



Cornwall Finance & Investment Services Ltd.  
Independent Financial Advisers

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# View From The Cliff.

Dear One and All,

It is our pleasure to present the latest edition of our newsletter, in this edition we will-

- Provide market analysis across the World and our understanding of current economic situations, opportunities and threats to markets and investments.
- Consider the recent budget and the impacts and opportunities for your investments and tax planning.
- Give our thoughts on the financial implications of the forthcoming UK election. Confirm the new pension rules, which are now law
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- Focus on Individual Savings Accounts and how Cornwall Finance & Investments can help
- Introduce James our latest recruit



The Financial Conduct Authority does not regulate Taxation Advice, Trust Advice, Will Writing and some forms of mortgages.





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## World Investment Review

 **UK** - Though the short term is hard to predict, particularly given the election uncertainties. Long-term valuations in select parts of the market continue to provide cause for great optimism and we will continue to recommend managers in this sector that can seize the exciting opportunities to invest.

 **USA** - The American Dream is alive and well. To this day the US remain highly aspirational economy, characterised by the kind of can-do attitude for which it is renowned. But this economic vibrancy – itself the great draw for US equity investors – needs to be seen in the context of a society that is increasingly polarised. In an increasingly globalised economy, it is highly unlikely that the US will be able to continue to grow without some improvement in the economic fortunes of its major trading partners, including Europe and Asia.

 **ASIA** - China, the world's second largest economy and global manufacturer. As a result three powerful themes, upgrading the Public Sector, reducing Credit Growth and higher wages are resulting in a move towards slower, but more profitable growth in China. Where China leads the rest of ASIA follows.

 **EUROPE** - Better quality companies in Europe are generally still inexpensive relative to their peers in other regions. What is more, whole swathes of Europe have largely been shunned by investors. Europe is beginning to emerge from the shadow of the crisis and may be building towards a starring role in any investment portfolio.

 **THE REST OF THE WORLD** - Today, emerging economies contribute to over 50% of world GDP growth and this dominance is only set to continue for the foreseeable future. The increased significance of the emerging markets to global growth and in client portfolios is likely to continue. In Japan Strong corporate earnings growth and a weak yen should continue to provide support to Japanese equities in 2015.



"That's it! That's the chart we've been looking for."





All's well on the good ship Osborne, but is there an election iceberg?

## The Budget 2015

**The Economy** ~ Mr Osborne delivered his last budget, (of the current Parliament) in rousing form. He basked in his interpretation that all statistics proved that Britain was on the up, "Britain the Comeback Country" Britain walking tall again", "Britain on the rise!"

Indeed Growth in 2015 will be 2.5pc, according to the Office for Budget Responsibility. This compares to 2.4pc predicted in December and 2.1pc predicted a year ago.. The economy will expand by 2.3pc for the next three years after that, then 2.4pc in 2019. Inflation is due to fall to 0.2pc this year. In December it was forecast to be 1.2pc this year.

**Savings and Pensions** ~ The pensions lifetime allowance, which Osborne says is unsustainable, will be cut from £1.25m to £1m. Savers won't have to pay any tax on interest on the first £1,000, or £500 for higher-rate taxpayers. New Help to Buy ISA, every £200 saved leads to a Government top up of £50. ISA allowance £15,000.00 and will be made more flexible, to allow savers to keep tax benefits when they take money out and put them in. Please see the pension reforms on page 5.

**Tax** ~ Personal tax free allowance rises to £10,600  
40% Income Tax rate starts at £42,385.00.  
National Insurance payable on earnings over £5,824.00 per annum.  
Inheritance Tax Nil Rate unchanged at £325,000.00 per individual.  
Capital Gains Tax threshold £11,100.00





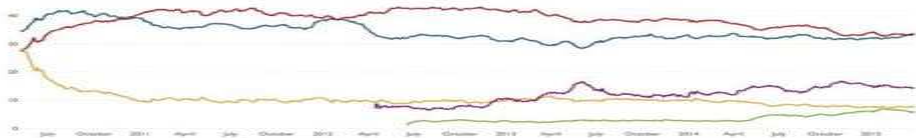
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## **ELECTION TIME**

Labour Conservatives neck-and-neck 33% each, UKIP 14%, the Liberal Democrats on 7%, and the Green Party on 6% (28<sup>th</sup> March). *New Statesman May 2015 Poll of Polls (28.03.15)*



A minority government or a coalition with the power resting with the Scots could be a most toxic result for investors. Ironical that the SNP could be a vital part of the government of the UK, which it tried so hard to leave last year. Sentiment can be an important driver, and not knowing who the Prime Minister is likely to be, is likely to deter some natural buyers of UK stocks. Is a tight election result really cause for worry? Job Curtis of Henderson, the long-serving manager of the conservative City of London Investment Trust, asked about the election a few weeks ago, he pointed out that a coalition government, muddling through and struggling to implement radical policies, might not be a bad outcome. An outright Conservative majority, or one joined with UKIP which might then lead to steps towards a potential British exit from the EU. In his view that could cause much more uncertainty and could ultimately become a big negative factor for the UK, causing considerable short-term uncertainty. Neil Woodford also expressed similar views if the UK's membership of the EU ended in 2017. It seems we may have an interesting few weeks ahead. The Wall Street Journal concluded the UK Election Casts a Shadow Over Europe', the election "offers investors few good outcomes and the potential for some very bad ones." **Vote carefully!** (with grateful thanks to Society Generale)



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Having written about pensions in the last three issues. Sorry to bang on but this page is dedicated to confirming the new pension at retirement rules.

This is the greatest revolution in long term savings that I have seen as a practicing financial planner of 26 years. The biggest change is in the access to funds and the death benefits.

## Annuities

Since 2010 we have not recommended to our retiring clients, converting hard saved pension capital, into an income for life via the single irrevocable purchase of an Annuity. As a product, for some with small pension pots, they will continue to give value. For most in this new age, when at age 55 we all control how much income we can take from our savings, keeping control and fixing periods of guaranteed income with guaranteed capital values, are



and will continue to be the answer. Long life is a double edged sword, taking enough from our accrued wealth to live comfortably whilst having a legacy to pass on to the next generation, is usually the goal we work towards for our retirement saving clients. Pensions have always been good value, the restrictions that made them less appealing have been lifted. For the young and in work the mantra must be save! **The Magic Number & Death Benefits**

The death benefits have now been clarified and the magic number is 75. Arbitrarily at age 75, pension savings either in accumulation or paying benefits which were tax free on death become taxable. However you will be able to nominate any beneficiary to receive the death benefit. Payments to the chosen beneficiary will be subject to income tax at the beneficiary's marginal rate. There are no restrictions on the level of withdrawals that can be taken. If the benefits as a one off lump sum payment subject to a tax charge of 45%.

**With careful planning Pension assets are now a benefit for all generations.**





# Mortgage Market Update:

**Lowest Variable  
Rate 1.89%**

**Highest 5.95%**

**Lowest 5-Year Fixed  
Rate 2.29%**

**Highest 7.69%**

## View on the Housing Market:

Savills the property experts predict that the restrictions of mortgage lending coupled with rising interest rates will see the price of an average mainstream UK house will increase by less than 4% per annum to only 19.30% in 5 years 2019. The South West is predicted to be one of the strongest region in terms of price stability.

We believe that houses can be a great value investment, but only, if you are seeking to live in it. Given the new obligations on landlords to maintain property structure and facilities, along with the higher probability for rent arrears due to changes in social housing payments, make Buy to Let investing unattractive, especially when compared to the returns from other asset classes and investment vehicles.

**Importance of financial advice in current climate:** Please note the difference between the best and the worst interest rated Non-High-Street Lenders are more prepared to lend in non-standard cases; most will now only lend through a Financial Adviser.

- Potential Buy-to-Let Landlords should consider their wider investments and their attitude to investment risk. Good financial advice is essential prior to this type of single asset, non-guaranteed investment.
- As interest rates will rise in the near future getting the most appropriate mortgage is particularly important, as is ensuring that the right protection is in place to ensure that the largest asset most people own is secure.
- Equity Release or mortgages for the elderly have come a long way from its dark beginnings of unfair contracts. There are now many excellent products available to suit most needs, with very attractive rates of interest.





## The Problem with Cash

We all need to hold cash long term to handle emergencies. However against inflation with the current low levels of interest you are guaranteed to lose money on your savings. Currently the best 3 Year Fixed rate for cash is from Virgin Money who offer a miserable 2.35% per annum in interest..

However we have found an alternative which ticks all the boxes for access and security whilst offering the potential returns of real assets. The New Prudential ISA, investing within their vast With Profits Fund, is expected to give returns of over 5%. If you wish to learn more, please call or ask us at our next review meeting.



## Introducing James Williamson

### Trainee IFA and Personal Assistant

James joined Cornwall Finance & Investment Services at the start of 2015. He acquired his full mortgage qualification at the start of 2014 whilst working with a local IFA and is part way through working towards the qualifications required to practice as an IFA. Currently responsible for liaising with clients and conducting initial fact-find meetings and helping mortgage clients amongst other tasks. He has strong family connections with the profession and is excited to be part of CF&IS.

When not working James enjoys driving, live music, surfing and socialising.





## Cornwall Finance & Investment Services: Our Service At A Glance:~

### Prime Service

Designed for our clients, with large assets or complex financial planning needs  
The minimum annual fee for this service is £1,500.00

### Executive Service

Designed for our clients, whose assets or financial planning needs require a comprehensive but less intensive service but still built around them. The minimum annual fee for this service is £587.00.

### Advanced Choice

Designed for our clients, whose assets or financial planning needs require a standardized level of service. The minimum annual fee for this service is £378.00.

### Entry Level

Aimed at those clients whose financial planning objectives initially only require a “one-off” service. Single reports are available maximum fee £587.00 for investment and £387.00 for mortgage reports. These are usually rebated on implementation of your financial plan. Our implementation fees are based on the complexity of your case and or the capital you have to invest. Contact us for full details and an individual quotation.



We hope you found this newsletter of interest and look forward to speaking with you all soon. Your views matter to us, so if there is anything you would like to see in our Autumn edition please let us know.

If you would prefer to receive this newsletter by email or should you have any questions please contact me on:

01637 839098, Mobile 07710 868377 or by email at [mark@cfislive.co.uk](mailto:mark@cfislive.co.uk)

**Have a great start to the summer**

**Mark Ridgment & The Cornwall Finance & Investment Services Team**

