The Efficient Wealth Update

Efficient Portfolio

March 2019

SJP Errors See Exit Fees Waived

Those of you who have been reading the Efficient Wealth Update for many years will have heard almost this exact story a number of times. Here we go again…

A financial publication has reported that a client won a case against St James Place (SJP) to waive the exit fees they imposed, because of poor service and advice.

Firstly, why is SJP charging exit fees? Why is a client being charged for the return of his own investment? I find that remarkable in itself, not to mention the fact that this had to go all the way to the financial ombudsman to be resolved!

SJP typically charge clients an exit fee to take out their investments within 6 years of the original investment. If a company is confident in their ability to provide great service, then clients should not want to move away from them and therefore there should be no need for any type of exit penalty.

We cannot comment on the advice that SJP provided, but the apparent catalogue of errors that affected this client's investments over a number of years is quite astounding and worrying! It is cases such as these that paint financial advisors in a poor light and make it much more difficult for those who genuinely want to help people.

Don't Forget Your Allowances

The end of the tax year is fast approaching (as it always seems to)!

Don't forget that you have an annual ISA allowance this tax year of £20,000, which CANNOT be rolled over. It is a "use it or lose it" allowance, so make sure you use it!

The benefit of placing funds in an ISA through your existing portfolio is that they will be managed under your existing agreement, which means that when you come to access the funds in the future, they can be withdrawn tax free.

If you have a pension you also have a pension allowance this year of £40,000 or your net annual earnings (whichever is the lower), providing you haven't accessed any of your taxable benefits or you don't earn more than £110,000 and then it may be less. This allowance doesn't have to be used this year and can be carried forward three tax years, providing you are a member of a pension scheme throughout. It is, however, good practice to use this allowance if it is relevant for you.

If you earn more than £110,000, or think you will in the future, it is even more important to use up these pension allowances each year. That £40,000 annual allowance drops to as low as £10,000 per annum if you do, at which point it is difficult to fund your pension to the sort of levels required to give you a reasonable income in retirement.

If you want more information or aren't sure if these allowances are relevant to you, please get in touch with the team and we'll be happy to advise you.

New HMRC Online Probate System

HMRC have launched an online probate service, which they have previously trialled "by invitation" and now want to roll out to the wider public. The feedback from those who have used it already has been mostly positive but, having used some of HMRCs online services before, I am intrigued to see how it will fare being rolled out to the masses.

On the plus side, it means that you can now apply, pay and swear a statement of truth online, meaning a trip to the solicitor's office will no longer be necessary for most people.

Some notes on the service:

- The service can be used if the deceased was a permanent resident in England or Wales, if the applicant has the original Will and is named as an executor, and for up to four joint applicants.

- Anyone who struggles to use the online service can access face-to-face support with The Good Things Foundation.

- The paper form remains available to anyone who wishes to use it, and this too has been simplified.

These improvements and the new service are definitely a step in the right direction for logistics and ease of use for those suffering a bereavement, but this service should not be a replacement for advice and guidance on the actual probate process.

We always recommend employing a professional when completing probate as there are a number of pitfalls when completing the probate process yourself, some of which are:

- Legal jargon – Wills, probate forms and other documents can be confusing and full of legal jargon that is not easily translatable to the lay person.

- Trusts – Trusts are complex legal documents that are either already in existence or are created through the deceased's Will. Either way, the process will include certain formalities and legal work that require professional assistance.

- Tax – Inheritance Tax (IHT) is the most obvious tax that will be payable, but this may require looking back through historic transactions and may contain complex calculations. Taxes other than IHT may also need to be considered before the estate can be distributed.

- Liability – Executors of Wills become personally liable for mistakes, omissions and losses/debts through the distribution of the estate, and so for peace of mind and accuracy it is usually best to appoint a professional.

- Paperwork – There is so much paperwork! There is a form for everything and anything and each one is needed in a different scenario. A professional will give you guidance and assistance on what needs to be completed and how to complete it.

Whilst we suggest employing a professional for probate purposes, we always recommend you appoint a lay person as executor for your Will. This means your executors will be able to employ their chosen professional at a rate they agree, rather than being tied to working with a company at what is usually a much higher rate.

Banned Credit Card Charges Still Exist

Levying charges on payments by credit card was banned in January 2018, although some retailers are still at it.

The charge for paying by credit card can be as little as 50p per transaction or can be a percentage of the transaction, which can increase the charge substantially. In some cases, to try to get around the ban, retailers and organisations are offering a 'discount' to those who choose to pay by means other than a credit card – effectively, in a roundabout way, charging more to those who use credit cards, but being sneaky about it.

The enforcement of these rules is unlikely to be a priority for Trading Standards as the pressure on them rises. The Treasury estimates that consumers spent £473m on card surcharges in 2010, so please watch out for this activity, make sure you report it, and make the retailer or organisation know that what they are doing is illegal. Most importantly, make sure you don't get caught out by it!

Portfolio Metrix Wins Best Discretionary Fund Manager Award

We were thrilled to receive the news that PortfolioMetrix, the Discretionary Investment Management Service that manages the majority of our client's money, was awarded the accolade of 'Best Discretionary Fund Manager' at the 2019 Professional Adviser Awards, and 'Best Discretionary Manager in London' at the Citywire Wealth Manager Awards.

Clearly investing over the last year has been difficult, 2018 being the first negative calendar year since the Credit Crunch, but PortfolioMetrix continue to do a great job. When you compare their performance over the last 3 and 5 years to the leading alternatives, they really have excelled.

PortfolioMetrix now hold the honour of being the Wealth Manager Small Business of the Year, Professional Adviser Best Discretionary Fund Manager and Citywire Regional Star for London. We'll continue to watch them like a hawk to ensure they keep up the good work!

Notes on Brexit

There has been much political activity this month, including the resignation of MPs from both sides of the House; and although there have been many discussions about Brexit, there hasn't really been much progress.

At the end of last month, Parliament voted to attempt renegotiation of the Backstop arrangement, and Mrs May is still in talks with various European leaders to find a resolution she can bring back to London with some degree of confidence in time for the all-important "Meaningful Vote", which has now been pushed back to 12th March. However, the Irish Foreign Minister and Deputy Prime Minister, Simon Coveney, is strongly opposed to any changes to the Backstop, stating "The withdrawal agreement wording is not going to change. The space we are in here is trying to provide reassurance".

We will also be closely watching the Spring Statement, due on the 13th March, to see what, if any, no-deal preparation is being put in place. So, we could have an outcome in two short weeks time, or potentially we could have kicked the can down the road and have requested an extension to Article 50 – which, as we watch, seems to be increasingly likely.

Book of the Month

This month's book recommendation is 'Legacy' by James Kerr. A brilliant book about leadership and culture all woven around the All Blacks rugby team. So much of the incredible success of the All Blacks comes down to their culture and their approach. How can such a small nation consistently produce such brilliant rugby players and teams.

If you are interested in rugby, a business owner, or a manager of people, I'd strongly recommend you read this book. The insights are fascinating, but even better are the stories within it.

Charlie's Mini Blog

Brexit is clearly brining uncertainty to the UK, to Europe and the rest of the world to a lesser extent. Markets don't like uncertainty, and as a result, they price in the concerns of investors. It feels safe to sit on the fence, to wait and see what will happen, and then act accordingly.

People have asked us what will happen to their investments if we see a no deal, or we exit smoothly. The problem is, no one really knows. At the moment, the UK looks undervalued, whereas the US possibly looks over valued. That would mean with a smooth exit, or no exit at all, we will see a rise in the value of UK companies. A hard Brexit would probably see a fall.

That said, in the event of a soft exit, we will probably see Sterling strengthen, and as many UK companies report in US Dollars, that may cause a reduction in the FTSE 100 in particular. Conversely, a hard Brexit will probably lead to a leaker pound, and thus a market rise!

As you can see, no one really knows either way what will happen. There is a saying that 'Time in the market is better than Timing the market'. As a result, you are better to carry on with your financial planning than to sit tight. No decision is ever the right decision! That said, proceeding with caution also makes sense, and we can help with that too.