

Woodford Is All Wound Up

Link Fund Solutions Limited, who are the authorised corporate directors of LF Woodford Equity Income Fund, have made the decision to wind up the fund as soon as possible.

The fund has been suspended since 3rd June this year and, following discussions with the Financial Conduct Authority (FCA), it has been agreed that the wind up will likely commence in January 2020 as there is not sufficient recovery of the fund to warrant it remaining open.

This means that Woodford will cease to be the investment manager of the fund immediately and Link have appointed Blackrock to redistribute part of the fund's holdings in a bid to get investors' money back as soon as possible - hopefully by the end of January 2020.

In addition to the closure of the fund and the removal of Woodford as the investment manager, Neil Woodford has announced that Woodford Investment Management will also be closed entirely once its outstanding responsibilities have been fulfilled.

State Pension Increase Greater than Expected

The State Pension is expected to rise by 3.9% in April 2020 - more than double the rate of inflation and the largest increase for some time! The increase equates to just over £6 per week if you receive (or will receive in the future) the full state pension.

Because Tory ministers pledged to protect the state pension with a 'triple lock', it rises by inflation, 2.5% or the average earnings - whichever is highest. It would seem that average weekly earnings rose by 3.9% in the year May to July, prompting the proposed increase.

But, before we get too excited, the increase still has to be approved by Parliament!

In addition, following the announcement that those over 75 will now have to pay for TV licences, they will actually only receive about half of the increase if it is all approved

Financial Ombudsman Way Behind

There have been reports that those awaiting compensation from banks, pension firms, investment houses or insurers are facing huge delays in the resolution of their claims.

The failures are being attributed to a reorganisation at the Financial Ombudsman more than three years ago that has affected the resolution of complaints. Expert adjudicators have been replaced by general investigators who cover large areas of the financial spectrum, resulting in a situation where some consumers have been left not knowing whether they will receive life-changing settlements

regarding life or health insurance and where complaints are still unresolved more than a year after being lodged.

Hopefully, by shining a light on the issues that need to be resolved within the Financial Ombudsman Service, service levels can be returned to a more reasonable standard.

Proposed Probate Fees Are Finally Scrapped

After nearly a year of debate and delays, a positive decision has finally been made regarding Probate fees. Probate is an important step to getting control over someone's estate after they pass away. The proposal to charge Probate fees on a sliding scale instead of the current flat rates would have detrimentally affected almost 300,000 people. As these fees would not have reflected the administration costs of obtaining Probate, it led to them being referred to as a 'Death Tax'.

The Law Society referred to the proposals as an 'unfair way to squeeze money out of vulnerable families'. Thankfully, Justice Secretary Robert Buckland has decided that although fees are important to ensure that the courts can run effectively, the fees must be 'fair and proportionate'. Instead of introducing a sliding fee, there will now be a wider review of court fees, which will take place imminently.

It is worth keeping in mind, however, that even though the proposal has been scrapped the costs associated with a loved one passing can build up. These often-unexpected costs are why we have started advising our clients about the importance of setting up a Probate Trust. If you want to ensure that your funeral costs, Probate costs, etc. will be covered without unnecessary financial strain on your loved ones, speak to an adviser to see if setting up a Probate Trust could be the right thing for you.

How Can a Trust Help You?

With so many different types of trust available, it can be confusing to know which is the right trust for you, and why. The benefits of trusts may be unclear to many, especially now the government is reviewing the inheritance tax structure, but inheritance tax mitigation is only one element of what a trust can do for you.

- Tax planning:** this is probably the most well-known benefit. For inheritance tax purposes, gifts given to a trust can reduce the tax to which your estate could be subject, providing you live for 7 years after making the gift. Trusts can also be used to direct an income to beneficiaries. That income (subject to certain conditions) will then become a part of that individual's taxable estate instead of yours.

- Longevity:** a Trust can be used to protect the assets of your surviving spouse and/or any children. Trusts can last for up to 125 years, and this is a long time to be certain that your future generations are being looked after. For example, if you want to make sure that in 20 years' time your grandchildren will have money for a deposit on a house, you can. You can have peace of mind knowing that your legacy is not only being passed down to future generations but that it is also happening at the right time.

•**Control:** as a Settlor of a Trust, you can have varying levels of control. If you were to simply gift someone a sum of money, you would have no say over how it was used and when. However, if money is left through a Trust, the Trustees can decide how and when the beneficiaries can access it. This allows the benefits to remain in the Trust rather than being absolutely distributed. You could also increase the amount of control over these decisions by also making yourself a Trustee when the Trust is initially created.

•**Protection:** this is a major advantage as the assets are protected from third-party claims. For example, if one of the beneficiaries is going through a divorce or bankruptcy, it is not possible for anyone to attempt to claim any of the assets held in that Trust. (This is a major advantage if you have any concerns over who your children have married.)

•**Other:** often-overlooked benefits of Trusts include increased levels of confidentiality and speed of access to benefits. Upon death, a person's Will can become accessible to any member of the public who is willing to pay to view it on the online Probate Registry. The contents of a Trust, however, will never be shared with the public. As well as increasing privacy, having assets in a Trust will also reduce the waiting time for beneficiaries to receive their benefits. For example, if your pension or any other life policy were placed into a Trust, it would not be necessary to wait for Probate to be granted before using those assets to pay any Inheritance Tax liabilities.

Our advisers are always happy to discuss what type of Trust is best suited to your and your family's needs. If you would like to know more about how they can help you, please get in touch.

Help-to-buy Isa

If you are saving up to buy your first home and you put money into a help-to-buy Isa, the government will boost your savings by 25%. So, for every £200 saved, first-time buyers can receive a bonus of £50.

The help-to-buy Isa was launched at the end of 2015 but have been something of a hot topic of late as it will close to new savers on 30th November. As this is a direct product (available from banks and building societies) we aren't able to provide advice on them, but should you like to know more, the Guardian has published a very useful article giving an overview.

Notes on Brexit

Another deal has been put to Parliament and, while it was agreed in principle, the fast-track deadline to ratify it was rejected outright by MPs. It seems that the Government's initial plan to push everything as close to the deadline as possible as a means to force MPs to vote for whatever deal was brought to the table backfired slightly.

The deadline for the extension request as decided by the Benn Act came and went and, after much bragging from Boris about how he would get Brexit done, he has been forced to reluctantly request an extension to Article 50. While he may not have signed the letter, he had to send it nevertheless, and EU leaders have agreed to a flexible extension until 31st January 2020. So, the promise that we will definitely leave on the 31st October has been broken. While this is kicking the can down the road a little further, the EU have agreed that we may leave earlier if Parliament are able to agree on a deal.

The next plan is for a pre-Christmas General Election in the hope that Boris can increase his majority to give him the mandate needed to push his plans through Parliament.

Book of the Month

This month's book recommendation is 'A Whole New Mind; Why Right-brainers Will Rule The Future' by Dan Pink. The author of a number of books that have featured here as past recommendations, 'A whole new mind' lives up to the high standard Dan has set.

Historically we were taught to chase the jobs that were best done by the left brainers of the world; whether that be lawyers, doctors, accountants or even financial advisers! 'A whole new mind' looks at what skills will be required to ensure you don't get replaced by a robot. If you have children, are still a long way from retirement or advice anyone on career paths, I strongly suggest you read this book. You may just rethink what qualifications, what skills and what career choices you take.

Charlie's Mini Blog

Continuing on from the theme set by this month's book recommendation, 'A Whole New Mind' I believe that, if you want to have a bright financial future, you need to change your focus from financial advice to financial planning.

You may be asking yourself what the difference is. Financial advice is about the products, the tax and the legislation. The stuff that most people aren't really interested in, although they are told they need to be by the media. Financial Planning is all about the future, your passions, and your goals, the sort of stuff you really are interested in.

There are 2 key elements, that differentiate financial advice from financial planning, and as Dan Pink described them in his book, they are 'Empathy' and 'Creativity', otherwise a computer is probably better. When you go to see the Dr, if a computer can better diagnose your cancer than a person, you want the computer. If it can give you a more accurate life expectancy, again, you want the computer. But do you want a computer screen to be delivering you the message, or answering your questions? Probably not; that's where people come in.

So, we need to bring in Creativity and Empathy to our business, and financial planning is how we do that. It is about getting to the heart of what's important to you. No one wants a pension, they want retirement, and the freedom it brings. No one wants an ISA, they want their future generations to have an education, or they want to be able to tick off their bucket list at some point down the line. Financial planning is about having deeper conversations, understanding their specific needs better and then building a specific plan to deliver that using our financial expertise. If you are failing to plan, you are planning to fail!