FOCUS

SHARING A WEALTH OF WISDOM

WINTER 2017

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BOOLERS

Financial Planners
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“THIS WILL BE A CHALLENGE FOR NOT JUST OUR OWN BUSINESS BUT ALSO THOUSANDS OF OTHERS.”

ANDREW WHITE

Our year end Newsletter provides the usual Investment Market update and Office News. Current areas of focus in financial services are covered in the articles on MiFID (the EU's Markets in Financial Instruments Directive) II and the rather hot topic of Pension Transfers.

My own words on MiFID II explain just some of the new regulation and guidance that, as a financial services business, we will need to comply with from the beginning of next year. This will be a challenge for not just our own business but also thousands of others.

We are well-used to interpreting and implementing new procedures introduced by the FCA (and all of its previous forms), which affect many parts of our business, but the details of MiFID II are not only rather tardy but also an interpretation of EU legislation/guidance, some of which is also very much open to interpretation itself. It is estimated (and it can only be an estimate) that the total cost of its implementation will be in excess of the extremely eye–watering sum of £1.5bn!

Simon Woodhead's article on pension transfers explains why this area of advice is relevant today but also of the significant specialism we have in this area (which many advisors do not have), and of the need for specialist advice in this very complicated area.

Finally, we are very pleased to focus on Chris Collier who has recently been awarded the MBE for his work with the NSPCC in Peterborough over many years. We know that Chris is very deserving of this award and are pleased to share his experience of his “day at the Palace”, along with his business career and his connection with Boolers as both a valued professional connection and client.

We hope you enjoy this and the other articles in this edition. We wish our clients and their families a very happy Christmas and a healthy and prosperous New Year.

Andrew White

FOCUS ON PENSION TRANSFERS

Simon Woodhead
Chartered Financial Planner

During 2017 we have seen a considerable amount of commentary in the personal finance sections of the media on pension transfers, specifically the option to give up a defined benefit (sometimes referred to as a "final salary") pension in return for a cash equivalent transfer value (CETV) being paid to a personal pension plan.

It is fair to say the press commentary on this option has been mixed, with some articles focusing on the benefits whilst others have, quite rightly, pointed out the risks this entails. In some particularly distressing cases, members of good defined benefit schemes have been duped into giving up valuable benefits for investment into speculative, unregulated investments. At Boolers, we have seen increased appetite amongst our clients to investigate the transfer option, for legitimate reasons, and so we thought it was an opportune time to set out some of our thoughts on what lies behind the growth in this market and some high-level commentary on when this option might be worth considering.

Why has demand for defined benefit pension transfers increased?

Between June 2015 and August 2016 gilt yields fell by around 60%. There has been some recovery in yields since, but as at 1 October 2017 they were still over 31% below June 2015 levels. This is important as most CETV calculations have some link to gilt yields and falling yields results in higher transfer values due to their inverse relationship. Put simply, CETVs in the past year or so have been relatively high in historic terms.

In April 2015, changes to pensions legislation took effect under the banner "freedom and choice". For defined contribution arrangements, such as personal pension plans, this has allowed much greater control over how pension benefits can be accessed, together with the opportunity to pass on undrawn pension funds after death to a wide range of potential beneficiaries, tax efficiently.

We believe that it is this combination of higher transfer values and more flexible access to pension benefits that has led many people to consider the transfer option.

When should a transfer be considered?

Each person's circumstances are unique and the benefits which would be given up on transfer will differ from scheme to scheme. Therefore, we cannot give specific guidance on this matter in this article. However, in the following tables we have highlighted some of the factors which might apply when considering this option for someone close to retirement.

Reasons why transfer to a drawdown arrangement might be appropiate

- Income can be adjusted to meet needs or personal tax planning agenda
- You have other sources of income so are not entirely dependent upon this pension
- You wish to have control over your pension fund and its investments
- Potentially higher tax free cash sum
- Ability to take tax free cash in stages
- Access to tax free cash sum whilst deferring pension withdrawals to a later date
- Flexible death benefits, particularly when you do not have a qualifying spouse or dependent.

Reasons to remain in a defined benefit scheme

- Guaranteed income for life (and that of spouses)
- No investment risk
- You are reliant on your pension income to cover your main income needs in retirement and so cannot afford for your income to reduce or be suspended for a period of time in poor investment conditions
- You do not wish to be involved in making investment decisions.

The need for advice

If you have a defined benefit pension and wish to consider the transfer option you should note that it is a legal requirement for you to take advice from a suitably qualified transfer specialist before the transfer can proceed.

At Boolers, we have three transfer specialists in-house and so are well placed to provide you with this advice. Please get in touch with your usual Boolers contact if you have a defined benefit pension not yet in payment and wish to consider the transfer option.

Further information on pension transfers can also be found at: https://www.moneyadviceservice.org.uk/en/articles/transferring-out-of-a-defined-benefit-pension-scheme

Chris Collier
MBE

CLIENT IN FOCUS

My full name is Christopher John Collier, I am 68 years old and retired, but do have one Non-Executive Directorship. I have been a client of Boolers since 2000.

You have recently been awarded the MBE, a fantastic recognition of your charitable work over the years, could you tell us a little more about the experience?

I was awarded an MBE in The Queen's Birthday Honours List 2017. I have chaired a Business Group in PETERBOROUGH for 20 years raising £850,000 for NSPCC, all of which has been used to assist local children. Nevertheless, I had no idea that I had been nominated for an award.

The first indication I had that I was being awarded an MBE was receiving a letter from The Cabinet Office on Saturday 6th May, which was the day after our main annual event, which was based on the STRICTLY COME DANCING theme. I was naturally intrigued and on opening the envelope found that The Prime Minister on the advice of …… proposed to submit my name in strict confidence to the Queen, recommending that Her Majesty may be graciously pleased to approve me to be appointed a Member of the Order of the British Empire (MBE) in the Birthday 2017 Honours List. Before doing so, the Prime Minister would be glad to know this would be agreeable to me!! My legs turned to jelly, I could feel tears of joy, and I needed to phone my wife, Carol, who was still at the hotel after the Strictly event to tell her the good news.

Having received this, and of course accepted the honour, waiting until 10.30am on Friday 16th June, when the names are shown in The London Gazette and on a Government Website, seemed a long time. Carol and I were on holiday in Portugal when the announcement was made, and I hadn't told anyone until I was sure my name was on the list. The number of texts and emails backwards and forwards that night and for the next few days was incredible.

At the end of July I was informed that the award would be made on Tuesday 17th October, and we needed to be at the Palace between 10.00am and 10.15am for the ceremony which commenced at 11.00am. Carol and I decided it would be best to stay in London overnight on the Monday, rather than travel down early on the Tuesday in our attire for the day.

We hired a Mercedes to drive us into the Palace, and all vehicles being driven in were subject to an extremely vigorous police check.

Once you get into the palace, the recipient goes one way, and the guests go into The Ballroom to take their seats to watch the investiture. Receiving MBEs on the same day were David Williams (better known as David Walliams) and the Olympic Gold Medallist Rower, Major Heather Stanning.

The investiture is run with military precision. We are all called together to have explained that we are called into a room in groups of 10 or 12, into an ante room next to The Ballroom where there are two fantastic paintings, one of them being of Queen Victoria's Wedding. Having the same birth date as Queen Victoria, even though they are 130 years apart, gives me a certain affiliation with her, and this date 24th May, which used to be called Empire Day and then Commonwealth Day, is also the date that every five years those individuals fortunate enough to have been awarded medals can attend a ceremony in St Pauls Cathedral.

By the time that it was my turn to be presented with my medal by Princess Anne, I had been checked at least 6 times to make sure that I was standing in the right order. Once the person before me had been presented to Princess Anne, I walked up to a member of the household, to wait until my name was announced before proceeding to be presented to The Princess Royal. We were told if we didn't move at the right time we would get the message from the attendant we were standing next to. As a man I had to bow, and then Princess Anne put the medal onto a large pin which had been placed on my suit whilst we were waiting for the investiture.

Princess Anne asked a few questions about the reason for the award, and we had been told that when she shakes your hand, it is time to move on. You step back two paces, bow and then head off into another room where the MBE is put into a special box. Once I had been invested as a Member I sat towards the back of the Ballroom, and we all stood up when Princess Anne left the room, accompanied by various other members of the household and two Gurkha Orderly Officers.

Once the ceremony had finished I joined up with my guests, my wife Carol and former business partner Ken Craig. Unfortunately, neither of my children, Sophie or Theo, were able to be there.

Once out of the Palace, it was time for photographs, which took over an hour as we were at the end of the queue. This was followed by a special lunch at The Ivy, one of our favourite restaurants in Theatre District.

In the evening two very good friends took us out for a special meal at Oblix restaurant at The Shard, which was preceded by cocktails at Aqua Shard, a perfect way to finish a perfect day.

Before you retired you were heavily involved in one of our partner businesses, Rawlinsons Chartered Accountants in Peterborough; could you please tell us a little about this business over the years?

I joined Rawlinsons on Friday 1st September 1967, when it was a four Partner firm with 20 plus staff, the firm moving into the premises which it still occupies about a year earlier. This was before computers/IT were being used by most professional firms; it was a luxury to have an electric adding machine, as opposed to a manual one or more commonly just your own brain, to add up columns of figures.

Over the years we expanded internally, merged with two local practices, incorporated our own payroll company and our joint venture investment and pensions company with Boolers. When I retired we were an eight Partner firm employing about 60 people, and offering many more specialised services than we had when I joined. I became senior partner in April 1999, retiring in April 2015, and after a 2½ year consultancy period. I had an association with the business for over 50 years.

A key factor for success of most Boolers' clients is hard work, but beyond this, what do you most attribute your successful career to?

I believe my successful career, as you have kindly said, was due to being trusted by people, both clients, staff and partners. I believe it is important to know one's limitations and I would always ask another partner to assist with a client when I felt the need for additional specialised input. I also tried to make sure that I praised staff when praise was due in front of other members of staff where appropriate, but any problems were always kept behind closed doors.

Many clients and other professionals in Peterborough have told me that the fact I was so passionate about my charity work meant they trusted me as a result of this.

I believe as well that success was due to the quality of the partnership as a whole, we all had our separate strengths which made us stronger as an entity than we would have been as separate individuals.

Your next challenge is achieving a successful retirement. Having seen many people do this over the years through your accountancy relationships, what do you intend to do to ensure you enjoy a well-deserved retirement?

I have now been retired for over 2 ½ years and I have enjoyed taking longer holidays abroad, mainly to places we know that we like, plus a few city breaks for 3 or 4 days. When I am at home I try to play golf twice a week and potter around in the garden during the spring and summer months. I also enjoy watching sport and when I can, seeing my son play rugby for Nottingham Paviors. My daughter is keen on drama so I go to see any productions she is involved with where possible.

It is also important to keep my brain active, so I am pleased that I have kept involved with my charity work, and also help Carol with a Breast Cancer lunch she has organised for the last three years. I still see a couple of the clients I used to act for when I was a Partner at Rawlinsons and have taken on one Non-Executive Directorship. I chair the judges for The Peterborough Business Awards which are organised by The Peterborough Telegraph.

If you could give one piece of advice to other Boolers' clients what would it be?

The advice I would give to Boolers' clients is to talk to Boolers once you have an idea what you would like to do with your pension scheme, whether this is making pension contributions, investing in shares or property, or looking to draw a pension. By talking as early as possible it gives your adviser time to sort out what is required, but also advise, as with changing legislation timing is so important, and the earlier you talk the more flexibility may be available. By transferring over a two or three year period, Capital Gains could be lessened or possibly avoided, but the sooner transfers start, the more flexibility there is.

Can you think of an example where advice from Boolers has helped yourself or your former business to move forward?

When Colin Crowley and I first met the team at Boolers, we were impressed by the proactive advice we received, in particular with commercial property in SSASs and SIPPs. We found out that more than one SIPP could own a property jointly and indeed borrow up to a limit on it. I have actually used this in my own SIPP, as I was able to transfer the proportion of a property that I owned into it, which also gave me some liquidity.

Simon Watts
Chartered
Financial Planner

MARKET UPDATE

As 2017 draws to a close we can reflect on another eventful year for investment markets. Political developments, notably the increased tensions between the US and North Korea (highlighted in our previous update) continue to dominate headlines, but in spite of this all major equity markets have performed positively this year.

In Europe, elections in France and Germany did not derail their stockmarkets and in the US, Donald Trump's stalled tax reforms have finally been endorsed by the Senate, paving the way for cuts in Corporation Tax, designed to boost economic growth. Brexit negotiations clearly remain somewhat ill-tempered with an, as yet, unclear outcome.

Leaving politics aside, 2017 has been another good year for equity and commercial property investors, certainly relative to bonds and gilts (which have struggled amidst increasingly overstretched valuations). The prices of commodities such as oil and gold fell over the year, and with UK inflation recently hitting 4%, holders of cash deposits will most likely have seen the value of their savings reduce in real terms.

US, UK and many European stockmarket indices have surpassed record highs on multiple occasions in 2017, and significant market pullbacks (or corrections) have been in short supply. We believe it is the benign global economic backdrop that is providing this stability and lack of volatility, with growth being more synchronised than in recent years and very positive increases in corporate earnings. Emerging markets too have benefited from a relatively weak dollar which has lightened the burden of dollar-denominated sovereign debt and enabled some nations to actually cut interest rates. We are hopeful that these conditions will continue into 2018.

The Pound has strengthened against the US Dollar and the Yen but weakened against the Euro, though our clients will still have enjoyed positive returns in Sterling terms.

Nevertheless, the economic growth rate of Developed economies remains below the pre-Financial Crisis long-term average. With government debt at record levels, we expect fiscal stimulus (tax cuts and increased spending) in the UK to be limited. However, modest economic growth can mean that a bull market for equities can be extended a little longer, and with no 'boom' there is less scope for a 'bust'.

Inflation in these economies remains largely under control, and wage inflation pressures (for now) remain muted, despite generally low levels of unemployment. This apparent disconnect could be partly due to developments in automation and demographics, resulting in lower output costs, inflation and therefore lower wage growth. However, the November rate reduction (the first in 10 years!) is not only a reversal of the 'panic' reduction post the Brexit vote, but also a reflection of stronger inflation and the fear of the consequences of this, stronger global growth generally and increased levels of consumer confidence (and debt).
In the US, the Fed has already carried out several interest rate rises and they have also embarked on a programme to very gradually unwind the previous policy of Quantitative Easing (QE). Meanwhile, the European Central Bank has reduced its debt purchase programme, but Japan's Central Bank has left its stimulus programme unchanged for now.

So, 10 years on from the Financial Crisis and in the slowest economic recovery since the 1930s, we are seeing the beginning of a reversal of the loose monetary policies and QE programmes that have been in place ever since. However, this is expected to be a very gradual process, undertaken at differing paces and in different ways by the respective Central Banks. We expect this to produce market and currency volatility at some stage.

Whilst this type of reversal has not been attempted before, we have reason to be confident that an orderly and gradual pullback can be achieved without a major devaluation in asset prices. Though equity valuations are no longer cheap (and in some markets stretched), we believe there are still opportunities for growth globally, but especially in Europe, Japan and Emerging Markets. In the bond markets there is no shortage of buyers, even at current prices, which indicates that there is sufficient demand to prevent a collapse here also.

Going into 2018, on the back of a continued stable global economic outlook we remain positive on the prospects for equities despite expected political, market and currency-related volatility, though would stress the continuing need for diversification into other asset classes to reduce short-term risks.

> “LEAVING POLITICS ASIDE, 2017 HAS BEEN ANOTHER GOOD YEAR FOR EQUITY AND COMMERCIAL PROPERTY INVESTORS”

Andrew White

MIFID II

The Markets in Financial Instruments Directive (MiFID) is the framework EU legislation that regulates firms which provide services to clients linked to almost any form of financial instrument and has applied in the UK since November 2007.

The long awaited follow up in the form of MiFID II is due to take effect from 3rd January 2018, this despite both the Brexit vote and also the late issue of information and guidance from our own regulator, the FCA. Compliance with the new requirements represents a challenge to any financial services business, however we are fully committed to the project and are making good progress, along with our service providers.

The good news from an investor's perspective is that the legislation from our beloved 'eurocrats' is intended to enhance investor protection in several different ways. That is the good part – some of the means of providing this to investors will involve us issuing yet more frequent and detailed information at a time when many of you may already feel as though you are sinking in paperwork!

For example, both our Discretionary and Advisory investment clients will be familiar with the annual custody statement. At present, this is not terribly helpful as our chosen custodian issues an annual statement detailing the investment funds held by clients and the associated number of units, but it is confusing as no values are shown. This will be addressed with effect from next year, with both values and units being quoted.

The not so good news is that it will be a legal requirement for these to be issued on a quarterly basis. A case of information overload perhaps, but a new requirement to inform of possible fraudulent activity and/or to inform investors of the values of esoteric/unusual types of investment (that we do not invest in) that are not traded daily or on a mainstream investment market.

Another aim at investor protection will involve us, as advisors, writing to Discretionary investment clients in any given quarter if the overall value of their portfolio falls by more than 10% in that quarter. Even ignoring the fact that any such situation has to be both monitored and possibly identified each day, it also involves us formally writing to clients inside 24 hours of such an occurrence. Such correspondence could well have the undesired consequence of causing further panic if markets are in another volatile phase. We have not had one for a while, but it is unfortunately part and parcel of equity investment.

There are numerous other changes to the likes of our systems, procedures, review documents and client agreements that we may well be making during what remains of this year and into the next, in order to reflect our current interpretation of the information released to date and also additional releases that we believe will be provided (but after 3rd January implementation date!).

In the meantime, you can look forward to yet more information being provided by us, although we are working with our custodians in an attempt to provide the additional and also some current information electronically for those who wish to receive it in this format.

However MiFID II progresses and is finally implemented, we will try to provide you with the required information in a succinct way, whilst also complying with the relevant guidance and legislation. Believe me, it is not always an easy task.

Jo Clamp
HR Manager

OFFICE NEWS

New Recruits

As the Business continues to grow and develop we continue with our ongoing programme of recruitment, taking on both graduates and experienced staff to ensure that all expansion and developments within the Business are supported by the appointment of the right staff, who have the right knowledge and skills.

Recruitment since our last newsletter includes:

Pensions

Monish Varghese joined the SSAS team in June as a Graduate Trainee having achieved a BA degree in Economics from the University of Leicester.

Vinay Desai joined the SIPP team in August as a Graduate Trainee having graduated from Keele University with a Dual Honours degree in Economics and Finance.

Tulsika Patel was appointed as a SIPP Accounts Executive in September having worked for over 2 years as a Client Relationship Manager and SIPP Operations Specialist at Mattioli Woods Plc, after having gained a BSc (Hons) in Economics from the University of Sheffield.

Investments

Duncan Pickering is the latest appointment to the Investments Team. He has been recruited as an Investment Manager and joined us from Greyfriars Asset Management, where he had worked for 7 years progressing from a Trainee to become an Investment Manager running a substantial discretionary portfolio management service. He therefore brings with him a wealth of investment knowledge and experience to the Team.

Financial Planning

George Rhatigan started with us in November as a Graduate Trainee having recently graduated from the University of Leicester with a 1st class Honours degree in Economics. He will be undertaking an intensive qualification programme and also spending time in each of the departments, gaining a comprehensive understanding of the Business with a view to ultimately joining the Financial Planning Team as an Adviser.

Hatched and Matched

I am delighted to report that:

Sophie Partyka became Sophie McIntyre when she married Matt on the beautiful Amalfi Coast in Italy in September. Nina Ljuna got married to Phillip in Las Vegas in October. Congratulations go to both couples.

I am also delighted to report that Maria Ranger Holt gave birth to a lovely little baby boy Izaiah in September. Congratulations to Maria and Dan and welcome to little Izaiah!

Charity Events

Since our last newsletter, we as a Business continue to sponsor and support a wide variety of charities, but there have also been a number of members of staff who have taken part in their own fundraising events.

Here are just a selection:

- **The annual Macmillan coffee morning raised a fabulous £558.**
- **Tracey Law and Nicola Askins took part in the Memory Walk 2017 for the Alzheimers Society 2017, raising a superb £800.**
- **Michelle Mason took part in Cancer Research UK's 'Strictly Come Dancing' Event on 28 October and together with her dance Partner raised an impressive £2,000.**
- **I completed the Peak District Mighty Hike in September raising over £600 in aid of Macmillan Cancer Support.**