It turned into quite a remarkable summer 2018, and not always for good reasons. Where do I start?

The headlines were the long hot summer, reminding me of summer 1976, as you will see later in this Newsletter, the football World Cup and England’s progress through the competition. The rise and rise of waistcoat sales, thanks to Mr Southgate, and very much more importantly, the successful negotiations in the Korean peninsula, which cooled geopolitical tensions for a very short time.

The less welcome headlines from an economic viewpoint were the beginning of trade wars between America and it seems most other economic trading partners, of course led by President Trump. I think our Government could not have timed his UK visit better to drown out the noise of resignations following the final Brexit paper bound for Brussels. Their ‘approval’ was muted and it is clear we still have many hours of negotiation before we leave the EU in 2019. The media frenzy does not support confidence of either business or the consumer and this has subdued spending and investment by some.

We have added detail of the global economic position further in this newsletter, noting that the Bank of England raised the base interest rate by 0.25% to 0.75% in August by a unanimous vote, set against reasonably positive economic data from the UK. This is the first real rise in the UK base rate for around a decade. Some central banks (America, China, Canada as examples) have been gradually raising base rates from historic lows over 2018. This might be a welcome change for savers who have endured historically low deposit returns for many years, but not so welcome for borrowers.

We remain confident in global economic growth over the next period, although it is fair to note some headwinds into the future, noting US mid-term elections in November and, of course, this year’s Budget Statement in the same month. Past performance is clearly not a guarantee of future performance.

I am also pleased that we have been able to feature some of the team’s involvement in the Surrey and Guildford community at the end of this newsletter.

At the time of producing this, our latest Newsletter, we are approaching the half-time whistle (sorry, I had to get a football reference in somewhere!) for the 2018/2019 tax year and if you would like to look at your financial planning as we approach the autumn months, using allowances where available and prudent, then please contact us for a review.

Keith Churchouse
It’s all change?

Brexit has been a great concern to many in the UK. Listening to some loud and frequent press/media comment, the perceived view, set against other geopolitical positions, might be that British business and British consumers are somewhat doomed. This is not the case; indeed, the amount of change in the financial services sector, as an example, occurring through mergers, acquisitions, fund changes and the like seems to have accelerated significantly over the last couple of years.

You may have received letters from insurance companies and fund managers noting variances in fund descriptions or new provider names. These changes have been largely positive, although some online platform changes have been poor in their execution and this has caused frustration on more than a few occasions.

Is all this change a good thing? I have seen this type of evolution in the past and it has largely generated better consumer outcomes and I believe it will be the same again with the many changes we are now witnessing. I think the key word in this statement is evolution, because financial services rarely stands still. With technological innovations, accessibility and connectivity, many changes reflect these new opportunities. I would note that some of the provider communication and its wording has been less than effective, but this aside (annoying though it has proved), I believe the outcomes will be positive.

Our role as Chartered Financial Planners and independent financial advisers, you will be pleased to note, remains unchanged. To be here for our clients, to act as the intermediary for our clients in dealing with providers and explaining any changes that may be proposed. It remains all about communication, and we are here to smooth the process and to help our clients stay ahead of the change curve.

We look forward to helping you with your financial planning into the future. Contact the team at Chapters Financial at our Guildford office.

Directors: Why you did what you did and why you will need to confirm!

Each year business owners seem to face the compliance of meeting one important and topical regulation that is applied by the powers that be, either in the UK or from Europe. This year’s big topic as you know was GDPR, but there are many other regulations that will need to be complied with.

For many small to medium size enterprises, the big topic some three or so years ago was auto-enrolment and ensuring that suitable pension arrangements were in place to comply with the regulations, along with the start of mandatory employer contributions, which most will know increased this year.

What may not be so obvious is the need to undertake a re-enrolment exercise at the third anniversary of the first auto-enrolment date. For many, this will fall over 2018 and 2019, and you are likely to receive a postal reminder direct from The Pensions Regulator. But what do you need to do?

• Choose a re-enrolment date (you have a six-month window from which you can choose a date – this starts three months before and ends three months after the third anniversary of your staging date).

• Assess and re-enrol staff on your re-enrolment date. This applies to staff who have opted out of the scheme, left the scheme after the end of the opt-out period or who have stayed in the scheme but chosen to contribute less than the minimum level.

• Write to staff you have re-enrolled within six weeks of your re-enrolment date.

You may be aware that employee contributions rise again in April 2019 and many employers are starting to work towards notifying team members of this change a few months in advance as a reminder and to allow them to plan accordingly. Helpful, I am sure you would agree, but one important question to ask yourself is when was the last time you communicated the real benefits of what you do for your staff through your pension arrangement?

Chapters Financial has been working with our clients to help with these team communications to ensure that everyone is advised of changes that may affect their household budgets, and to remind them of the benefits of what is being achieved. We have little doubt that some employees will always begrudge the opportunities, but many others welcome the important long-term savings. The Office for National Statistics noted in May 2018 that nearly 10 million people are now saving into a pension. That amounts to 74% of UK employees, whereas less than 47% were achieving savings six years earlier.

There is much to do in the re-compliance of schemes at a third (and every third) anniversary, both in terms of meeting requirements, but possibly more importantly in reminding team members of what is being achieved for the longer term.

Please do get in contact with the team at Chapters Financial in Guildford for further advice on pension planning.
Freedom of testamentary disposition is a fundamental tenet of English life – or is it?

On the continent, ‘forced heirship’ is prevalent to ensure that assets (land in particular) are retained within ‘the family’. But with the breakdown of ‘family life’ and the mobility of family units, is retention of wealth within families a medieval throwback which should have long been consigned to the history books?

The Inheritance (Provision for Family and Dependants) Act 1975 (the 1975 Act) is a successor to a similar 1938 Act which in essence allows an English court to rewrite a person’s will after their death in certain circumstances. The Supreme Court in 2017 had the opportunity of commenting on this tension between freedom of testamentary expression and statutory provision in the much publicised case of Ilott v Blue Cross and Others. Many people have not heard of the 1975 Act until they make a will or are involved in a disputed estate, and are then astonished that an English court would ride roughshod over the terms of a person’s will. There is a defined class of claimants, not just spouses and children but anyone being ‘maintained’ by the deceased. The claim is that the deceased’s will (or intestacy) failed to provide reasonable financial provision for the claimant and the court has extremely wide discretion to rewrite the will to impose its own view as to what reasonable financial provision should look like taking in to account various prescribed factors. It is not unusual to see a 1975 Act claim coupled with claims for incapacity or undue influence (but can be standalone).

Anyone with a reasonably sized estate should therefore, when giving instructions for their will, consider very carefully structuring the dispositions in a way that would ‘accommodate’ any potential claimant. It is important that succession planning is not simply a matter to be dealt with on death but very much includes lifetime planning - the 1975 Act only includes assets of a deceased as at the date of death (provided that dispositions have not been made earlier with the intent of defeating any claim).

Expert trust litigators ought to be involved, working with financial advisors to assist with the structuring so that whether it is land, private company shares or financially structured products, they do find their way to the intended recipient rather than getting hijacked under a 1975 Act claim. These days, we are particularly involved in restructuring family owned businesses in a way that suits the more complex family arrangements found in today’s world but which still retains the assets within the family unit (viewed in a ‘modern’ rather than ‘medieval’ way!).

Duncan Elson is Head of Charles Russell Speechlys Guildford Office and a leading contentious trust lawyer.

If you would like to be in our spotlight in our next edition please let us know by emailing Suzanne@chaptersfinancial.com.

In the Spotlight

Duncan Elson
- Charles Russell Speechlys

“Am I really free to leave my assets as I want on death?”
How do you make protection interesting?

Why might you need protection?

• Protection for the family in the event of your death
• Mortgage repayment in the event of death or critical illness
• Inheritance tax protection
• Medical costs
• Protection of future income, e.g. to cover your regular bills if you were unable to work due to illness or injury

Indeed, this list could be pretty lengthy in terms of the need for – or combination of needs for - protection.

Cover for free?

Some don’t like paying for protection, and you may get it free through an employer’s scheme, such as a death-in-service arrangement or ill health cover. But do you know what you could be entitled to and when is the last time you checked? If you have Private Medical Insurance from your employer, you will know that this is taxed as a benefit-in-kind, but the death-in-service arrangement is not taxable.

And those old pension pots? Did you know that you can usually make a nomination on these as to who you would like to benefit from their values? It’s usually free to make a nomination and usually well worthwhile.

Cover at a cost?

Usually everything else! But before you run away, there are ways of making cover cost effective in many situations. We would need to understand your circumstances and what you are trying to achieve, to make suitable recommendations. And using a word from earlier, it’s likely to be a combination of arrangements from more than one source that creates a low-cost solution.

Please do speak to the team at Chapters Financial about your protection needs and we look forward to creating a solution to the many varied ways that protection can be so important.

The Chapters Financial Investment Committee

The world as we know it?

In our regular Newsletter, we refer to our Investment Committee and the way that we review on an ongoing basis current market conditions and geo-political climates to guide our ongoing investment views, commentary and, of course, to recommend changes to clients’ arrangements based on their circumstances.

Our team engages in a conference every quarter with Steve Williams, Director at Cormorant Capital Strategies, to help us with our client proposition. Additional detail on Cormorant Capital Strategies can be found here: www.cormorantcapitalstrategies.co.uk (Chapters Financial is not responsible for the content of external websites)

For this Newsletter, we asked Steve about his views on the current market position, taking into account the overall growth that many areas have seen in recent times. As an example, from a US perspective, he recently noted:

“...I’m working on the assumption that this bull market will last only as long as the US economy is expanding.

And right now, the US economy is flying. The Federal Reserve Bank of Atlanta’s ‘nowcast’ model is reflective of output growth in the region of 3.8 percent. The average of forecasts for 2018 comes in at 2.9 percent compared with growth in 2017 of just 2.3 percent. Meanwhile, I’m slightly more optimistic than the average in guessing that growth will touch 3.0 percent. That would see Donald Trump’s first full calendar year as President coincide with the highest level of economic growth in the 10 years since the Great Recession.

Mind you, I’m not universally optimistic. The consensus holds that the Trump stimulus will prove temporary, with the current year representing something of a peak. That feels about right to me. Indeed, that’s pretty much what the yield curve is telling us.”

We all understand that the globe is made up of many diverse nations (and their respective economies) and for other areas, Steve also recently noted:

• The UK economy is growing at a slowing pace with moderate inflation and low unemployment.
• The euro zone economy is growing at a moderate pace with moderate inflation and high unemployment.
• The Japanese economy is growing at a slow pace with near zero inflation and low unemployment.
• The Chinese economy is growing at target rate with moderate inflation and low unemployment.

No individual asset allocations or recommendations are provided during the course of this article.
And Finally…

Hot! Hot! Hot!

Discussing the weather is not usually a great topic to consider when writing a Newsletter, but the summer of 2018 was Hot! Hot! Hot! Some of us remember the long hot summer of 1976 (the driest since 1727!) and the parched lawns were clear for all to see! We thought some money comparisons, with a few others sprinkled in for good measure, might be worth noting!

Of course, we also had the football World Cup, Wimbledon and many other sporting events. Continuing the theme, we thought an illustration as a score card might be in order!

Highlights in 1976, other than the weather and water stand pipes, were the first commercial flight by Concorde, the launch of the VW Golf and a small company called Apple was founded by Mr Steve Jobs.

Flared trousers are now out and clearly the new trend is waistcoats! It’s evident that inflation has made a vast change to costs over the 42 years since the last real heatwave…

<table>
<thead>
<tr>
<th>Topic</th>
<th>1976</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest summer temperature</td>
<td>35.9 °C Cheltenham</td>
<td>35.3 °C Faversham</td>
</tr>
<tr>
<td>Inflation rate (Retail Prices Index)</td>
<td>15.1%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Price of a pint of beer</td>
<td>32p</td>
<td>£4.40</td>
</tr>
<tr>
<td>Average UK house price</td>
<td>£12,704</td>
<td>£224,208</td>
</tr>
<tr>
<td>Price of white sliced loaf of bread</td>
<td>19.2p</td>
<td>£1.05</td>
</tr>
<tr>
<td>Price of gold (per ounce)</td>
<td>$133.77</td>
<td>$1,194.07</td>
</tr>
<tr>
<td>Average UK salary per week</td>
<td>£72</td>
<td>£524</td>
</tr>
<tr>
<td>August No.1 music hit</td>
<td>Don’t Go Breaking My Heart / Elton John &amp; Kiki Dee</td>
<td>In My Feelings/Drake</td>
</tr>
<tr>
<td>Most popular film</td>
<td>Rocky / Sylvester Stallone</td>
<td>Mamma Mia! Here We Go Again</td>
</tr>
</tbody>
</table>

*Statistics Approximate at time of writing/August 2018.

CISI Southern Branch President 2018-2020

We are delighted to announce that Keith Churchouse has been appointed President of the Chartered Institute for Securities & Investment (CISI) Southern branch. The CISI is the professional body for those working in or looking to establish a career in financial planning, wealth management and capital markets professions. It has a network of 23 branch committees throughout the UK whose primary role is to support the provision of continuing profession development opportunities, social and networking events for CISI members.

More on the global work of the CISI can be found at their website: www.cisi.org

Guildford in Bloom

Chapters Financial is also a long term sponsor of Guildford in Bloom which brings together community groups, businesses, schools and residents to promote imaginative ways to make the town and surrounding areas look their best and champion Guildford’s natural environment. The theme for the main competition this year was ‘Peace’.

Esther Dadswell at the Awards Ceremony for the Schools Gardening Competition which was held at Clandon Park Garden Centre on 20 June 2018.

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Summary & Review

Please do pass our details on to contacts you may have that may benefit from our service. We are always pleased to receive referrals.

Please contact the team at Chapters Financial; Keith, Vicky, Esther, Julia or Suzanne on 01483 578800 or by email at info@chaptersfinancial.com to discuss your requirements and to book a meeting or financial planning review.

If you would like to receive this information in e-mail format, please let us know.

www.chaptersfinancial.com

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This Newsletter provides general information and should not be used as individual advice.

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