BRI Wealth Management PLC

BULLETIN

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We hope you enjoy our **Newsletter**

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INVESTORS IN PEOPLE

Market Commentary

Three words to sum up the stock markets' first quarter: Correction, Protection and Detection.

The first quarter of 2018 has been one of the weakest periods for global stock markets for several years. Within our January newsletter we highlighted that US interest rate and bond yield rhetoric could well trigger caution. This became apparent towards the end of January as 10-year US Treasury yields approached the psychological 3% level; and as prices fell, global equities inevitably followed suit. This halted the US market's record of 11 consecutive quarter-on-quarter increases.

On the one hand, central banks restoring normality to markets by increasing interest rates is much needed; however, the end of financial stimulus will be another trigger point for markets to bear as the Fed withdraws a further $30 billion this month. There is also the Vix (volatility index) to consider, in light of the artificial calmness that ended 2017; the Vix rose 81% in the first quarter of 2018. Trump managed to compound this uncertain backdrop with talk of trade wars and the imposition of tariffs. It must seem odd for voters in western democracies to see politicians enact campaign promises but at least the US had a choice of two candidates; Russia seemingly still prefers the one candidate electoral system. The events in Salisbury heighten the "Cold War" rhetoric as investigations into their cause are ongoing; and the quarter finished with calls for enquiries into several technology stocks and their use of our data during recent political campaigns.

Despite the trade wars and interest rate increases, the first quarter saw a record number of bids and mergers amounting to $1.2 trillion, helped by the clarity over tax reforms, a strong economic backdrop and cash still being cheap to borrow, with highly valued equity to issue. We believe this theme will continue throughout the year. Within the UK, Melrose has just acquired GKN; Barclays and Merlin have attracted value investor interest; and GlaxoSmithKline has announced a sensible multi billion acquisition. Whilst bids are swirling around for Smurfit Kappa and Shire, Unilever and Reckitt Benckiser are two others which we believe are likely to be involved in significant corporate restructuring and activity.

One bright light throughout the first quarter was another 5% increase in the oil price, buoyed by the global economic activity. This is welcome news for two large UK listed companies, Royal Dutch Shell and BP. This is also positive news for pension funds and investors benefitting from the strong dividend flow from this sector. In fact, there is talk that between March and May 2018, $400 billion of dividends are due to be paid globally.

Finally, the UK. In January we did highlight our concerns from both an economic and political perspective. The UK has continued to be significantly weaker than most leading world markets. We do see this continuing, particularly with the continued fall in consumer confidence as evidenced by many recent retail profit warnings. There will, however, be a time to move back to an overweight position in UK equities. We know that the market overreacts on both the upside and downside, but with over a 10% fall in just two months we are seeing pockets of value develop within our domestic focussed UK companies.

How to claim a Power of Attorney refund

If you applied to register a power of attorney in England or Wales from 1 April 2013 to 31 March 2017, you may be due a refund. This applies to both lasting powers of attorney (LPA) and enduring powers of attorney (EPA).

In April 2017 the Lasting Powers of Attorney registration fee was reduced from £110 per document to £82 per document. The Office of the Public Guardian is allowing those individuals who made their LPAs in the four years prior to the change in fee, the opportunity to claim a refund in part of the fee paid.

The amount refunded depends on what date the fees were paid.

When you paid the fee	Refund for each power of attorney
April to September 2013	£54
October 2013 to March 2014	£34
April 2014 to March 2015	£37
April 2015 to March 2016	£38
April 2016 to March 2017	£45

The deadline for claiming the refund is 31 January 2021. The claim can be made by the donor themselves or their attorney, and only one claim can be made per donor. It can take up to 12 weeks for a claim to be processed.

It takes about 10 minutes to claim online at https://www.gov.uk/power-of-attorney-refund

Before you can claim you will need:

- the donor's UK bank account number and sort code
- a copy of the LPA

If you do not possess the above information or need help to claim online then you can call/email the Refunds Helpline, details of which are below.

Refunds Helpline
Email: poarefunds@justice.gsi.gov.uk
Telephone: 0300 456 0300 (choose option 6)

Regulation Corner

As mentioned in the January edition of our newsletter, we have been busy updating our Terms and Conditions following new regulation; MiFID II and GDPR.

Our updated brochures will be uploaded onto our website brigroup.co.uk/media-centre/resources on 1st May 2018.

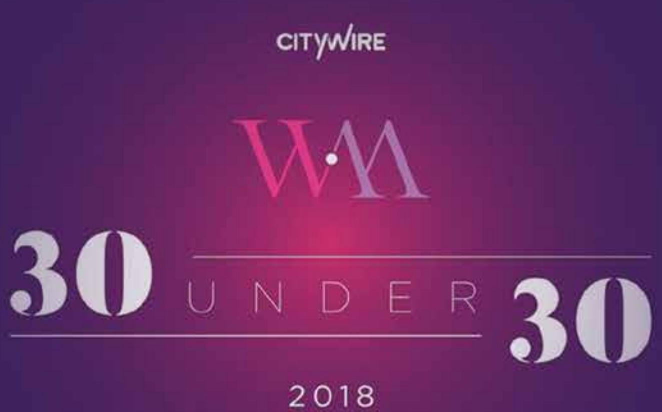
GDPR

GDPR regulation comes into effect on 25 May 2018 and replaces the existing Data Protection Directives. The regulation will strengthen and unify data protection for individuals within the European Union.

BRI is addressing this new regulation in a number of ways, including but not limited to:

- Updating privacy statements
- Improving the security of our website
- Reviewing data retention policies and deleting data that is no longer required
- Reviewing marketing consent
- Training staff

At BRI we take data security seriously and we are working towards 'Cyber Essentials' accreditation which is a government backed scheme that aims to demonstrate that firms have cyber safeguards in place and are committed to cyber security. As part of our work in this area we will shortly be rolling out a secure email system for clients.



Top 30 Under 30: the 2018 class of new wealth talent

We are pleased to announce that our Senior Portfolio Manager, Joshua McCathie, has been named in Citywire's prestigious Wealth Manager Top 30 Under 30 for 2018.

This is a fantastic honour since Wealth Manager select their 30 rising stars from a huge number of entrants within the UK private client investment management industry. Wealth Manager wrote "Our select list is based on professional qualifications, academic achievements and the importance of the role they play at their current companies."

Since joining BRI, Josh – who was described by Wealth Manager as a "rising star" – has completed the CFA IMC qualification, his Chartered Wealth Manager qualification, and he is now studying towards the Chartered Financial Analyst qualification.

At BRI, Josh is responsible for investment research, day-to-day discretionary portfolio management, asset allocation, macroeconomic research, and contributes to the overall investment strategy.

Withdrawing profits from your business: pension vs dividend

For many business owners the quandary of how to efficiently withdraw profits from their companies has been a much-debated subject, mainly due to the ever changing legislation. The individual Dividend Allowance reducing to £2,000 from 6 April 2018 has brought this topic back into focus; and now seems like an ideal time to consider the advantages and disadvantages of making pension contributions in lieu of taking dividends.

It is commonplace for business owners to pay themselves a small salary up to the minimum level whereby no National Insurance will be payable but where they are still able to benefit from credits towards their State Pension record (£8,164 currently). Typically, this income is supplemented by withdrawing dividends which, as you can see below, means that there is less tax to pay than when taking an income via salary.

Based on the assumption that the business owner is a higher rate tax payer, any salary taken as income would attract a 55.8% tax rate (40% income tax on anything over and above the basic rate threshold, followed by employer National Insurance of 13.8% plus employee National Insurance of 2%). Conversely, dividends attract Corporation Tax at 19% and then 32.5% on the residual amount making the effective tax rate 45.35%, therefore slightly more efficient tax-wise.

Where do pension contributions fit in?

Should a business owner not require the profits to spend as everyday cashflow, it may be most tax-efficient to pay an employer pension contribution, which would have the following benefits:

- Pension contributions are typically allowable deductions for Corporation Tax, saving tax at 19%.
- Pensions have many advantages in that they are able to grow free of Capital Gains Tax, they provide a 25% tax-free cash payment from age 55 onwards and are outside of your estate for Inheritance Tax purposes. Personal contributions into pensions also attract relief at the pension member's marginal rate of tax. All these reasons make pensions a highly attractive part of retirement planning, particularly for higher and additional rate tax payers.
- If the business owner is a high earner and thus affected by a reduced Personal Allowance (those with earnings of £100,000 or more have this allowance reduced at a rate of £1 for every £2 of income), making pension contributions could serve to restore their Personal Allowance.
- If aged over 55, the pension can provide 25% tax-free cash immediately without affecting your pension contribution annual allowances. If you do not require funds for immediate cash flow, then paying an employer pension contribution will be more tax-efficient than withdrawing the funds as dividends. This is the case even if your personal income tax remains the same both prior to and after taking benefits but is especially efficient if your income tax rate falls from higher to basic rate over the period. Please note that if pension benefits are taken as income then a restriction on how much could be paid into a pension will apply due to the Money Purchase Annual Allowance (falling from £40,000 to £4,000).
- If the business owner dies before age 75 their beneficiaries would receive the entire pension contribution free of tax; after age 75 this would be taxed at the beneficiary's marginal rate of tax.

BRI's Financial Planners have a wide range of expertise in the above areas and therefore should this topic affect you, please do get in touch to see how we can help.

17/18 YEAR IN REVIEW

49 YEARS IN BUSINESS

275 YEARS OF TEAM SERVICE

40 EMPLOYEES
21 MALES
19 FEMALES

941 CLIENT MEETINGS

8,978 MILES TRAVELLED TO VISIT CLIENTS

25,642 DEALS PLACED

150 FUND MANAGER MEETINGS

23 PROFESSIONAL EXAMS PASSED

16,420 ITEMS OF POST FRANKED & MAILED