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Success MAGAZINE

ISSUE 1 2017

Financial security in a changing world

INFLATION HITS SAVERS HARD

THE NEW STATE PENSION IN NUMBERS

WHY PENSIONS COULD BE THE LAST THING YOU SPEND IN RETIREMENT

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SUCCESSION GROUP

WELCOME TO

SUCCESS

MAGAZINE

FROM JAMES STEVENSON

Welcome to this issue of Success magazine.

Succession Group is now the UK's fastest growing wealth planning business and a top ten IFA business. We are incredibly proud of the services we provide and excited to be winning awards, voted for by our peers recognising the quality of our advice and the processes we use to manage your wealth. We have always taken pride in our attention to detail, research, administration and sound governance to ensure your needs are well served, and we are delighted that this has been recognised by our professional community.

To support this next chapter in our development, we have built a strong regional network of prestigious office locations for our Wealth Planners, Financial Advisers and the client servicing teams that support them in helping you live the life you desire without the fear of running out of money. Our newest offices in Edinburgh and Birmingham, two of the UK's largest financial centres after London, provide a fabulous source of talent, skills and professionalism to meet your needs and support our ambitious growth plans.

In recent weeks, we have seen Brexit moving closer to reality, and although Prime Minister Theresa May has now triggered Article 50, we can expect the process of disassociation to be long. There will be plenty of background noise, and that can be disruptive. investing to achieve future goals is much more important. We plan to keep you up to date on the important and noteworthy economic developments as they happen, with our regular Economic Round Table insights from blue-chip fund managers and leading fund houses.

It is the 8th anniversary of the Bank of England base rate in Britain being 0.5% or below. In this higher inflation environment, an interest rate rise looks increasingly likely.

Savers inevitably carry the burden of low interest and higher inflation and a recent report from one of our strategic partners Prudential suggested £1 in 1983 is worth £3.10 in today's value, demonstrating the need to save significantly more to counter the erosion that inflation has on the value of your money.

We hope you enjoy this magazine and as always, your Succession Wealth Planner will be pleased to discuss how any of the issues detailed affect your financial goals and Your Succession Plan.

James Stevenson
National Proposition Director
Succession Group

SUCCESSION
GROUP

IN THIS ISSUE

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FINANCIAL SECURITY IN A CHANGING WORLD

SUCCESSION GROUP IS ALREADY THE UK'S FASTEST-GROWING WEALTH PLANNING BUSINESS, WITH PLANS TO DOUBLE IN SIZE AGAIN OVER THE NEXT 12 MONTHS.

Succession Group believes that there has been a massive swing towards wealth planning. Increasingly, more people recognise the variation in the quality of nancial advice available and look for an established, well-capitalised business with a wealth planning solution for ongoing expertise, long term security and support when it comes to consolidating their wealth.

We have opened new Client Servicing Hubs in Birmingham, Chester, Edinburgh, Glasgow, Kidderminster, Salisbury and Truro ensuring we continue to deliver a national

John Glen MP opened Salisbury

service locally. Our 150 wealth planners across the UK are working in key locations, with the specialist teams that work with you to identify, achieve and maintain your desired lifestyle, without the fear of running out of money.

In 2017, we will continue expanding our regional network, to support the delivery of face-to-face advice.

Run your life at the touch of a button

From internet banking to the weekly shop, it is possible to run many aspects of your life with the touch of a button. In this respect, until recently, the management of investment portfolios, pensions and ISAs could seem to be stuck in the past: Why wait six months to receive an updated valuation? Or have to ring round to see where your portfolios are invested?

Lord Lieutenant David Briggs opened Chester

Our new Wealth Planning Portal is designed to address this: It gives you access to the latest summary of your assets, liabilities and expenditure summary at any time. You can access your financial summary securely from a tablet, mobile or PC to see up-to-date portfolio valuations as required and use this as a spring-board to a more in-depth conversation with your Succession Wealth Planner about your financial goals.

The Succession Wealth Planning Portal ensures full transparency and provides an up-to-date picture of your financial affairs at all times. It allows you to see your overall financial position, plus family and business relationships. It provides analysis and summaries of your portfolio across different wrappers, such as pensions and ISAs, plus VCTs and other alternative investments.

The portal also acts as a communication tool. With far too many reports of account hacking, we take seriously the security of your financial information and this key feature of the Wealth Planning Portal helps keep your data safe.

The Wealth Planning Portal allows us to securely share important documents with you that may need reading or signing. It is also an easy way to update personal information and send notes to your Succession Wealth Planner. Perhaps most importantly, your portal is an evolving record of your financial goals, and whether you are on track to meet them. It puts power back in your hands – to shift your goals, to explore your options and to communicate with your Succession Wealth Planner. ■

Strategic Partners and Wealth Planners at the formal opening of the National Training Centre

Celebrating specialisation

Succession Group is committed to increasing specialisation recognising the significant demand for greater personalisation of services.

On International Women's Day, we launched Independent Women, a specialist proposition that will be available in each of our regional Client Servicing Hubs to provide independent financial advice for women.

We are proud to be making independent financial advice for women a national proposition for the very first time.

AWARDS SEASON

WE DON'T WISH TO BLOW OUR OWN TRUMPET, BUT IT IS NICE TO RECEIVE SOME RECOGNITION OF THE SERVICE WE PROVIDE AND AN ENDORSEMENT OF OUR OFFERING TO CLIENTS. THIS YEAR, WE HAVE WON TWO KEY AWARDS:

UK Platform Awards:
Best Wealth Management Platform

Schroders UK PLATFORM AWARDS 2016

We have worked hard to build a platform that works well for our clients. The judges were looking for 'a proposition that offers a straightforward solution that meets the requirements of target customers and offers great value for money'.

They added that 'suitability' was key to the winning of this award: "The platform should enable the adviser to offer a range of portfolios that meet the requirements of their customers in terms of risk."

This is exactly what we have sought to achieve with our wealth management portal; a technology offering that works well for our clients and allows our advisers as much flexibility as possible to build appropriate portfolios for different risk profiles.

Money Management Sipp Financial Planner of the Year:

Paul Campion

money management Financial Planner Awards 2016

Succession's Paul Campion is a three-time winner of this award, a reflection of his experience and skill. As both a Chartered and Certified Financial Planner, he is one of the UK's most highly qualified Wealth Planners. Paul also holds the Investment Management Certificate – a qualification usually reserved for Stockbrokers and is a Fellow member of the Personal Finance Society.

Paul seamlessly blends a client-centric approach with unparalleled technical knowledge. The award recognises his ability to shape and target a clients' financial objectives and priorities, using tax efficient solutions.

This hotly contested award required a full submission in response to a case study. The judges felt that Paul's response was thorough, technically adept and well-considered, while also taking into account the important personal aspects of the case. ■

WHY YOUR PENSION MAY BE THE LAST THING YOU WANT TO SPEND IN RETIREMENT

THERE HAS NEVER BEEN A BETTER TIME TO RETIRE: WE ARE LIVING LONGER, ENJOY MORE ACTIVE LIFE-STYLES AND – THANKS TO THE NEW FLEXIBLE RULES AROUND PENSIONS – WE HAVE MORE FREEDOM TO SPEND OUR PENSION SAVINGS AS WE CHOOSE.

New pensions rules mean you are no longer compelled to use your pension to buy a lifetime income with an annuity. If they choose a drawdown option, those aged 55 or over can take what they want, when they want, from their pension savings.

But with all this flexibility comes responsibility: It is more important than ever to understand the pros and cons of your different options at retirement.

Death and taxes

You can't avoid either, as the saying goes and you have to consider both when planning your retirement. The income you take from a pension is taxable. You will have received tax relief on the contributions you have made into the pension up to the annual allowance (currently £40,000 for those earning less than £150,000), but when you convert it to a retirement income it is subject to income tax.

Although everyone is entitled to take 25% of their pension pot as a tax-free lump sum, any further amount could be subject to tax at 20%, 40% or even 45%, depending on how much income you have elsewhere and how much you take out of your pension. If your annual income exceeds £100,000, you may even start to lose your personal allowance. This gives you an effective tax rate of 60% on part of your income. Ouch.

You should also look at your pension in the context of other income you may be receiving. Part time work, other investments or property should all be considered to ensure you draw your pension as tax efficiently as possible.

As part of planning your income in retirement, it is important to think about how your pension will be taxed after you die. The current rules mean pension pots aren't subject to Inheritance Tax when they are passed on. While beneficiaries may still have to pay income tax on these pension funds, this allows for some significant inheritance tax mitigation. As such, it may be worth deferring taking your pension as long as possible, funding your retirement using other assets that would otherwise form part of your estate.

Different pension options

Secure income such as state pensions and defined benefit pensions will be the bedrock of your retirement plan to cover essential expenses. These will typically increase each year, and, as such, can help counter inflation, and preserve spending power. Annuities provide a secure income so you know your bills are covered, but they generally do not offer flexibility or a chance to grow your money.

Drawdown allows you the freedom to take as much, or as little income as you'd like – perhaps taking smaller amounts early in your retirement, and then larger amounts later in life, to pay for care costs, for example.

It also means you can stay invested in the stock market for longer. This may help you protect your income against inflation, but it means your savings will be exposed to market risk – so there is always the danger of running out of money earlier than expected.

A broader portfolio

Other savings and investments should also be considered in your retirement plan, not least because this can help you maximise the different tax allowances available. For example, investors now have a £11,500 personal allowance, a £1,000 savings allowance, a £5,000 dividend allowance and a £11,300 capital gains tax allowance. This argues for drawing income widely, including from cash deposits, ISAs, stocks and shares and so on. As with a drawdown pension you need to think about how these savings are invested and consider how much risk you want to take with your money. Do these savings have to cover specific costs, to generate a set income or are they rainy day funds? The sooner you expect to access these savings, the less investment risk you should take. ■

All figures are based on 2017/18 tax allowances and rates.

WHY EVEN £1M MIGHT NOT BE ENOUGH FOR RETIREMENT

A RETIREMENT SAVINGS NEST EGG OF £1 MILLION SOUNDS LIKE A REASONABLE LUMP SUM. SUCCESS MAGAZINE EXPLORES WHY RETIREMENT "MILLIONAIRES" MIGHT BE DISAPPOINTED.

With £1 million in your retirement pot, you might be considering a future featuring travel, new hobbies and indulgences. But you could be disappointed.

At current annuity rates, a £1m pension fund – the maximum amount most savers can now build up in a private pension over their working life and still receive tax relief, including investment growth - would buy a starting income of £20,860 based on a guaranteed income that rises in line with the cost of living and provides a payout to your spouse after their death, according to Succession strategic partner Royal London. This assumes you will start your retirement at your normal retirement age (currently age 65 for men, and age 64 for women), not earlier. The no-frills option is worth £45,300 a year for retirees prepared to forfeit inflation indexation and other benefits.

Save more

Your retirement pot has to last longer, as advances in medicine mean we are living longer. If you are one of the five people currently in the UK that will live to see your 100th birthday (Source: Age UK) your £1million pension pot will have to last at least 35 years.

Living longer and a cap on pension savings has coincided with a collapse in annuity rates and historically low-interest rates to reduce the retirement income it is possible to generate using private pension plans. Retiring millionaires will almost certainly need to rely on other additional investments to cushion the impact.

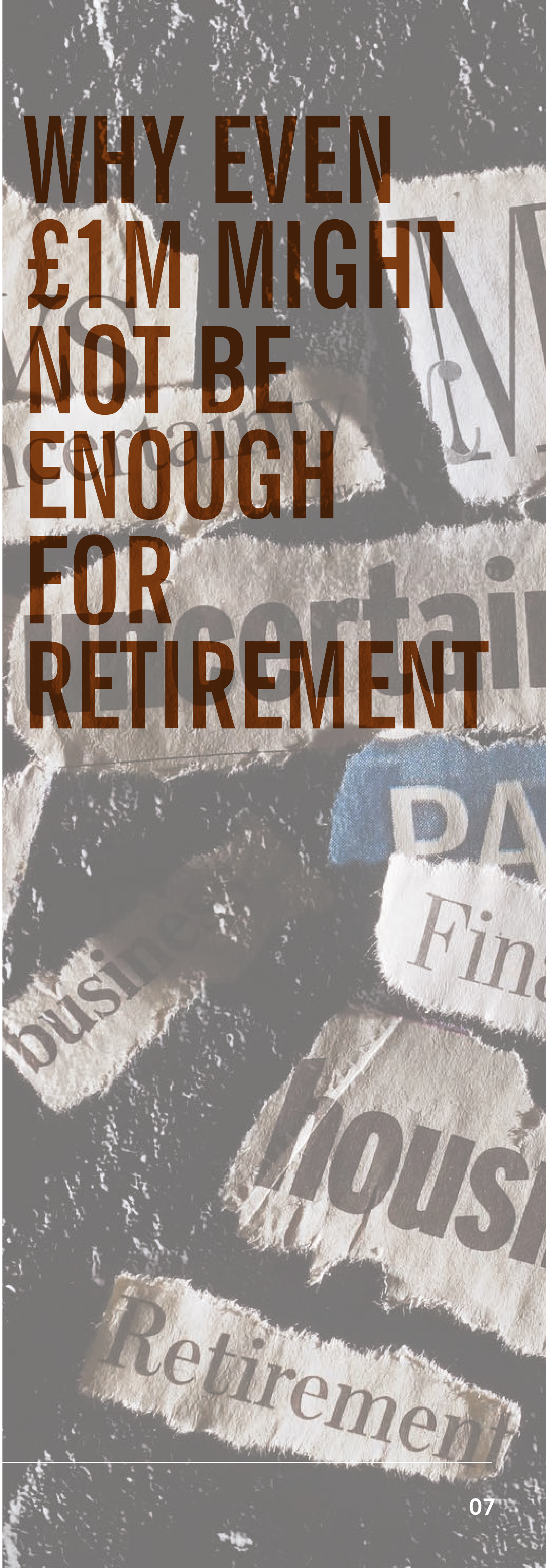
Cashflow planning takes out the guesswork

Retirement is all about cashflow planning to effectively manage your lifetime's savings over the decades ahead. Living the life you desire, without the fear of running out of money, has never been so important, and your Succession Wealth Planner will work with you to secure the most appropriate and tax-efficient retirement income to fund your retirement, as part of Your Succession Plan.

Most people assume they will spend less in retirement, and while many of your bigger expenses may have already been taken care of, there will be new costs to manage such as the expense of new hobbies and travel, two of the big lifestyle changes associated with retirement.

Our lifelong cashflow forecasts take out the guesswork. They are prepared based on prudent assumptions regarding future cash inflows and outflows, future inflation and future investment returns. Additional forecasts prepare for "what if" scenarios such as the premature death of either spouse, disabilities or care needs and increasingly inter-generational planning is a major element of cashflow planning, to be certain that any support or assistance for family members avoids jeopardising your financial security.

The question that underpins everything isn't "is £1million enough?". But "how long are your assets likely to last?" and "how long do you think you are likely to live?". ■



TOPPING UP YOUR STATE PENSION:

EVERYTHING YOU EVER WANTED TO KNOW

IF YOU WANT TO SEE IF YOU COULD BOOST YOUR STATE PENSION SO YOU HAVE MORE MONEY IN RETIREMENT THEN WE HAVE THE GUIDE FOR YOU.

If you're looking to maximise your income in retirement, a good place to start is with your State Pension. If you're not getting the full amount or are not on track for it, then it's worth considering topping up. The cost of doing this is effectively subsidised by the Government which means it can be very good value for money.

The amount of State Pension you get is based on your record of National Insurance contributions (NICs). If you haven't made enough contributions then you won't get a full State Pension. But you may be able to pay voluntary contributions to boost the amount you get, even if you've already retired. In addition, there is a new way of topping up your State Pension open to those who reached State Pension age before 6 April 2016 which can be used even by those who already have a full pension.

The rules about who can top up, how much it costs and what impact it will have on your State Pension are complex and have changed recently with the introduction of the new State Pension system in April 2016. Our aim is to help you to navigate these various rules and regulations and make a more informed choice about whether or not to top up your pension.

You may wish to seek independent financial advice before topping up. You'll find details of how to find an adviser as well as how to access the Government's free guidance services at the end of our guide. ■

View the full guide by visiting http://www.royallondon.com/goodwithyourmoney/.

ROYAL LONDON

THE NEW STATE PENSION IN NUMBERS

ALL THOSE WHO REACHED STATE RETIREMENT AGE AFTER THE 6TH APRIL 2016 WILL RECEIVE THE NEW STATE PENSION. ALTHOUGH IT LOOKS MORE GENEROUS, PEOPLE WILL NEED TO WORK LONGER TO GET IT.

73%
The people who reach state pension age in 2030 will be better off under the new state pension

2.1m
The number of people who have checked their state pension forecast since September 2014

18%
The percentage of working age people who know how much their state pension is likely to be

£89 billion
The amount the Government will spend on the new state pension between 2016 and 2018

76%
The percentage of people who reach state pension age in 2060 who will be worse off under the new state pension

100,000
The number of people who will receive a letter from the DWP, letting them know they are unlikely to reach the minimum number of qualifying years

£4.45
Reduction per week for every non-qualifying year

35
Number of qualifying years on an individual's National Insurance record to get the full new State Pension

407,000
The number of people predicted to claim the new state pension

£117bn
The cost of state pension and pensioner benefits in 2015/16, including £89 billion on the state pension itself

1%
The rise in state pension for every 9 weeks an individual defers, up to 5.8% for every full year.

£155.65
Full weekly amount for the new state pension

6.3% of GDP
The cost of state pension and pensioner benefits in 2015/16. The Department for Work and Pensions (DWP) forecasts that in 2060 pensioner benefits will have risen to 7.6% of GDP

Source: National Audit Office / www.gov.uk

COUNTING DOWN TO Retirement

MANY THINK OF RETIREMENT AS THE OPPORTUNITY TO DOWN TOOLS AFTER 40+ YEARS OF HARD WORK. SUCCESS MAGAZINE EXPLAINS WHY A SUCCESSFUL RETIREMENT REQUIRES PLANNING TO ENSURE IT IS MORE THAN A WISHLIST, AND A MEANINGFUL STRATEGY TO BE CERTAIN YOUR MONEY WILL CONTINUE TO WORK HARD - EVEN THOUGH YOU MAY NO LONGER BE.

Retirement traditionally involves the idea of complete financial independence. That either means having access to a significant pension pot or other sources of capital to provide an income, such as buy-to-let properties, inheritance, the sale of a business or a combination of these. To maximise the chances of you and your family enjoying a successful retirement together, understanding your resources will be key.

As part of Your Succession Plan, your Wealth Planner will encourage you to consider all aspects of your retirement – from how you will fill your time, to staying mentally and physically active as well as the all important management of your retirement savings. Getting started on the plan in good time is important, to identify your financial goals and ensure you will be spending your time doing the things you love.

Determining how to access your retirement savings and pension will be a unique decision for you based on your need for income, tax advantages and your spending requirements. Retirement is a serious business and should be approached with military precision.

One of the many benefits of Your Succession Plan is the cashflow model that will help you see at the click of a button how long your assets will last, based on your lifestyle choices.

Careful ongoing monitoring and modeling of future outgoings, whether private health costs or new car expenses, provides the certainty of continued financial freedom, and clients regularly consult their Succession Wealth Planner to ensure their plan remains on track. ■

PLANNING AHEAD

Retirement minus ten years

Are you saving enough or too much?

Write down and refine your retirement goals with your Succession Wealth Planner work out what you will need to fulfil your retirement dreams.

Collate the statements from your pension providers or employers and apply for a forecast of your state pension (available from the www.gov.uk website).

Retirement minus five years

With just 60 monthly salary payments, are your pensions savings on track to meet you retirement goals?

Discuss moving into less volatile investments.
Pay off debts and ensure all contributions are up to date.
Get another state pension forecast and make a will.

Retirement minus six months

Finalise plans for getting the best income from your pension.
Inform the taxman and if you plan to continue working, inform your employer.

STATE PENSION FOR WOMEN – ARE YOU AFFECTED?

OVER THE COURSE OF THIS DECADE, WOMEN'S STATE PENSION AGE WILL RISE FROM AGE 60 TO AGE 66. MANY WOMEN'S PLANS HAVE BEEN AFFECTED BY THE SPEED OF CHANGE. SUCCESS MAGAZINE REPORTS ON RECENT DEVELOPMENTS.

The decision that women's retirement age would increase from 60 to 65 by 2020 was originally made in 1995, giving those affected plenty of time to prepare financially.

But many women who had expected to draw their state pension between 2016 and 2020 only discovered in 2011 that they would face up to a two year delay. This adversely affected many women's retirement plans – in particular, those born in or just after April 1953. The Government did intervene to ensure no one would have to wait more than 18 months longer than expected to receive state pension.

Campaigners continue to lobby for the change to women's retirement age to be postponed further. In September 2016, then-new Pensions Minister Richard Harrington insisted he wouldn't change the Government's decision to raise the women's state pension age. A legal challenge is planned thanks to crowdfunding, with campaigners saying thousands of women were never informed about the change in the first place, nor were they notified about the acceleration of the retirement equalisation process.

While the Government accepts that women weren't individually informed that they would be affected by the reforms, it claims most would now be aware of the change because of the publicity surrounding the changes.

Women in their 40s and 50s who will be affected by the changes should act now to put themselves in the best position possible. The first thing to do is check your state pension age (www.gov.uk/state-pension-age).

In some cases, the best option will be to continue in employment. But it is also important to review private pension arrangements carefully.

Some women will have pensions they had planned to begin drawing at age 60. This income may be enough to see them through the years until they can claim the State Pension too. It may be necessary to consider contributing extra to pension funds that have some years to run. ■

PROSPECTS FOR

ONCE AGAIN, OUR PANEL OF EXPERTS CAME TOGETHER TO DEBATE THE MOST IMPORTANT INFLUENCES ON GLOBAL MARKETS – BREXIT, TRUMP AND CHINA.

Success Magazine invited our investment matrix partners – the investment experts who manage your money - for an exclusive "round table" discussion to debate the big investment themes of the day. The event was chaired by Ken Rayner, who sits on the Succession Investment Committee.

The appointment of the 45th US president was a key talking point, and the panel was asked to consider whether the balance of power would shift to the East. Most agreed that it already had.


Seven Investment Management

Ben Kumar

David Shairp Head of Investment Research at Prudential Portfolio Management Group comments: *"The balance of power has shifted to the East already. Back in 1980, the Chinese economy was 61% of the UK economy by size. In the US, it has gone from something like 10% of the US economy in 1980 and overtaking it in 2013. China is in a transition, so looking for outward assertiveness may not be the case."*


Henderson Global

Nick Watson

Johnathan Marriott, LGT Vestra's Chief Economist pointed out that the Chinese population is something like 5 times the US, adding: *"Inevitably the Chinese will once again be the largest economy in the world - it has been for the last 2000 years apart from the last 200 and it will be again. It is absolutely inevitable that China will be a very important thing and Donald Trump should never forget that the Chinese are his bank manager".*


LGT Vestra

Jonathan Marriott

Anthony Willis, Investment Manager with BMO says: *"Globally, the economic consequences depend on Trump's commitment to "America First". China is still on a path to becoming the world's biggest economy and clearly India is on the rise – these two have a halo effect on the wider region. Never write off the USA though, it remains a dynamic economy and regardless of your views on Trump, he is likely to oversee a pickup in US growth – albeit fuelled by debt. Over time, Asia and wider EM will continue to grow but over the extreme long term it is worth bearing in mind that the demographics for China are less favourable".*


King and Shaxon

Wayne Bishop

Shoqat Bunglawala, GSAM's Head of the Global Portfolio Solutions Group for EMEA and Asia Pacific ex-Japan, was also cautious, saying: *"I think China's policy stimulus has certainly triggered further growth. Rebalancing as they are from an infrastructure-led economy to a more consumption-led economy required support, and that's what has driven much of the policy stimulus. But corporate indebtedness requires a fair amount of rebalancing, and while we think they've averted a hard landing in the short term, it just means there's a bigger problem to deal with. Now we think they've got the reserves and certainly the toolkit to deal with those, but there's still a medium term risk for the global economy".*

John Redwood, Charles Stanley's Chief Global Strategist says: *"America is still the only global military and diplomatic superpower. There has been a big advance in relative economic strength and power from other Asian countries. It isn't always good news from their point of view as it's the old story that if you owe a million pounds to the bank then you've got a problem and if you owe a trillion to the bank then they have a very serious problem. The relationship between China and America is a bit more balanced than perhaps people are suggesting".*

Peter Westaway, Vanguard's Chief Economist added: *"I don't think the importance of the world's largest economy, the US, is going to fade overnight, whatever the new President does. And in the short run, the influence of the US might increase as it becomes an important engine of global growth".*

Mr Westaway continued: *"Granted, if protectionism increases, and if east-west trade deteriorates, particular relating to US-China flows, it may be that China focuses its attention on its regional neighbours who could benefit as a result".*

King and Shaxson's Director of Ethical investing **Wayne Bishop** comments: *"Actually there is more of a closeness between Trump and the way the Chinese run things, which is perhaps why China has been a bit quieter than expected. You have a President that you will listen to, and won't cross, which is actually how things happen in China. You get on with your own business but you never cross the party".*

Quilter Cheviot's Head of Fixed Interest **Richard Carter** posed a key question asking *"Are there two blocks starting to form – Russia and China on the one hand and US and Europe on the other?"*

7IM Economist **Ben Kumar** agrees with the result but not the rationale: *"I agree that China is treating America with respect but I don't think it's because they are scared. I think it's because they think Trump has got some decent people there- people they can work with.*

"You don't need the rest of the world if you're China, India and Japan. You form your own little block and can get by pretty well without the US. At the moment, that's not being recognised by the markets. You are more worried about what Trump will do to Asia, but what Asia can do to Trump is massive.

Henderson's Fund Manager, Multi Asset Team **Nick Watson** considered President Trump's approach to the UK: *"Clearly Trump's approach to the UK remains to be seen. There's been a lot of talk about special relationships continuing. He's been quite sceptical about NATO so I think that will have a bearing. With Europe – we don't really know who he's going to be dealing with heading into 2017 so that's clearly going to present its own challenges towards his approach to NATO, UK and wider Europe".*

Ken Rayner challenged the experts to deliver their prospects for the UK economy and to consider whether Brexit will have any impact on growth. Most were positive, though with a few reservations.

Charles Stanley's **Redwood** says: *"We took the view that the Brexit vote would not knock confidence and would not affect prospects for 2016. The consumer wasn't dented by the result of the vote. Big businesses didn't like the result, but now we see they are being dragged by*

THE ECONOMY

Prudential Portfolio Management Group

David Shairp

Goldsman Sachs Asset Management

Shoqat Bunglawala

Vanguard

Peter Westaway

Charles Stanley

John Redwood

BMO

Anthony Willis

Quilter Cheviot

Richard Carter

the consumer and mood into having to invest more, and big investors have come in saying they like the look of the UK and they'd like to put more of their resource into the UK, so we think the economy is in pretty good shape".

LGT Vestra's **Marriott** adds: *"The UK is doing alright because it's devalued massively. The devaluation means that if you look at any kind of measure, the UK in international terms has shrunk in terms of it's economy. It's doing well in Sterling terms but I don't think we've had the Brexit effect come through. The currency impact is massive – it makes it attractive to come here - but I think we've been rescued by being able to devalue our currency".*

GSAM's **Bunglawala** comments: *"We think that the shock absorbers that are embedded in through Sterling devaluation, Bank of England policies, potential future fiscal easing is supporting growth. It certainly helped stablise 2016. Growth may well actually help as it relates to 2017. But forward outlook as it relates to the UK remains highly uncertain. Our posturing in our GSAM portfolios is to be very cautious about our UK equity exposure".*

BMO's **Willis** says: *"Economic growth has remained robust so far though investment intention surveys point to a slowdown in 2017. The Bank of England will continue to be supportive but it is too early to say what the costs of Brexit have been and will be. Over the very long term, it is not that clear if Brexit will make much difference – its impact could well have more political than economic consequences when we look back in 20-30 years' time".*

Henderson's **Watson** agrees: *"In the UK, we have positive economic activity but our concern is we've had a lost decade with real earnings growth. That's not likely to change given what we've seen in terms of Sterling falling. Also, you've had positive economic data coming out of the services sector but the outlook for forward planning, in terms of hiring and capex, is a bit more muted. We can talk about the impact of Brexit – but we haven't actually had Brexit yet. There's lot more discussion before we reach that point which is not going to be positive for corporate activity".*

King & Shaxson's **Bishop** adds: *"I think the UK economy was reasonably strong before the vote – possibly stronger than we thought it to be. We need to remember we are as important to Europe as they are to us. We don't know who we're negotiating with – obviously we have elections coming. But by the time we finish they will have strong governments and they can do what they like as they will be fairly new and they have got 3 or 4 years to work it out. So I think our position is a bit stronger – we've paid the cost and actually, without trying to sound too patriotic I think the outlook for Britain is better than we are estimating".*

Vanguard's **Westaway** says: *"The UK economy has been a relative underperformer across G7 economies in recent years. Since 2000, its growth has lagged behind Germany, France and Spain. And in GDP per –capita terms, the British are no closer relative to the EU-15 average than they were at the start of the century. Worse still, since the financial crisis, UK productivity has languished as badly as many countries, and its current account deficit remains large. All this is true before we factor in the damaging short-run and long-run consequences of the UK's decision to leave the EU. In my view, this will cut growth from 2% to 1% in 2017 and, over the long run, in the "Hard Brexit scenario", is likely to cause GDP to be more than 10% lower than it would have been if the UK had stayed inside the EU".*

Prudential's **Shairp** challenges: *"We think that it's too early to declare victory. Policy makers have played a rather good hand given the immediate uncertainty post the vote. The Bank of England was proactive, the fall in Sterling has been supportive - our own estimates now suggest that Sterling is now undervalued. With a current account deficit of over 5.5% of GDP that is not trivial - and there are not many emerging markets that have current account deficits larger than the UK. I take your point but it's the 5th largest economy with a sizeable current account deficit, and question marks over how that will be funded over the next 2 years is not something we should be complacent about. I expect inflation will rise. The retail industry who have been hedging their import costs, those hedges will start to unwind going into early 2017".*

7IM's **Kumar** asserts: *"The only thing I feel confident about is the only two winners from Brexit have been journalists and lawyers. It's all about how the consumer feels. They worry about rent, housing and how much it costs to fill up their car. This is human behaviour. You don't remember what the price was last week – you remember when the high and the low were. If you don't directly hit the quality of peoples' lives, then people won't change their behaviour and our service economy keeps going on".*

Quilter Cheviot's **Carter** is feeling confident: *I'm suspicious that we're actually going to see this massive rise in inflation. We have already priced it in the bond market, so if anything, the risk is it undershoots what the forecasts are currently suggesting. Quilter has been overweight in international equities, and we have done massively well from that now Sterling has fallen, so if anything we can bring a little bit of that back into the UK. It is very uncertain at the moment but I don't think all the gloom mongers are correct".*

Colin Brockman, Investec's Head of Retail Distribution - Structured Equity Derivatives adds: *"What has been very popular with Brexit and the US presidential elections, and obviously what's happening and what will be forthcoming is our defensive products that still provide positive returns with a slight sort of market slack. So if you're looking for a different exposure to equity, then structures will give you that".*

A PRAGMATIC PERSPECTIVE – ACTIVE VS PASSIVE

Gary Potter
Co-Head F&C Multi-Manager Team

THERE'S NO DOUBT ABOUT IT – PLANNING YOUR FINANCES IS A CHALLENGING TASK. IT INVOLVES IDENTIFYING THE OUTCOMES YOU WANT TO ACHIEVE – GROWTH, INCOME OR A BLEND OF THE TWO – WHILST BALANCING THOSE AIMS AGAINST FACTORS LIKE YOUR TOLERANCE FOR RISK, CAPACITY FOR LOSS AND TIME HORIZON.

From here the next step is identifying the right solution for your needs – one that is capable of meeting your requirements whilst maintaining a disciplined approach to operating within strict parameters relating to the amount of risk you are willing to take.

There are numerous 'solutions' claiming to offer such a route, but offerings targeting seemingly very similar outcomes can deploy a wide range of approaches. Crucially, the extent to which these targets are achieved also varies considerably. Diversification however, is one principle on which the majority agree – and rightly so given the well-recognised benefits of spreading a portfolio across a range of asset types and geographies. It's under the bonnet of these portfolios that the differences really become apparent.

One of the most fundamental relates to the type of underlying approaches used – namely active or passive funds. In the former, 'active' decisions are made by a fund manager in an effort to generate returns and outperformance. An active UK equity manager for example, creates a portfolio by picking UK companies that they believe to be good investments. Passive investment removes the element of active selection and instead focuses on matching the performance of a given market or index. A passive UK equity vehicle for example may look to replicate or track the performance of a well-known index such as the FTSE All-Share or FTSE100.

Debating points

The arguments for and against both approaches are well known. Passive investing is typically cheaper but proponents of active management point to the superior returns potential inherent in an active fund. Supporters of passive investing then cite evidence that only very few active managers outperform on a consistent basis leading to which active supporters counter that passive investing pretty much guarantees underperformance. The debate rages on and on…

Blended benefits

Within the F&C multi-manager team we believe that the argument isn't necessarily as clean cut as that and as we work to grow our clients' money within the defined risk parameters of our F&C MM Lifestyle funds view a blend of both active and passive as a sensible way to achieve those aims. There are a number of reasons why we take this pragmatic stance.

There are some regions in which it can be difficult to find consistent outperformers so in such circumstances a passive approach may be appropriate. The US equity market is notoriously difficult to outperform consistently so we will deploy passive vehicles here. That's not to say active managers can't add value, particularly when we are trying to access a particular type of investment, smaller companies or a defined 'style'.

Active thinking

It is widely recognised that picking the right active managers takes a lot of time and effort. What is often overlooked however, is the importance of carefully assessing passive vehicles too. Among UK listed passive funds there are over 30 separate indices tracked – indices that in turn provide a significant dispersion in returns. Investing in some overseas passive vehicles requires special care. The composition of Asian stock market indices (and the funds that track them) varies considerably so you have to look really closely before investing as the implications can be significant. Some for example, exclude India which has been a really strong recent performer. Others include Australia, which introduces a much higher level of exposure to commodities due to the size of its mining industry. Commodity prices have fluctuated sharply in recent years meaning whether Australia is in or out of your passive fund could have made a significant difference to its performance. The more you have invested in commodities for example, the more your portfolio can be affected by factors like the strength of the Chinese economy. Good news when it is booming but an additional risk to consider when times are tougher.

In other areas – like commercial property – we have yet to see passive investing applied successfully. Here we prioritise other considerations, including exposure to active funds that have superior liquidity characteristics to many of the more commonly used large property funds. Just look at the impact of factors like liquidity (the ability to buy and sell) in the weeks after the UK referendum on membership of the European Union when a number of property funds adjusted prices and implemented dealing restrictions. Among fixed income we may use passive vehicles for exposure to the likes of government bonds but are more wary when it comes to corporate bonds. As a result, we tend to use a blend of active and passive bond funds.

Where and when active managers have an edge and we are confident in our ability to pick out talent we think we should use them. At the same time, we use passives but for the reasons outlined above are very active in our thinking when doing so. In other words, in a world full of investment opportunity and greater choice does dogmatically narrowing your focus down really make sense? ■

INFLATION HITS SAVERS HARD

WE TAKE FOR GRANTED THE RISING PRICES THAT AFFECT OUR STANDARD OF LIVING. WHAT IS LESS OBVIOUS IS THAT RISING INFLATION IN A LOW-INTEREST ECONOMY IS UNDOING THE GOOD WORK OF SAVERS. SUCCESS MAGAZINE CONSIDERS THE IMPACT OF INFLATION ON INVESTORS.

It will no doubt come as a shock to many savers with funds kept in the bank to discover that their real rate of investment return is negative and that their investment is, in fact, losing money.

According to research from Succession strategic partner Prudential, savers need to put aside more than three times as much money for the same spending power that they had in 1983.

With one pound in 1983 worth £3.10 in today's value, there is a stark warning to savers of the need to save significantly more and invest appropriately, to mitigate the erosion of inflation on the value of their money. Cash returns are failing to keep pace with the cost of living and deposits have therefore seen their purchasing power decline, resulting in a call for banks to warn customers when their £700bn of cash savings is in danger of being eroded by inflation.

Diversified investment portfolio

The performance of different types of investments varies according to the level of inflation. Academic studies have shown that shares, for example, do well in periods of low inflation, and fall during a recession; in a higher inflation environment, investing in gold produces better returns, and bonds often rise during a recession.

The solution for managing the effect of differing inflation is to ensure that a diversified investment portfolio, a key principle of Succession's wealth planning.

Asset allocation

One of the most important investment decisions you and your Wealth Planner will take is to agree on what assets to invest in. Depending on your financial goals, we will recommend a corresponding mix of assets that produces the most appropriate level of risk and expected return.

Modern Portfolio Theory (MPT) is a mathematical quantification of the benefits of diversification. By combining different types of assets, the collective investment will have a lower level of risk than if the money was held in a single investment.

The spread of assets across different asset classes protects against the negative effects of inflation and helps money grow regardless of the prevailing economic conditions. There are three primary factors which influence portfolio performance: asset allocation, stock selection and market timing.
Planning for retirement is difficult enough without having to worry about inflation. And of course, inflation doesn't stop when you retire, which is why we work with you to create a detailed financial plan that factors in the "what if" scenarios of changing levels of inflation. If rising prices are damaging to our standard of living, lifestyle and shopping habits now, they will almost certainly have a greater impact in retirement.

The table shows the change in prices for a wide basket of goods and services over the past 35 years. Perhaps the most surprising statistic that average wages have increased by three times while house prices have multiplied nine times. ■

	Price in 1982	Price in 2017
Draught lager, pint	**73p**	**£3.00**
Litre of petrol (diesel) *(source: The AA)*	**36p**	**1.23 per litre**
Average house price *(source: Nationwide)*	**£24,775**	**£207,308**
Bank of England Interest Rates March 1982 *(source: boe)*	**13.25%**	**0.25%**
Inflation Rate *(source: ONS)*	**8.6% (1982)**	**2.3% (Feb)**
Average salary	**9369**	**£26,500**

Source: various, internet

INVESTING FOR FUTURE GENERATIONS

Triple Point

ESTATE PLANNING SERVICE

The Triple Point Estate Planning Service is a clear and straightforward investment solution that aims to achieve 100% relief from inheritance tax after two years without surrendering control or access to your capital.

Through the Estate Planning Service you can access two established strategies; Navigator and Generations, which are designed to provide annual returns in the range of 1.5% - 6%, depending on your strategy selection, with a focus on capital preservation and liquidity. Both strategies have proven track records and offer you choices to suit your requirements and circumstances.

The Generations Strategy provides leasing, lending and infrastructure finance to public sector organisations, predominantly the NHS and Local Government bodies, and good quality companies, and targets average returns of 1.5% - 2.5% per annum. Since inception the average annual return has been 2.0%.

The Navigator Strategy provides funding to SME businesses in the UK, and targets average returns of 4% - 6% per annum. Since inception the average annual return has been 5.8%.

RISKS

There is no guarantee that target returns will be achieved and investors may get back less than the amount they invested – your capital is at risk. Past performance is not a guide to future performance and may not be repeated.

Tax rules and reliefs are subject to change and the availability of business relief depends on the continuing tax status of respective businesses. The availability of tax reliefs for investors also depends on their personal circumstances. A more detailed summary of the risks is set out in The Triple Point Estate Planning Service Information Memorandum and should be read carefully prior to making an investment.

For more information please contact your Succession Wealth Planner

10 YEARS IN ESTATE PLANNING

In 2016 Triple Point's Generations Strategy proudly celebrated 10 years in the market

Triple Point has consistently met target returns within its sector

10 Years of Generations Strategy

LET'S FOCUS ON INHERITANCE TAX

HMRC RECENTLY PUBLISHED STATISTICS REVEALING THAT IHT RECEIPTS HAVE RISEN 96% FROM £2.4BN IN 2009/10 TO £4.7BN (PROVISIONAL) IN 2015/16. FOR THE TAX YEAR 2009/10 THE IHT NIL RATE BAND (NRB) ALLOWANCE HAS BEEN FROZEN AT £325,000.

Prior to this it tended to increase every year so for a tax allowance to be frozen for (now) seven years is a very long time indeed and simply drags more families into the IHT net.

With this in mind, how is IHT charged and how does the NRB work?

IHT is a tax on the estate (the property, money and possessions) of someone who has died. Any part of the death estate that is left to a spouse or civil partner will typically be free from IHT. In that case the IHT charge will arise on second death and not first death. Where the estate is left to friends and other family members such as children or grandchildren, then IHT will be payable on the amount that exceeds the NRB. As we know, this is currently £325,000. Tax rules make it possible to transfer any unused NRB to the surviving spouse or civil partner.

Harry dies and leaves his entire estate to his wife Sally. There will be no IHT due on Harry's death. He has not used any of his NRB. When Sally dies, her personal representatives can claim Harry's 'unused' NRB, a 100% increase to her £325,000 NRB giving rise to a combined figure of £650,000.

So how does a combined allowance of £650,000 translate into an allowance of £1m? The explanation is a new, separate and additional NRB called the residence nil rate band (RNRB). Again this is transferable and applies to the second spouse or civil partner of a couple.

This broadly applies where you leave your house to children and grandchildren. The maximum allowance is being phased in over four tax years starting at £100,000 in 2017/18 and rising to £175,000 in 2020/21.

Victor dies in February 2016 and leaves everything, including his share in the family home, to his wife Margaret. No IHT is due on Victor's death. In December 2020 Margaret dies and leaves her entire estate to her two children. The NRBs available on Margaret's estate are

	£
Margaret's own NRB	325,000
Victor's unused NRB	325,000
Margaret's RNRB	175,000
Victor's unused RNRB	175,000
Total	**1,000,000**

If Margaret had no children and left her estate to nieces and nephews then her estate would have been denied the RNRB. There will be a gradual withdrawal of the RNRB for estates with a net value of more than £2 million.

We have used the current NRB figure of £325,000 for a death in December 2020 which is now Government policy. The combined £1m allowance being promised in 2020/21 only works if the figures are as set out in the example above. Accordingly the £325,000 will remain frozen from 2009/10 to 2020/21. Truly an eternity in tax terms.

HMRC statistics predict IHT receipts rising to £5.6bn in 2020/21. Incidentally, older HMRC statistics revealed that in 2012/13 there were a little under 18,000 families paying IHT, but that figure is expected to more than double to 41,000 for 2015/16.

IHT receipts are rising, and the number of families affected are on the rise – what planning can be done?

Firstly, certain business owners and farmers can enjoy up to 100% relief from IHT in respect of their business and farming interests. This is an area requiring specialist advice. For others, lifetime gifting can reduce the taxable estate. For example, gifts to charities, gifts up to £3,000 in a tax year and regular gifts out of income can all be immediately exempt from IHT. This latter exemption is particularly useful and can be utilised by someone with surplus income who makes regular pension contributions on behalf of family members. The donor enjoys an IHT saving and the recipient can enjoy a boost to their pension and tax relief. Other 'one-off' outright gifts are exempt, but only if the donor survives for 7 years or more.

Where larger lump sum planning is anticipated then it may be more appropriate for gifts to be made through the medium of a flexible trust where the trustees have control over who benefits and when. If this sounds rather complicated, then a range of trust wordings can be obtained free of charge from insurance companies. These can cater for different situations – for example some may want to fully give up access to the trust fund, others might retain access to regular payments for life, or perhaps some might require access to the full amount originally invested. It is critical to carefully consider the nature of the investment inside the trust. For example the investment might comprise a fund which is available in an insurance bond 'wrapper' aiming to protect the trustees against some of the ups and downs of the markets by using a smoothing process. Such a fund spreads investment risk by investing in a range of different assets. An added advantage of an insurance bond is that it is a non- income producing investment which simplifies tax return and administration requirements.

IHT planning can be a complex area but working with your financial adviser, you can achieve an understanding of IHT in relation to your own circumstances. ■

THE SPORT OF KINGS

A GUIDE TO THE HORSE RACING SEASON

Ancient Greeks first raced horses more than 2000 years ago but horse racing as we know it today began in the 17th century when King James made the sport popular with the English aristocracy.

The Sport of Kings continued to grow rapidly in popularity as King James's passion for horse racing was echoed by both Charles I and Charles II.

In the middle of the 18th century, the Jockey Club was established, and the field changed with the long distance, stamina races giving way to the flat racing and National Hunt racing that we are more familiar with today.

Picking a winner is easier said than done and your attitude to risk will determine the size of your stake. Remember, the odds are that the value of your bet will disappear as well as multiply. As with all good sports, it is the taking part that counts.

Now firmly established as part of the Spring and Summer Season, each race meeting has a distinctive personality.

Cheltenham Festival and Gold Cup Epitomising everything that is great about jump racing, as the finest horses, jockeys, owners and trainers battle it out for the highest racing honours with four days of fixtures including St Patrick's Day and the Gold Cup, the climax of the Jump racing season.

When: 13-16 March 2017
Where: Cheltenham
Website: www.cheltenham.thejockeyclub.co.uk

Aintree Grand National Some of the finest sportsmen and women line up together for three days of incredible racing culminating in the exciting 170th Grand National.

2017 is the 40th anniversary of Red Rum's third Grand National victory (and the 50th anniversary of his racecourse debut at Aintree in 1967). Organisers plan to bring to life the double anniversary of one of the most popular racehorses of the 20th century.

When: April 2017
Where: Aintree, Liverpool
Website: www.aintree.thejockeyclub.co.uk

Epson Derby Named after its originator, Lord Derby, this is the original Derby after which all others were modelled. First run in 1780, it has been described as the greatest flat race in the world. The Queen attends on Saturday's Derby Day. The dress code is morning coat and top hat for the gentlemen, and ladies dress to impress with an annual Style Awards.

When: 2 June 2017
Where: Epsom Downs, Surrey
Website: www.epsomderby.co.uk

Royal Ascot Top Hats, a Royal Procession (the Queen has attended every Royal Meeting in her reign), and some of the world's highest class racing competing for more than £6 million in prize money mark out Royal Ascot. Thursday is Ladies' Day, described as a spectacle of style, and undoubtedly a milliner's delight. It featured in My Fair Lady and is considered a "must" for the Season. The first race at Ascot was run in 1711, and the Royal Enclosure was introduced by King George IV in 1820 to host close friends

When: 20-24 June 2017
Where: Ascot, near Windsor Castle, Berkshire
Website: www.ascot.co.uk

Glorious Goodwood Five days of thrilling flat-race action set against the magnificent backdrop of the rolling Sussex countryside, 'Glorious Goodwood' – is the sporting and social highlight of the flat-racing season. Wednesday's Sussex Stakes, with prize money totalling £1million attracts a world-class field. ■

When: 1-5 August 2017
Where: Near Chichester
Website: www.goodwood.com

ADVICE, LIKE YOUTH, PROBABLY JUST WASTED ON THE YOUNG

ARE YOU TEMPTED TO JOIN THE TREND FOR OFFERING WELL-EARNED WISDOM TO YOUR YOUNGER SELF?

There's a good chance your younger self hasn't heard of the world wide web, never touched a mobile phone and almost certainly won't yet have perfected the art of the selfie (and maybe you never will).

From athletes to pop stars to digital moguls, there is a growing trend to share advice from a wiser and more experienced version of yourself, with top tips covering diet, dating, career, finance, business and simple mindfulness. Giving advice to your past self isn't something new. But is self-reflection helpful? What would you say to your younger self if you had the chance? Let us know!

Top tips for your younger self

Victoria Beckham advocates sunglasses, even when inside and especially at airports! She also recommends wearing less make-up, and using celebrity to your advantage. For good things. For charity.

Richard Branson has written four letters to the 10, 25, 50, and 65 year old versions of himself.

He challenges the 10 year old Ricky to "always seek adventure". With the benefit of hindsight, the entrepreneur recognises that it is his ability to think differently that becomes one of his biggest advantages in life.

Branson had already launched Virgin in his early 20s so in a poignant letter to his 25 year old self, he challenges himself to never give up and warns "you won't always succeed. In fact, you will fail time and time again".

In Dear Sir Richard, a letter to his 50 year old self, he counsels that despite achieving just about all there is to achieve, the sky is no longer the limit saying "The future will be so bright, if you look for opportunities where others see challenges".

To his 65 year old self, he acknowledges that the better world he aspires to might be out of reach in his lifetime but that it's important to help set the wheels in motion to secure a bright future for his grandchildren.

Oprah writes to herself just after being hired as a TV reporter and regrets seeing her achievements through the filter of others. Learning to see herself with her own eyes, and love herself from her own heart is her advice to the young Oprah.

Absolutely Fabulous's Joanna Lumley would tell her younger self to concentrate.

Dr Who actor Peter Capaldi would tell himself to celebrate being different. And Sex Pistol, Johnny Rotten would want to be kinder to his parents.

Baz Luhrman's iconic Sunscreen single urged listeners to "enjoy the power and beauty of your youth" and remember that the "real troubles in life are apt to be things that never crossed your worried mind."

He urges everyone to "do one thing every day that scares you". To remember compliments and forget the insults and, crucially, to be nice to your siblings, saying "they are your best link to your past."

No regrets

In a Reddit thread asking people what they wished they'd known before entering the adult world, the most popular response was 'financial responsibility'. "Wishing I hadn't worked so hard" came from every male patient that palliative-care nurse Bronnie Ware nursed and she recorded patients' dying epiphanies in her book The Top Five Regrets of the Dying.

With people as young as 25 already anxious about retirement, there are some simple changes that can be implemented at any age. While it is true that Millenials have the power of the internet at their finger tips, your advice, whether to save for the future, create a budget or pay down debt, will carry more weight than an anonymous blog. It might be too late for your younger self, but reflecting on things you wish you had done better or differently might help future generations avoid some of the mistakes you made. ■

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