

## **£12m Pyramid Fraud Gives Advisers a Bad Name**

Ex-financial adviser Grahame Whitehead was jailed for ten years last week after heading a pyramid fraud scheme for five years between 2004 and his arrest in 2009, which netted him £12m!

Whitehead conned his victims into investing in two fake schemes, but the funds were actually going directly into his own bank account, which he used to purchase property in South Africa and the UK. To lure in potential clients, he promised returns of up to 12% with little or no risk - certainly tempting but clearly unrealistic.

His victims were mainly retired individuals who were persuaded into investing their valuable life savings, only for them to be lost entirely. His actions were abhorrent, selfish and without conscience, and certainly did nothing for the reputation of advisers and the financial services industry.

Hopefully, his prison sentence will be a lesson to those who would consider being involved in such a scheme and will highlight the pain and suffering caused to the victims involved. The victims, who for the past ten years have had to find a way to cope whilst the legal proceedings have continued, will have to wait until October to find out what compensation they may receive for the loss of their funds.

The case does highlight the absolute necessity of making sure that any financial company you deal with has all relevant permissions. And always remember, if something seems too good to be true, it usually is!

## **NHS Pensions Shake Up**

Senior NHS doctors are facing a pension tax trap that could see them effectively working for free. It means that doctors are retiring increasingly earlier, making the NHS staff shortage a crisis.

The inflexibility of NHS pensions means doctors cannot choose the level of their pension contributions, which are based on their existing salary. As a result, they are not able to even attempt to avoid the charges imposed on them. Individuals are receiving such high tax charges for exceeding their annual pension allowance limits that it equates to a tax of 100% on their earnings!

Clearly, nobody wants to work for free (or not many of us) and so doctors are cutting their hours and refusing additional shifts that could inflate their salary and therefore their pension contributions, leaving the already overstretched NHS at breaking point.

A group of politicians and health and social care secretaries are looking into potential solutions to end this madness. One option is a "50/50" pension, where only half of the usual contribution is paid for a set period of up to ten years - a scheme that is already in use in some local governments. Something must be done - not only for those who are directly affected but also for the millions who rely on the NHS.

## **Inheritance Tax Receipts Break Another Record**

It seems that every year the Efficient Management Update carries an article about how HMRC have again broken records with their Inheritance Tax receipts. This year is no exception, with a total of £5.2bn raised in 2018, which is an increase of 8%!

While Inheritance Tax bills continually rise, the Nil Rate Band remains frozen at £325,000 per person. But, change may be on the horizon. There is to be a major review of Inheritance Tax at some point this year (originally due in the Spring and now expected in the Autumn).

The Inheritance Tax system certainly seems to be crying out for simplification and is not helped by the unnecessarily complicated addition of the Residential Nil Rate Band (RNRB), which comes with enough rules and regulations to sink a battleship.

While we wait for this long-anticipated review, make sure you are well placed to pay as little Inheritance Tax as possible by ensuring your Will is up to date. So many Wills will have become out of date and unfit for purpose following the introduction of the RNRB. We have contacted all of our clients where necessary, but if you are not currently a client, make sure that you don't miss out on the new allowance and end up paying even more than is necessary to HMRC.

## **Text Message Alert! You Have 1 New Message...**

The latest scam is fraudsters sending text messages to members of the public claiming to be HMRC. In these messages they make false claims that the individual is due a tax rebate and should click a link to claim the refund. These types of link harvest personal information or spread malware and will lead to the theft of people's personal savings or identify fraud. It is so much easier to fall for these types of scam as texts can appear legitimate. Please be aware that HMRC will NEVER contact a customer who is due a tax refund by text message or email.

In most cases, if it seems too good to be true it probably is! So please remain vigilant and if you are unsure of anything you receive from HMRC please contact a member of the team at Wills & Trusts. You can check how to spot bogus HMRC correspondence; examples can be found on the .gov.uk website:

<https://www.gov.uk/government/publications/phishing-and-bogus-emails-hm-revenue-and-customs-examples/phishing-emails-and-bogus-contact-hm-revenue-and-customs-examples>

## Part 2 of 4 - ISAs: The Rules of a Stocks & Shares ISA

Many savers are led to believe that Stocks & Shares ISAs are complicated and so some avoid them altogether. The truth is they are not complicated! Many of you will already believe me, but if you have friends or family members who don't, or even if you need a little convincing yourself, I have put together the simple rules and "need to know" facts of Stocks & Shares ISAs.

- Your savings are tax free
- You can only have one Stocks & Shares ISA with one provider, per tax year
- You can put £20,000 into this ISA per tax year
- The ISA year is the same as the tax year (April-April)
- You may pay fees for the investments held and for active management of the funds
- Your ISA will move in line with market movements
- You can have this ISA from the age of 18
- You can withdraw and replace funds in the same tax year
- Withdrawals may take longer than from Cash ISAs if funds need to be sold
- You can still switch providers if you wish
- Your ISA can pass to your spouse on your death
- There will be more risk involved than with a Cash ISA
- Returns have the potential to be greater as they are linked to market movements
- They are covered by the FSCS

As you can see, the rules for Stocks & Shares ISAs are almost identical to those for Cash ISAs! One of the main benefits of a Stocks & Shares ISA is the level of returns. If you have a Cash ISA, you will know that they are not making any money and may be working negatively for you, because the returns are below the inflation rate - meaning you are effectively losing money!

If you think you can tolerate the increased risk, it really is a no-brainer - you should have a Stocks & Shares ISA.

## Care by the Community?

What happens if you need to go into care, but cannot afford to pay the skyscraper prices of a luxury care home? Under the current system, if you meet a certain threshold, the government will pay for a home of their choosing. However, the threshold is such that often many people still struggle to pay fees. So, what is the answer?

Damian Green (MP and former First Secretary of State) thinks he has solved (or at least reduced) the issue: a social care system modelled on the state pension system. That is to say, everyone would be required to make contributions into the social care pot through an increase in National Insurance contributions. Simple enough.

Of course, a little more probing into the proposal raises many more questions. Damian Green has suggested the system will require an extra £2.75bn. Roughly speaking, this would mean increasing National Insurance contributions for those over 50 by 1%.

However, other organisations have suggested a more accurate figure might be £7bn, rising to £14bn by 2030. Suddenly the costs are starting to stack up. There may be a proposal for the social care National Insurance contributions to start earlier than age 50, raising yet more questions about whether there will be public support for a policy that most people of working age are unlikely to consider relevant.

While Damian Green has recently made a fresh push to bring these reforms about, the proposal has actually been around since 2017. Support for the reforms has been sporadic, but it is worth remembering this is a target area for change in the years to come.

## Notes on Brexit

While it seems that there has been a lot happening, with the recent European elections and Theresa May's resignation, on the Brexit front nothing has changed.

While the Tories battle it out over who will be the next Prime Minister, and Nigel Farage tries to insert himself into the negotiations, nothing about Brexit will change in the near future. We are still due to leave the EU by the end of October and it is up to the new Prime Minister, whoever they may be, to try to convince the EU to re-open negotiations - something they are adamant will not happen.

The odds are that the new Conservative leader will be a hard Brexiteer and could trigger a General Election to try to get the mandate necessary to break the deadlock (which Theresa May attempted to do in 2017, although it didn't work out too well for her). However, this still won't change where we actually stand with Brexit, which is the same as we've been since the referendum - that is nowhere.

## Mortgage Blog

Mortgage activity has remained steady across the country as competitive mortgage rates drove existing homeowners to take out new loans, according to new data. The latest Mortgage Monitor from e.surv found 65,801 residential mortgages were approved during May 2019 — 1.2% up on the same month last year.

According to the report, this growth comes despite activity tailing off in areas such as first-time buyers and mortgages with small deposits dropping 0.7%. However, the 0.7% drop recorded in May was still well ahead of the 26% decline measured in March, when the country was approaching the first Brexit deadline.

Mortgage approvals — where a consumer is told they are eligible for a mortgage but is yet to actually borrow the money, are typically an indicator of how the future mortgage market will fare as these consumers are likely to go on to borrow the funds in the upcoming months — were up 5.4% year-on-year, according to new data from UK Finance, the sixth consecutive month of growth.

Figures from the trade body's household finance update, showed that 44,034 approvals were made in April 2019 — up 5.4% on last April — while remortgage approval rates were up 2.2% to 29,014.

## Charlie's Mini Blog

For the last 5 days, I have been working from the hideous location of Miami Beach. The humidity is unbelievable and wearing a suit in these conditions has certainly been challenging. I hear your sympathy. I am joking of course; whilst it has been hot, it has also been amazing. This is the second time I have attended our industry's global conference, known as The Million Dollar Round Table, or MDRT.

MDRT has been running for an incredible 93 years, and some 11,000 financial advisers from around the world attend. These advisers come from a huge diversity of backgrounds. You have a lot of life insurance employees from less developed and regulated markets like China and India, whilst also having an incredible array of business owners from the UK, Europe and both a North and South America.

I was honoured to be asked to speak, not just once, but twice. My first session, entitled 'Marketing Yourself as the Expert' was held in The Fillmore Theatre, a venue that has provided a stage to AC/DC, Emilie Sandé and John Legend, to name just a few, and was in front of around 1500 of my peers. My second talk was on the main stage. Entitled 'From Advice to Planning', I was encouraging people to embrace technology to help clients more, like the Lifetime Cash Flow Forecasting we use, and to embrace financial planning by bringing empathy and creativity to their client process. This talk was in front of the full 11,000 audience, quite an experience.

In recent years, I have done more and more speaking but, unsurprisingly, this was by far the biggest to date. To say I was nervous would be an understatement, but you have to feel the fear and do it anyway. These few days have proved invaluable to coming up with ideas on how we can make Efficient Portfolio even better over the coming year. If you run your own business, it is vital you take time out to 'work on the business,' because it is the only way you get better. The same applies to your finances too!

## **Book of the Month**

It is often difficult to find role models when we are trying to give the next generation someone to look up to, unless it is a sports personality or an actor. It is particularly tough when we are looking for a female role model. Well, look no further than Michelle Obama. Not only is she a stunning example to all women but all men can also learn a thing or two. *Becoming* is Michelle Obama's autobiography and it is a fabulous read. The story of someone who came from the "bad" side of Chicago to be the First Lady is one that everyone should know. Unlike many First Ladies from history, who were simply married to the right man, Barack became President because he was married to the right woman. Not in a Nancy Reagan "I'll tell you what to say" way, but because she is such an inspiration to her husband. The book focuses on her life, covering her time in the White House only in small detail, and it is the details of those early years which are particularly interesting and uplifting. I urge everyone to read this book and then buy it for someone else.