news

BRI Wealth Management PLC

April 2016

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A budget with a bit of fizz

The Chancellor's budget confirmed a number of widely held assumptions about the economic outlook both globally and here at home. In comparison to previous budgets, this year's was expected to be slightly subdued in light of the looming EU referendum and tightening economic conditions. Fortunately, the Chancellor did manage to include a few surprises that will have a positive impact on investors.

In terms of the numbers, Mr Osborne conceded that he would not hit the debt to GDP target he had outlined at the start of the term but was now anticipating a higher budget surplus of £11bn in 2020/2021. Expected UK growth was revised down from 2.40% to 2.00% in 2016, which will still put the UK ahead of other developed nations, but serves as evidence of weaker global growth and slowing productivity.

For taxpayers, there were a number of welcome announcements. The personal allowance will continue to rise, hitting £11,500 in 2017/18. This was joined by an increase in the higher-rate threshold to £45,000, a combined saving of £500 for higher-rate taxpayers. The biggest tax change was reserved for capital gains tax, which will fall from 28% to 20% for higher-rate taxpayers and 18% to 10% for basic-rate taxpayers (although this does exclude residential property, which will still attract the current rates). This reduction will be available in the new tax year and offers a strong incentive to defer crystallising gains that would be liable for tax, or to use an investment such as an Enterprise Investment Scheme to defer gains already made. Class 2 National Insurance contributions for those who are self-employed will also be removed, a positive step towards simplifying an overly complex National Insurance system.

The Chancellor reinforced his stance on reducing taxation for small and medium businesses by cutting corporation tax in 2020/2021 from 18% to 17%. Business rates were also adjusted with a doubling in small business rate relief from £6,000 to £12,000.

In terms of savings, it was a mixed bag. Firstly, the Chancellor announced the Lifetime ISA which is available to those under 40 and will see the Government topping up £1 in every £4 deposited up to a maximum deposit of £4,000pa. However, you may only withdraw your savings tax-free after age 60; prior to this, you will lose the Government bonus and will have to pay a 5% charge. It is intended that the help to buy ISA is rolled into this new ISA, which will be available from April 2017. It does look suspiciously like the proposed Pension ISA and flat rate of pension tax relief which Mr Osborne was forced to shelve earlier in the year due to political pressure. Whether or not the Lifetime ISA is subsequently expanded to fit this remit, only time will tell. On the positive side, the ISA allowance will increase to £20,000pa, enabling couples to invest up to £40,000 a year in a tax-efficient manner from April 2017.

All things considered, Mr Osborne delivered a fairly robust budget; and – whilst the levy on sugary drinks undoubtedly claimed the headlines – we are pleased with a number of the announced changes. This being said, no mention of pensions or changes therein does give cause for concern, as we will inevitably have to pay for today's generosity.

Tightening the screws on Buy to Let investors

Within the October budget, George Osborne detailed a number of significant changes in the tax regime for buy-to-let landlords which will potentially reduce the financial returns of buy-to-let property.

To get a better understanding of these changes, and how they could affect you, please read our full article online at: **www.brigroup.co.uk/media-centre/news.**

Interest on savings to be paid gross

As of 6 April 2016, HM Revenue and Customs (HMRC) are changing the way in which interest is taxed on your savings. As a result, credit interest will now be paid gross, which means that tax will not be deducted when interest is paid on your BRI portfolio.

Under these new UK tax rules, interest earned will now contribute towards your personal savings allowance to be reported to the HMRC. For our clients, this change will take place automatically and we require no action from you.

If you would like further information please refer to the HMRC fact sheet at the address below.

www.gov.uk/government/publications/personal-savings-allowance-factsheet/personal-savings-allowance

Market Commentary

Was Mark Knopfler prophesying future economic conditions with his 1980s hit 'Money for Nothing', or even with his band's name (Dire Straits, for those not in the know)?

Since the collapse of Lehman Brothers in 2008, central banks across the globe from Washington to Warsaw have cut interest rates over 600 times. A staggering figure, which amounts to a cut about every three working days. We are now in the previously uncharted economic waters of negative interest rates in many countries, essentially being a tax on holding money in a bank account. Yet with all of this monetary easing, is the world in a materially better economic position?

The first quarter of 2016 started with fears over a global recession beginning to crescendo due to a persistently slowing Chinese economy and an oil price that could not stop falling. The climax came in mid-February when the UK market came crashing down, by 12% from the start of the year. Whilst economic conditions had not dramatically deteriorated, the merriment of the festive season had evaporated and more attention was paid to fundamental conditions. However, global central banks came to the rescue with another bout of Quantitative Easing, further lowering of interest rates and the soothing coos of the central bank doves (policy makers who prefer low interest rates). This triple bout of stimulus was enough for markets to rally aggressively and finish the quarter where they started. An uneventful quarter for the unobservant onlooker.

Whilst the market has been firmly focussed on global issues in the first quarter, our expectation is for the impending EU referendum to start driving markets. The rhetoric has certainly intensified on both sides over the last few weeks, but arguments still seem to be lacking a sense of lucidity, which makes it a debate of the heart and not head at present. The market and economy are fearful of this uncertainty with sterling depreciating 13% since November and business leaders delaying investment decisions until the vote is over. Whilst this has not begun to filter into economic statistics yet, it will certainly start to affect the economy, especially if the so far resilient consumer decides to delay spending decisions. Though it must be noted that the increase in the National Minimum Wage to £7.50 an hour should buttress the health of consumer spending, but at the expense of the employment numbers. This increase in wages may have a mildly inflationary impact on the UK economy but the headline rate of inflation still remains at a paltry 0.30% compared to house price inflation running at 5.70% – the result of a chronic lack of house-building.

Elsewhere in the world, economies continue to muddle along, with no clear direction of travel for many countries. The American economy continues to plough ahead supported by a consumer benefitting from low oil prices and improving wages, a stark contrast to US corporates that are struggling with a slowing Chinese economy and poor sales growth. In Europe, the increased monetary easing is not flowing into materially better economic data and the political classes are having to deal with the barbarism of terrorism coupled with the influx of refugees from a volatile Middle East. When the state of the Chinese economy and the future President of the United States are added into the equation, a picture of a deeply uncertain world is painted. So trying to find stability remains a priority for many and helps formulate our investment thinking. Balancing risk with return remains key for us; and thus we are taking a more cautious approach to portfolio construction. In a world with low and no interest rates, we continue to believe that investment in companies with proven business models and good levels of dividends remains sensible.

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As well as singing about 'Money for Nothing', Dire Straits also sang about Romeo and Juliet. It's easy to see similarities between those two star-cross'd lovers and central banks and markets today: central banks playing the part of Romeo serenading the markets, whilst the anxious Juliet sings back, 'Anyway, what you gonna do about it?' Let us hope that there is a happier ending to this story than the original.

BRI shortlisted for the Regional Wealth Manager All Star Awards

BRI are pleased to announce that we were shortlisted for the Regional All Stars Awards 2016. The awards were organised by Citywire's Wealth Manager and were split over eight key regions in the UK, and we were delighted to be named one of the top five firms in the Midlands. All shortlisted firms were voted for by intermediaries who aimed to award those discretionary investment managers who had really delivered on behalf of their clients.

Paul Cusack, Joint Chief Executive, commented, "Following the Retail Distribution Review, increasing numbers of intermediaries are taking advantage of the benefits of outsourcing investment management to specialised firms. We have worked hard to establish ourselves in this arena and this nomination is testament to all the hard work everyone at BRI has put in.

"We have built a successful and growing business by offering personal, tailored and comprehensive wealth management services. These awards outline the importance of a personal service, not just the size and scale of a firm."

WEALTH MANAGER

BRI's new bank account procedure

If you are looking to transfer money from your BRI portfolio to a different bank account or to a third party, or wish to notify us of a change of bank account, we request that you formalise this in writing and include evidence of the proposed bank account, such as a copy of a cheque, bank statement or paying in slip. Your written request will then be followed up by a telephone call from your BRI advisor.

This enhanced approach to due diligence is to ensure that clients of BRI Wealth Management are sufficiently protected against fraudulent claims and advances. If you have any questions concerning the above, please don't hesitate to contact us.

Exam success!

Congratulations to **Michelle Shepherd** and **Lawrence Fisher** for recently passing their Private Client Investment Advice & Management exam. Congratulations also go to **Josh McCathie** for passing his Financial Markets and Applied Wealth Management exams, two of his three CISI Chartered Wealth Manager exams.

BRI are on Twitter!

Follow **@BRIWealth** for our current thoughts on the market and hot topics in the news at the moment.

Do we have your email @ddress?

Would you like to hear from us via email? If you don't think that we have your most up-to-date email address on our records then please let your BRI advisor know by emailing **invest@brigroup.co.uk**

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