The Efficient Wealth Update

Efficient Portfolio

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The Four Most Common Questions

As we enter 2019, many people want to begin the new year with their affairs in order.

Many of those who come to see us at Efficient Portfolio want to discuss similar topics, which is why we always recommend that new clients have a free initial conversation with one of the financial planners, and also ideally attend one of our seminars or read one of our books.

Below are four topics which seem to be the most popular:

1. Retirement – when and how?
   Pensions are complex, which means many people are not confident in understanding what they have and what their options are, or even asking their providers for this information. Pensions really are a minefield and encompass many of the more complex parts of financial planning, including income, taxation, legislation changes, allowances and scheme-specific rules – all areas best left to a professional to investigate and sift through the jargon on your behalf. So, if you feel confused, rest assured you are not the only one.

2. How can I pay less tax?
   HMRC are cracking down on tax evasion, but tax planning is still perfectly acceptable. Many people feel unsure about what they can and cannot do, and asking a financial planner is a great way to define what is a sensible way to decrease your tax bill. Using your available tax allowances is the first step – and 95% of those surveyed weren't doing this! There are many other ways to maximise income and reduce your tax bill, but they are likely to be more specific to your situation.

3. How can I pay less Inheritance Tax?
   Inheritance Tax (IHT) is one of the main concerns for individuals, likely because they have paid tax throughout their lifetime and don't want to see 40% of what they have left evaporate to the tax man on their death. Or they may just be lovely people who want their family to benefit from as much of their wealth as possible. Rising house prices over recent years have seen more estates become subject to IHT and many of you reading this will have estates large enough to be subject to this tax. There are many ways to mitigate IHT including, but not limited to, getting married, making lifetime gifts and trust arrangements.

4. Brexit …
   The uncertainty of Brexit means it is a topic on most people's minds, as uncertainty is not good news for the investment markets. Whilst I wish we could see into the future to plan for exactly what will happen, nobody knows how things will turn out. In these types of situation,

it is key to be prepared and to focus on protecting your wealth for the time being rather than taking more risk to pursue growth. A balanced and diverse portfolio is a must.

Solutions to all of these topics feature heavily in our conversations with new and existing clients, which is not surprising, as many of you have similar estate set ups and a desire to protect these and the wealth within them as much as possible. If you would like to have a further conversation or a review of any of the arrangements we have put in place for you, please give the team a call.

Gloomy 2019 Outlook

The overall outlook for UK markets in 2019 is not good, in fact it is positively gloomy. Towards the end of December there were signs that things may get worse before they get better, no doubt fuelled by the uncertainty of Brexit in the most part, and global political uncertainty in general, led largely by President Trump… obviously.

2018 was not a straightforward year and saw volatility rise to an overwhelming high; no surprise when we recall what we were up against throughout the year. But all of this means that in 2019, much skill and experience will be required to protect assets, as well as see any discernible returns.

It is not only the UK that is suffering; the global markets are also expected to be highly volatile. The US markets faltered towards the end of 2018 and overall growth has reduced significantly.

Whilst we are certainly not ruling out that 2019 may be a fantastic year in terms of growth (we really don’t know what might happen), a cautious stance is a sensible one. The discretionary managers we work with are constantly aligning your investment strategy and fund selection to focus on protection of assets whilst positioning them so they will benefit from growth when it happens. I am talking about this more at the moment in our Client Review Workshops for our Family Clients as well as how to mentally deal with the market losses that occurred at the end of 2018.

If you are a Family Client and haven’t already registered your attendance, please do so soon, as they are filling up fast.

Top Qualities in a Financial Adviser

We were very pleased to read an article in the *Financial Times Money* supplement listing the most desired qualities in a financial adviser and felt that we excel in all of them. Not to blow our own trumpet; I’ll let you decide!

<u>Full market advice</u>

We are not restricted in any way to recommend any types of products, providers or funds; we simply recommend the best thing for you.

<u>Fee transparency</u>

We tell you what the fees will be up front and express these as a fixed fee, meaning if your investment transfer goes up before it reaches us, we won’t charge you more than quoted. We really are as transparent as we can be and are one of the most up-front firms in the country when it comes to fees. We pride ourselves on this.

Trusted service

We promote our "family" feel and focus strongly on doing the right thing for all of our clients, putting them first before anything else. Our clients are always keen to feed back how much they trust us to look after things for them.

Word of mouth

We receive a large amount of business through referrals and this increases each year. We believe our service speaks for itself and we thank those of you who have referred our services to people.

All of this adds up to Efficient Portfolio again being named one of the 100 Top Advisers in the country. I did mention this briefly in last month's *Update,* but this article really sums up what clients want from a financial adviser and how this matches with the service we provide. We pride ourselves on standing out from the crowd of financial advisers by putting you, our clients, above all else, and doing the right thing for you.

So much so, we class ourselves as 'financial planners' not 'financial advisers' as, to us, the plan is as important, if not more important, than the advice itself!

Pension Tax Relief

We all know that HMRC finds it extremely difficult to get taxation correct – funny really, as it is their job. Tax relief on pensions is one of the areas they have recently been criticised on for not getting quite right. There are two types of tax relief:

Relief at source means your contributions are taken from your net pay (after your wages are taxed). Your pension provider then automatically claims tax relief on your behalf from HMRC, adding the basic tax rate of 20% to your pension contributions.

A **net pay arrangement** means the pension contributions are collected before income tax. For taxpayers, this means full tax relief at the highest rate is automatic, and no income tax is paid on money contributed to a pension.

Many of you whose pensions are managed by us receive tax relief using the relief at source method. One of the most important things to remember about this is that HMRC will only add basic rate tax, so 20% of the contribution. If you are a higher rate (40%) or additional rate (45%) tax payer, then you must apply to receive the additional tax using your annual Self-Assessment Tax Return; this will not be done automatically.

This tax relief is due to you, so please be sure to make this part of your annual admin so you don't miss out on the government adding to your pension.

More information on this is available using the link below:

https://www.gov.uk/tax-on-your-private-pension/pension-tax-relief

Notes on Brexit

Once again, we have seen a fraught period in the House of Commons; the Prime Minister's decision to defer the "meaningful vote" scheduled for 11th December, whilst she seeks further assurances from the EU around the Northern Ireland backstop provision, led to a "meaningful" backlash against her position as the leader of the Conservative Party. Despite many proclaiming her unfit to continue as leader, Mrs May survived the vote of no confidence, defeating her challengers. This victory means that Mrs May cannot be the subject of another internal no-confidence vote for the next two years, which takes us well into the post-Brexit period. Whilst Mr Corbyn tabled a motion calling on MPs to declare they have no confidence in the government, this failed to conform to the strict wording legally required to actually trigger the vote, and nothing further was raised, until last night.

The vote took place on 15th January and it was a historic moment. It was a record defeat for any government, with the previous record dating back to 1924! Essentially, 50% of the Conservatives voted against the proposed deal, and so did pretty much everyone else, bar 3 Labour MPs. This led to Corbyn triggering a vote of no confidence, and last night Mrs May received the support of the House. Not that this means they cannot play this card again, as many times as they like! The DUP supported the government in the no confidence vote, but implied it could easily change its mind if Northern Ireland doesn't get what they want out of it. Mrs May has between now and Monday to speak to the other party leaders and either convince them to change their mind with regards to the deal, which seems unlikely, to find a middle ground that she can take back to the EU, although they have said there will be no more negotiations, or come up with some other strategy that will get through the vote, such as a 'peoples vote.'

As this rolls on, it looks more and more likely that we will end up with a softer Brexit. Almost everyone appears to want to avoid 'no deal', given the uncertainty that will cause, but there is no telling. Only one thing is clear at this stage and that is there has been no progress so far!

Mortgage Blog

UK house prices unexpectedly rose at the fastest monthly rate in almost two years in December, according to Halifax, despite warnings over the potential impact of Brexit for the year ahead.

Halifax, one of Britain's biggest mortgage lenders, said the average cost of a home rose by 2.2% compared with November. This outstripped all forecasts in a poll of economists by Reuters, in a surprise sign of strength for the economy with less than 90 days before the UK is expected to leave the EU.

The data showed the average age of a first-time buyer was 30 years with a gross household income of £42,000. It would seem that a mixture of competitive deals and schemes, including Help to Buy, saw even more first-time buyers get a foot on the housing ladder during November.

Analysts warned house price growth would be restrained in 2019 after a decade of weak wage rises, as well as the risk of a property slump triggered by a no-deal Brexit. Hansen Lu, a property economist at the consultancy Capital Economics, said: "With prices so high relative to incomes, many buyers have been priced out of being able to purchase a home."

With the uncertainty surrounding the whole market, this could be the perfect time to discuss your options with one of our mortgage experts here at Efficient Portfolio Wealth Management.

Book of the Month

I read a lot of business books, and many of them relate to marketing in one way or another. So, when I say I have just read the best marketing book I have read, that is coming from someone who seeks them out regularly. They Ask You Answer: A Revolutionary Approach to Inbound Sales, Content Marketing, and Today's Digital Consumer' by Marcus Sheridan is that book.

In a nutshell, in a digital world, the key to successful marketing is answering the questions of your ideal clients. The more questions you answer, the more they will trust you, and the more they will use you; because, you become the expert.

If you are a business owner, or a wannabe business owner, I cannot recommend this book highly enough. Watch this space for its impact on us as a business.

Charlie's Mini Blog

After Christmas, it is easy to feel like you have over indulged. You know something is wrong when you are eating Quality Streets for breakfast and you have eaten pork wrapped in pork for 3 days on the trot… if you'll excuse the pun. We start out the new year with a determination to make it better, and to feel the best and happiest we can be. It is, after all, a line in the sand.

In December's update, I talked about the importance of setting goals. Goals on their own aren't enough though. It is easy to write goals down and then forget about them. The secret to success is to have systems too. Goals are for fools, systems are for winners. I am not contradicting myself here, I promise; goals are a vital piece in the jigsaw, but they are of no use if you then hide them away.

The key to creating a system that ensures you hit your goals is twofold. Firstly, you must organise your goals in a way that means you revisit them weekly. I have a document that I look at every day in which I have broken down my 1-year goals into quarterly goals and those into monthly goals. Each week, I work out what I need to do in order to achieve those monthly goals. Each month, I work out what I need to do next month to achieve that quarter's goals.

It is this discipline that ensures you actually hit your goals. Create a system that will help you deliver your goals. If you want to see, steal, or butcher my system, just email me, as I am more than happy to share it.

Make 2019 successful by creating a system around your goals.