment of graduates to carry out a variety of roles across the Business. As the Business grows and develops our graduates develop and grow with it! The latest graduate appointment is Monish Varghese from Leicester University who is predicted an honours degree in Economics. He is due to join the SSAS Team in June.

All our Graduate trainees are supported through a comprehensive induction, training and development programme and are encouraged and supported in undertaking a programme of Chartered Institute of Insurance examinations in order to become Diploma qualified and ultimately achieve Chartered status.

Charity Events

Since our last newsletter we have and will continue to sponsor and support a wide variety of charities.
Here are a just a selection:

- **Christmas Jumper Day for which we raised £90 for Save the Children**
- **The Samaritans Purse – Operation Christmas Child Shoebox Appeal – Many staff within the Business decorated and filled shoeboxes with little gifts for distribution to children in need throughout the UK and Europe.**
- **A Bellyful of Laughs – a comedy evening was attended by many staff in February which was in support of Charity Link, a charity which helps local people in need.**
- **The Boolers 'bake off' raised £210 for Red Nose Day**
- **A warm winter clothing drive was done to support Casa Ioana, a Romanian charity who help orphans and the homeless in Romania.**

Future plans include:

- **Ami Dewick's June sky dive planned in order to raise funds for the Canine Partners**
- **£1000 donation to Rainbows the East Midlands based Children's Hospice**
- **Outfits are currently being designed for Peter Kays Dance for Life in May in support of Cancer Research UK.**

BOOLERS

Boolers Pensions and Investments
9 Grove Court, Grove Park
Enderby, Leicester, LE19 1SA

T 0116 2407070
E enquiries@boolers.co.uk
W www.boolers.co.uk

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