



Cornwall Finance & Investment Services Ltd.
Independent Financial Advisers

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View From The Cliff.

Dear One and All,

We 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.
- Hear the outlook for investments from a leading Cornish Fund Manager
- Consider the budget announcements, the impacts and opportunities for your investments and tax planning.
- Provide the main tax reliefs available in the new 2016/17 tax year.
- Offer our views on the mortgage market and changes in property taxation.
- Review the forthcoming European Referendum



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Will Writing and some forms of mortgages.





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World Investment Review


 **UK** - Predicted to be one of the best sectors for 2016 despite the Euro election uncertainties. Long-term valuations in select parts of the market continue to provide good value. We will continue to recommend whole of market active managers of this sector, whether in or out of the Euro project.


 **USA** - The American Dream is alive, if a little twisted. Election years and the one after are usually kind to the US economy and we do not expect natural recession for 2-3 years. We continue to recommend passive funds as the best way to gain value in this market.

 **ASIA** - China, has been in the news because of their economy. Often missed is the fact that the Chinese economy is still growing although at a slower pace. But what a pace! It grew last year by more than the total of the economies of Ireland, Portugal and Greece. That said, it is optimism tinged with a lot of caution.

 **EUROPE** - Europe is emerging from crisis and this year is predicted to be one of the best sectors for 2016 and needs to be part of your portfolio.

 **JAPAN** - One of the best investment sectors during 2015, the economy will continue its moderate recovery, the economic challenges over the medium and long term e.g. an aging population remain unaddressed. Greater corporate governance is helping Japanese company shares, but after a long rally we are cautious for this year.

 **GLOBAL EMERGING MARKETS (GEM)** - GEM economies contribute to over 50% of world GDP growth and growing. Hit by the slowdown of demand for commodities, the instability of the dollar and the political machinations of their leaders, investments in Brazil and Russia have fared badly. However investments in other countries and areas such as, India, Vietnam and some African nations are doing much better. The re-integration of Iran into the World's economy should only be seen as a positive for the region and the World's prosperity.

 **COMMODITIES** - In January 2012 a barrel of Brent Crude sold for \$120.00 there were fears that we were at "Peak Oil" and ever rising prices would hamper economic growth. This year has seen that price at less than \$40.00. This has enabled inflation to remain low and should lead to a boost for the World's major economies and provide higher company profits / dividends within developed non oil exporting companies. The price of oil is now seen as a bellwether for all commodities and also to a lesser extent for emerging markets. Worldwide the rapidly expanded capacity for producing raw materials, leads us to conclude that commodity prices and the company share prices of producers, e.g. Royal Dutch Shell, may be subdued for some time to come. Bad for them; good for the rest of us.





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Brewin Dolphin, stock brokers and fund managers are amongst our most favored investment professional colleagues and we are most grateful to Jonathon Croggon for his contribution below:



The world has entered a tumultuous phase and it is perhaps no wonder that this results in volatile markets. The interplay between economics and politics has created tensions of every kind. It is now nearly two years since the historic point at which Saudi Arabia realised it had lost its ability to control the oil price.

This suddenly meant a collapse in energy prices which has resulted in a great cost reduction for energy importing countries. What on first impressions may seem to be a transfer of wealth from the oil producers to oil consumers, has suffered some less attractive side effects. A lot of investment made in energy production now no longer looks profitable, creating scope for losses by investors and lenders. A further impact has been the reduction in tax revenues which come from lower energy duties, lower consumption (VAT) revenues and less income growth (meaning lower than anticipated tax revenues). This has meant governments seeking to reduce spending, reducing demand further.

Faced by weaker growth and yet more fiscal tightening central banks are reaching the limits of their powers. Indeed we have seen a growing chorus of influencers demanding, not fiscal restraint and monetary expansionism, but quite the opposite. The Bank for International Settlements pointed out that monetary stimulus drives inequality, the Bank of England's own staff have been highlighting the increasing burden of mortgage debt amongst households, while the IMF have reiterated their calls for more fiscal and structural reforms.

One problem with this recipe is that it is dramatically different from the one which was sold to the electorate. UK voters have found the idea of a balanced budget very compelling and while the deteriorating global growth picture might make that desire less achievable voters are unlikely to appreciate the context of any u-turn. In emerging markets and parts of the Eurozone politicians need to implement structural reforms to enhance competitiveness. Structural reforms are a euphemism for measures which reduce labour costs through lower wages or lower job security. It is about such measures that Jean Claude-Juncker said "We all know what to do, but we don't know how to get re-elected once we have done it."

Investors have benefitted from the clash between economics and politics. It has meant interest rates have stayed low and asset valuations have risen but as a result incomes have fallen. With little further room for maneuver from the central banks, policy may be about to evolve again. If that's the case investors need to anticipate the result and what it means for their assets.

The European Union has now experienced two major terrorist attacks in around four months. Some will have been surprised to see the market's reaction on the day (European and UK shares rose). What do markets discount in instances of geopolitical risk? They discount events which are likely to impact the earnings and capital flows. The 130 people killed in Paris and the 31 killed in Brussels were horrific but markets are good at indicating the futility of such actions. For all but those few who are tragically affected capitalist democracies continue to generate wealth and advance living standards.



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The Budget 2016

The Economy ~ Mr Osborne rose to his feet and proudly announced that government borrowing was under control and that Britain, although facing testing times with headwinds from overseas, was the most robust economy of any European Nation. That said our brave economic captain looks much less sure of his course and growth expectations may need to be revised down again in the Autumn.

Winners

The well off: Richer Britons will pay less tax, with the news the higher 40% rate of tax will start at £45,000 from next year rather than £42,386 - rising to £50,000 by 2020. They'll also pay less capital gains tax too. **Savers:** The maximum ISA allowance is to go up to £20k - from April 2017

Losers

Disabled people : Personal independence payments to be cut , seeing 640,000 lose out. **Sweet-toothed Brits:** Sugar tax on soft drinks industry, which will be passed on to consumers. **Careful people:** A tax rise for insurance premium tax is set to rise another 0.5% - adding an average £9.70 to a family's household premiums. **Wine drinkers:** Beer and spirits have had no changes to the tax you pay, but wine drinkers will see duty rise





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Your 2016 / 2017 ALLOWANCES

USE THEM OR LOSE THEM

Income Tax

Utilize your Tax Free income - Personal Allowance £11,000.00

If you can pay yourself in Dividends - £5,000 tax free dividend allowance will be introduced. Dividends above this level will be taxed at 7.5%

Pension Tax Relief

Obtain tax relief on contributions of up to £32,000.00 in this tax year

Capital Gains Tax

Utilize your Tax Free Gains - Personal Allowance £11,000.00

Inheritance Tax

Utilize your Combined Threshold of £650,000.00

Individual Savings Accounts

Invest up to £15,240.00 in ISAs this year and a further £20,000.00 next year

New Lifetime ISA (LISA)

A welcome surprise from the Chancellor. If you are under 40 you can now save up to £4,000.00 and the government will top it up by 25%. These will be available from April 2017, so if you are young and saving now, keep it up and we can help you find the best LISA next year.



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Mortgage & Property News

General Insurances

Cornwall Finance & Investment Services are proud to announce that we are now able to quote and supply (free of charge) for a variety of General Insurances from the award winning 'Uinsure'. All of these products are Defaqto 5* and we can provide comparisons of your current policy with theirs to help you visualise what you would be gaining.



These insurances include but are not limited to the following:

- Buildings & contents cover
- Landlord insurance
- Home emergency cover and family legal protection
- Bill protector insurance
- Liability insurance
- Fleet insurance
- Business insurance
- Non-standard insurance



Let us carry out a free review for you today and see if we can save you some money!

Buy-To-Let Mortgage affordability

With the mortgage market tightening over the past couple of years for residential buyers, could this now be the time for the Buy-to-let market to tighten up?



The Prudential Regulation Authority are now saying that mortgage lenders should take into account all of the costs a landlord might have to pay when renting out a property, any tax liability associated with the property, a landlords personal tax liabilities, "essential expenditure" and living costs as well as a landlords additional income to support the borrowing and that this income should be verified.

Coupled with the additional 3% Stamp Duty for buy-to-let/second homes and the inability to offset mortgage interest at higher rate tax levels, is this the end of the buy-to-let era as we know it? We will have to wait and see.

By James Williamson Mortgage Adviser

Trainee IFA at Cornwall Finance & Investment Services Ltd



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UK European Union In/Out Referendum 23/06/16

You may be heartily sick of this subject by now, however it remains one of the most crucial choices the UK voter has been given. I have to declare that I am firmly in the Remain camp. The World since the last referendum in the 1970s is radically different, with the rise of China and the Global Trading Blocks. The EU including the UK constitutes only 7% of the World's population, the UK less than 1%.

If there is a BREXIT it has been estimated that the Gross Domestic Product of the UK could shrink from around 2% per year to 1%. If we wish to sell our goods and services into the EU we will still need to comply with the EU rules, but have no voice in shaping the red tape. Will the UK bureaucrats, those that make their living implementing and enforcing EU rules, suddenly be made out of work? We should be so lucky. Our cousins in the Commonwealth and the US governments feel it would be a mistake for us to leave and the main attraction for investing in the UK is not love of us, but our access to the single market.

Yes, David Cameron has not delivered on the needed root and branch EU structural reforms. Yes, Boris Johnson wants to be PM. Yes, much needs to be done to inject Anglo Saxon dynamism into the EU, but we are winning the argument against French structural lethargy. Yes, we are arguably the 5th largest economy in the World and able to stand alone, but from within the EU our voice is amplified. Yes, it is right to be proud of the UK and what it has to offer the World. Yes, it is likely that a United Kingdom outside the EU will suffer a decade of economic and currency pain and adjustment. What is not clear is what the gains of a BREXIT would be, it could be better, it could be worse. But no I do not believe it is worth the risk finding out.

The EU is broken, but long live Europe!





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 £2,500.00

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

We hope you have a great start to the summer

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

