BRI Wealth Management PLC

BULLETIN

July 2017

We hope you enjoy our **Newsletter**

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BRI Wealth Management plc
BRI House
Elm Court
Meriden Business Park
Meriden
CV5 9RL

Telephone: 01676 523550
Email: invest@brigroup.co.uk

www.brigroup.co.uk

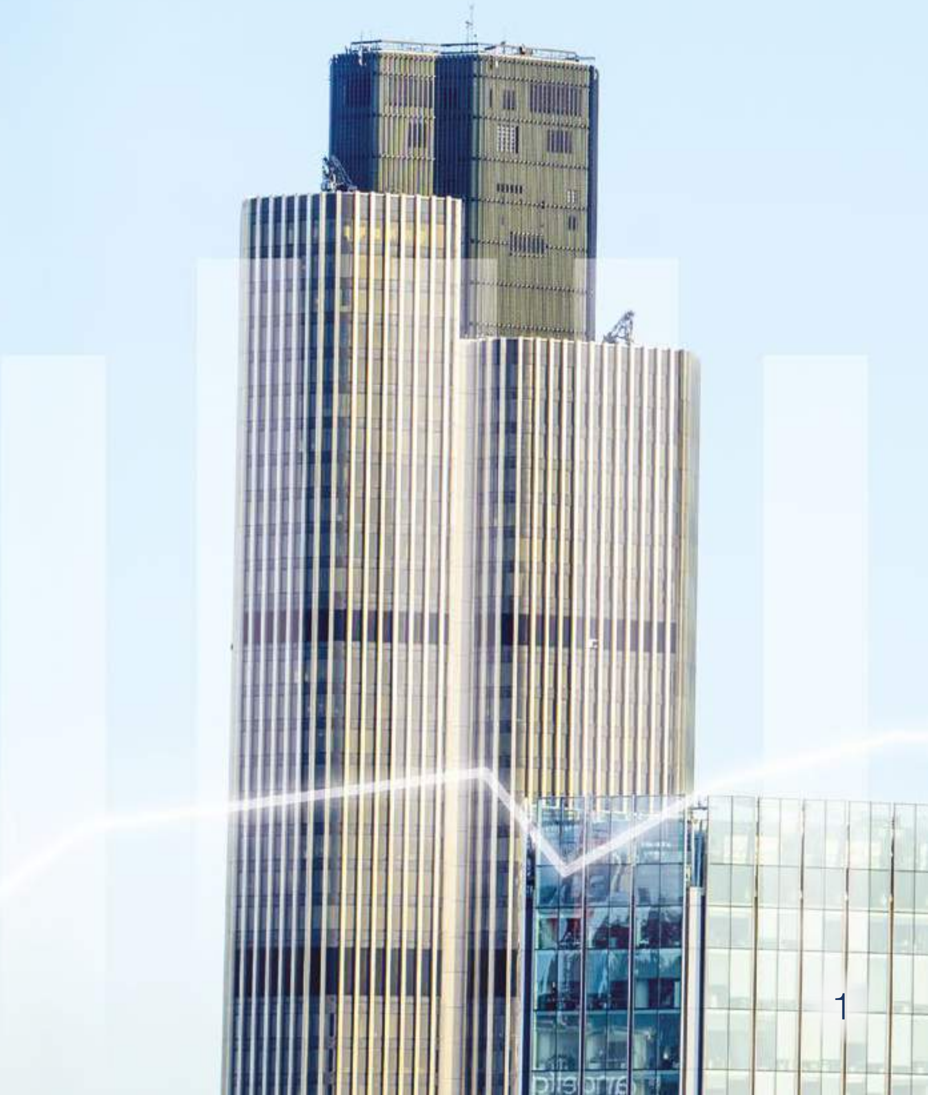
@BRIWealth

INVESTORS IN PEOPLE

Market Commentary

The last quarter has witnessed plenty of events to keep markets interesting and investors guessing. Brexit negotiations finally began but it is far too early to draw any meaningful conclusions. The opening salvos have been fired but it will be a long and winding road. The remaining members of the EU are now showing more solidarity than we have seen in a while; the recent French election has removed the threat from the far right (for now) and this has galvanised a new belief amongst EU nations. This by no means suggests that the EU and Eurozone are fixed however, only last month Italy injected 17bn Euros in a further bank bailout.

The misjudged call for the UK general election has weakened Mrs May's credibility and looks to have put her on the back foot in not just EU negotiations but at home as well forcing her to cobble together a much criticised loose agreement with the DUP in order to establish to a workable majority; the question now is if the present government will be able to stay in situ for the remainder of the Brexit negotiations, let alone for the next five years.



Equity markets have been driven up over recent years by the hunt for yield, pushing investors up the risk scale to get a return on investment of any substance. Record low interest rates have left traditionally safe investments on negative real returns and, coupled with unprecedented government intervention have driven one of the longest bull runs in history. Several markets across the world reached new highs over the last few months with investors continuing to look for dips in which to add cash to risk assets.

The tide may be turning, however. The Federal Reserve has increased interest rates twice this year, most recently on June 15th with a 25 basis point rise to 1-1.25%.

The European Central Bank was also hinting at reducing the asset purchase programme across the Eurozone but it then moved quickly to reassure markets that this was not what Mario Draghi was alluding to when he said that 'deflationary forces have been replaced by reflationary ones'. Could we be in for a 'taper tantrum' along the lines of that which we saw in the US? European bond yields have risen in anticipation.

In the UK, there are signs that interest rates may begin to increase sooner than expected, with the Bank of England's Monetary Policy Committee voting narrowly by 5 to 3 to keep rates on hold at the June meeting. With inflation also picking up we may begin to see policy changing as well. 10-year Gilt yields have moved to 1.257% (as at the end of June), up from 1.064% at the beginning of April.

Large UK companies have benefited from an uplift since the referendum off the back of weakening Sterling, as around two thirds of income generated by the 100 largest firms is in foreign currency. This currency 'bonus' has helped to boost values since Brexit. However, many leading and domestically-focussed share prices have made little progress over this period.

What we can conclude is that many variables and unanswered questions persist as we move towards a 'new normal' following arguably the biggest upheaval in financial markets since 1929. History will record the eventual outcome but in the near-term we are likely to see continued volatility across markets and maintain a cautious focus.

Andy Knighton Heading Up BRI's Portfolio Management Team

We are pleased to announce that Andy Knighton has joined BRI Wealth Management plc to head its Portfolio Management team. Andy joins the Meriden-based firm from AFH Wealth Management in Birmingham (Bromsgrove), where over the last nine years he has built a portfolio management team of eight, and been responsible for managing in the region of two billion discretionary and advisory client funds.

Andy began his financial services career in 1990 and throughout his career qualified in both Investment Management and Financial Planning. Andy is also a chartered member of the Chartered Institute of Securities and Investments (CISI).

Vince Hopkins, BRI's Head of Investment Management & Chief Investment Officer commented "BRI's client base has grown rapidly in recent years and we are delighted that Andy has joined to help further BRI's growth and continue to provide an exemplary level of service to clients."

New LEIs and Trust Register

Legal Entity Identifiers

New European legislation coming into effect at the start of 2018 requires legal entities (i.e. companies, charities, trusts excluding bare trusts, pension funds excluding SIPPs and any other unincorporated bodies) to obtain a 'Legal Entity Identifier' (LEI) in order to continue to receive investment services after 3rd January 2018.

The LEI is a 20-character alphanumeric reference code that is unique to each legal entity and enables regulatory authorities in the UK and the rest of Europe to monitor trading activity with specific emphasis on market abuse and market manipulation.

There will be a cost for obtaining an LEI and a renewal fee each year.

We will be contacting all relevant account holders with further information in due course but if you have any questions in the meantime, please speak to your advisor.

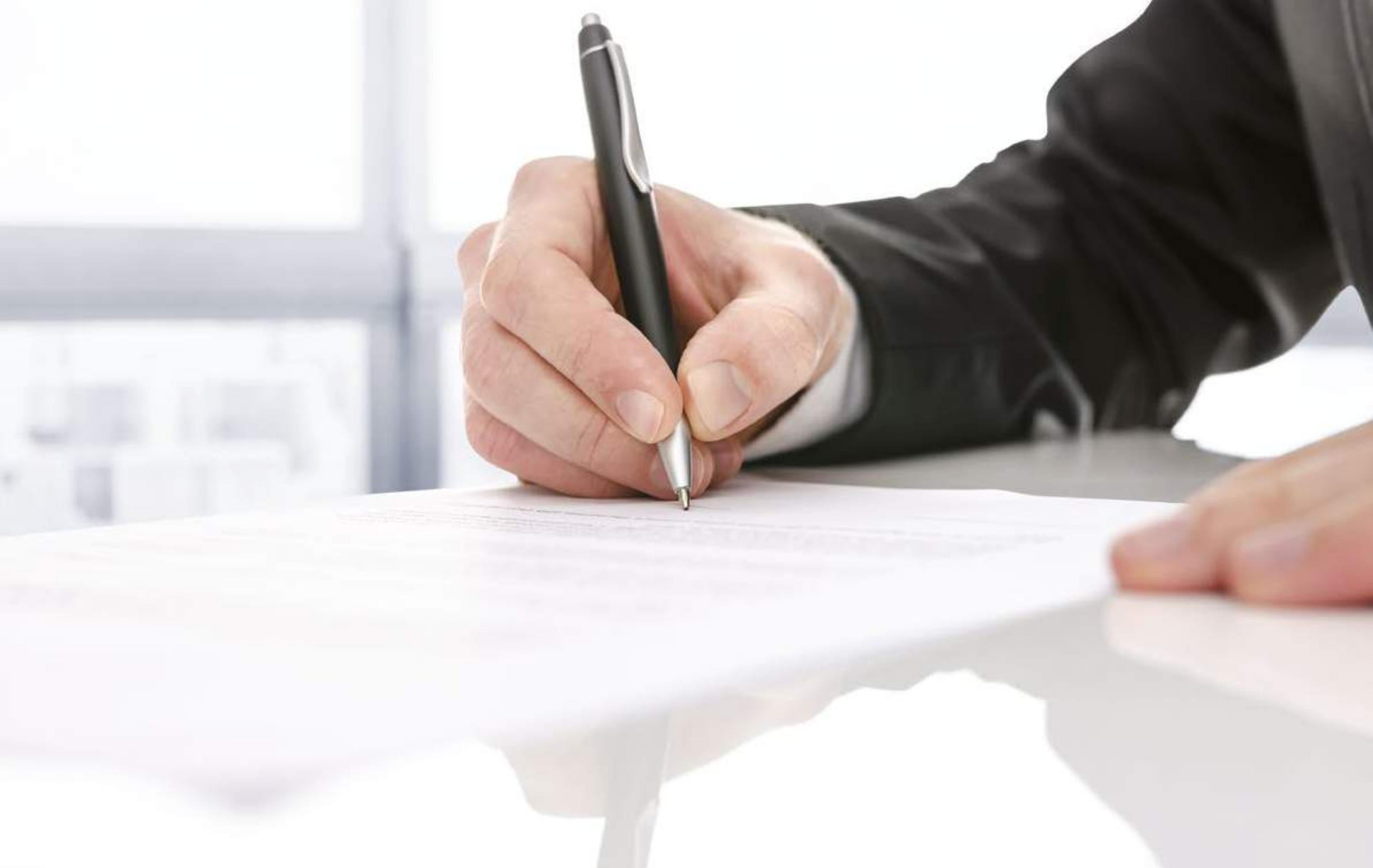
HMRC Trust Register

HMRC have created a new online trust register, whereby trustees will have to provide significantly more information every year, including details of the trust and all the parties to it.

Key points:

- All trusts with a UK tax liability will need to be registered, including those that have already submitted a paper registration form (Form 41G (Trust) to HMRC
- Any new trusts with a UK tax liability will be required to use the registration service to obtain a unique taxpayer reference
- Trustees will need to update the register each year that the trust generates a UK tax consequence
- Trustees must ensure and confirm that the Trust Register is accurate and up to date, ensuring their obligations under the EU Fourth Money Laundering Directive (4MLD) are complied with

HMRC launched the register in June 2017 and it is due to be rolled out in phases. Initially only lead trustees and personal representatives will be able to use it. This new service replaces the paper version Form 41G and should provide greater tax transparency going forward.



Regulation Corner

MiFID II

With effect from 3 January 2018 new regulation will be introduced which will have an impact on some of our clients and the services we provide to them.

As mentioned on page 3, certain types of clients e.g. Trusts, Charities and SSASs will be required to have a legal entity identifier. Without this code we will be unable to execute certain types of financial transactions. We will be writing to the clients that this effects and will be offering a service to apply for these codes on your behalf and renewing them where necessary.

Another change relates to the current reporting requirements. From 2018 you will start to receive your periodic reports on a quarterly basis. As the rules currently stand there will also be a requirement to inform clients (within 24 hours) where the portfolio falls by 10% (and multiples thereof) from the last valuation provided. This is representing quite a headache for the industry and will be difficult to comply with in the time limits currently set out. Over the coming months we will be reviewing our standing data to ensure we have an email address for you as this will be the most efficient way for us to contact you.

Finally you will receive additional information about the costs and charges of your investment arrangements. This will include not only the costs we levy, but also the underlying costs of any funds that we buy on your behalf.

Tax Reporting

The UK government has entered into a number of international agreements, including the new Common Reporting Standard (CRS), designed to improve cooperation and transparency in the fight against tax evasion.

This means that BRI are required to collect details about individuals and entities and where one of our clients has a tax residency in another country, to report this information to HMRC for onward transmission to that country.

All new clients since June 2014 have been asked to complete a tax residency self-certification form. We will shortly be asking our other clients to complete one of these forms to ensure we hold accurate information and can make reports where required under this legislation.

Dean Wragg, Compliance Director.

Final Salary Pensions

Final salary pensions are an area that a number of clients have enquired about over the last twelve months and for good reason. There have been a number of legislative and economic factors that have, to a certain extent, made transferring such arrangements to a standard personal pension more attractive.

For those unfamiliar with such pensions, a Final Salary scheme (also known as an occupational pension or defined benefit scheme) will typically provide an ongoing pension income once you reach a specified retirement age. This income is provided by the scheme itself which in turn is funded by a sponsoring employer. The amount of income you will receive will depend on how long you were employed and the specifics of the scheme. Historically such schemes were very popular but due to rising costs many have now closed to new members although they are still widely available in the public sector. Their greatest appeal is that once you retire you will receive a secure, inflation-proofed income at no cost to yourself. So why would you want to give this up by transferring to a personal pension?

The key answer to this question is flexibility. In April 2015 the government made a number of sweeping changes to personal pensions allowing, for the first time, unused pension pots to be inherited tax efficiently by beneficiaries other than a spouse. Comparatively, final salary pensions while secure are fairly inflexible.

Once you retire and start to receive an income it cannot be stopped, which could be inefficient from an income tax perspective. They also typically offer only a spouse or a dependant a percentage of your pension (usually 50%) on death. Should you have neither and pass away prematurely your pension will end.

Unfortunately there are no easy answers when it comes to deciding whether to transfer a final salary pension or not. The FCA takes a very strict view with such advice and rightly so as once you transfer, it cannot be undone. As a result, you need to be certain that sacrificing this secure, inflation-proofed, income is not going to jeopardise your retirement. When we review such cases the majority of our time is spent discussing advantages and disadvantages with clients and understanding what their retirement goals are. We then utilise a number of tools that help to project what their financial retirement will look like and if transferring is feasible.

If you are interested in understanding more about final salary pensions or other pension arrangements and how they fit into your retirement plans please get in touch.