Cornwall Finance & Investment Services Ltd.
Independent Financial Advisers

Harlyn House,
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A View From The Cliff

Dear One and All, We have the pleasure to present our latest edition of our newsletter, in this edition we provide:~

- A tour the Worlds economic regions with our understanding of current economic situations, future opportunities and threats.
- Offer analysis of the current situation in China.
- Share some wise words from the World's greatest living investor.
- Reveal the Inheritance Tax changes and see what it will mean for ordinary people.
- A look at the Buy to Let Market and what the Income Tax changes could mean for these investments.
- Overview: Fixed rate mortgages & Help to Buy for first time buyers.

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

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Around the World In 60 Seconds

With the World's financial markets experiencing sharp falls in August we take a whistle stop tour around the World's principle economic regions.

UK - The election in May gave us certainty in the economic direction for the next 5 years. There is every reason to be optimistic for returns from UK investments, as a truly global trading nation and therefore very susceptible to trends and situations in other areas of the globe and the next year will be testing

UK Equity Income average 5 year return 55.50%

USA - The American economy continues to cautiously grow although the fragility of that growth is seen by the Fed's unwillingness to increase interest rates, the next year will be a bumpy one for the US

North American average 5 year return 78.60%

EUROPE - The Euro crisis is not over, the fundamental flaws at the heart of the design of the Euro zone are again clear for all to see – without a political union to underwrite a federal Euro zone and its banks, or member states and their banking systems, the current monetary union will be vulnerable to re-current crises. There are excellent European companies generally at good value which deserve to be part of a balanced long term growth portfolio.

Europe Excluding U.K. average 5 year return 40.10%

ASIA - In Japan Strong corporate earnings growth and a weak yen should continue to provide support to Japanese equities in the near term. Our examination of China is overleaf, but China has a huge impact on the rest of the Asian region. For the long term this is the place to invest.

Japan average 5 year return 37.80% - Far East average 5 year return 7.13%

Global Emerging Markets (GEM) - 80% of world population is in GEM economies and they have and are still a strong driver of World GDP growth. Problems in China has caused a sharp sell off of assets in GEM poor returns for investors. We feel this sell off has been overdone and for long term investors the potential returns offered by GEM are an opportunity too good to miss.

GEM average 5 year return - 12.90%

Average return source Trustnet, Cornwall Finance & Investment Services aim to only recommend above average returning funds.

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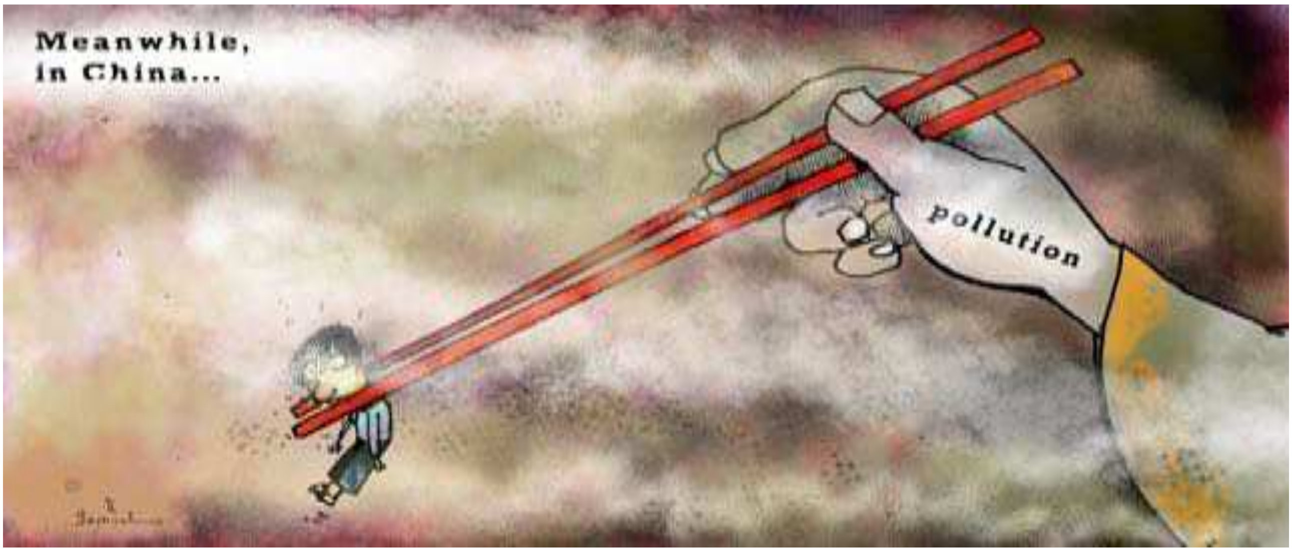

To Invest in the Middle Kingdom?

In the short-term, the answer is uncertain. There is not one, but a series of crises, facing China. All of which need to be tackled, in order for what is now the World's 2nd largest economy, to move forward.

Property and Borrowing - Given China's population of nearly 1.4 billion people, when private ownership was allowed, the floodgate was opened to a very large number of potential home buyers, which boosted the economy. The same type of wrong thinking which led to the U.S. housing bubble in 2008, infected China. Housing prices in China did significantly show signs of a bubble, but since September 2014 housing prices have fallen back sharply, but not yet crashed. China has been on a borrowing binge, it's total debt—the sum of government, corporate and household borrowings—has soared by 100% of GDP since 2008, and is now 250% of GDP; a little less than wealthy nations, but far higher than any other emerging market and it must be remembered the poverty of the average Chinese. The . **Rebalancing the economy** China has been for the last 20 years the factory floor of the World, in the process they have caused the mass migration of millions of people and converted an agricultural economy to an industrial nation. **The Environment** the dash for growth has wrecked the ecology of Southern China. For ordinary Chinese people living in the South of the country particularly around Beijing the most pressing concern is not the economy, it is whether the air quality is good enough to allow their children outdoors. Checking C02 alerts is a national obsession. **Wages and living conditions** in order to boost production the Chinese worker has put up with a lot in recent years, forced relocation, working and living conditions so poor that they can undercut any European or American worker. Unfortunately this is a Zero Sum. Game and other players such as Vietnam are undercutting Chinese workers. The devaluation of Yuan Renminbi may help with this though. **Trust in Government** There is a fundamental conflict within China between a totalitarian communist government and a free market economy, this mismatch of philosophies leads to a culture of untruth, making claims by companies official statistics very difficult to believe and investment decisions hard to make. This is why we recommend specialist fund managers, mainly Hong Kong based, where the rule of British fair play still lingers. **The Future** For those with an above average risk appetite and an investment time horizon of 5 to 10 years, the risk of not investing in the Asia Pacific region, with its billions of young, industrious population led by China, is far greater than the risks of investing in moderation as part of a balanced portfolio. The road ahead will be a difficult and bumpy one, however we are certain that over the long term if China can change politically and rebalanced their economy and then this nation will be the default, core, investment choice of the 21st Century.

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Wise Words From The Guru of Wall Street

It is evident that the bottom of the stock market has recently been tested. In such frenetic times, calm though is required.

I have always been an admirer of Warren Edward Buffett, the American business magnate, investor and philanthropist. He is CEO of Berkshire Hathaway and arguably the most successful investor of the 20th century. When, as now, the future looks uncertain and the path ahead unclear, I refer to his sayings and wisdom, some of my favourites are below.

"I don't look to jump over 7-foot bars: I look around for 1-foot bars that I can step over."

"I never attempt to make money on the stock market. I buy on the assumption that they could close the market the next day and not reopen it for five years."

"If past history was all there was to the game, the richest people would be librarians."

"In the business world, the rear view mirror is always clearer than the windshield."

"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."

"Look at market fluctuations as your friend rather than your enemy; profit from folly rather than participate in it."

"Only when the tide goes out do you discover who's been swimming naked."

"You only have to do a very few things right in your life so long as you don't do too many things wrong."

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Leaving an Inheritance

It was to rapturous applause from his parliamentary benches that the Chancellor George Osborne announced changes to the Inheritance Tax Nil Rate Band in the July Budget. We give an assessment of what Mr Osborne has done and what he has not done.

Currently Inheritance Tax is paid if a person's estate (their property, money and possessions) is worth more than **£325,000** when they die. This is called the 'Inheritance Tax threshold'. Allowances can be passed from one deceased married partner to the other, when the first dies making a potential £650,000.00 threshold for marries couples. Any estate above this threshold is taxed at 40%. The rate may be reduced to 36% if 10% or more of the estate is left to charity. **Changes** announced in the budget create a new tax-free band worth **£175,000** per person on your main residence only will be introduced to add to the £325,000, making it **£500,000** per person where there is a property involved. The £175,000 additional threshold will come into effect in 2020/21, but it will be introduced gradually, starting in 2017/18. For every £2 of value over £2 million, £1 will be deducted from the new 'main residence threshold' from 2017. So those owning particularly expensive properties won't get the same level of tax break. All seems good and fair, nice one George.

However, the biggest risk to legacies does not come from Inheritance Tax but from the cost of care provision for the elderly. The Savings Threshold for local authority funded long term care is a miserly **£23,250** in England. Care homes can cost an average of: **£28,500** per year for a residential care home, or **£37,500** per year if nursing is required. With the average length of stay in a Care Home being 6 years. Therefore the impact of needing to provide for one's care costs on average **£171,000** The average net capital value of estates in 2012/13 was **£255,000**.

Therefore the greatest risk to legacies is

not Inheritance Tax.

The real risk to ones beneficiaries is the risk of living too long and having to fund ones care. The Government promised before the election that there would be reform of the help to those in care. **What we have heard since is, "Stand and deliver your own care".**

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Buy to Let Where Is this Market Headed?

The concept of gearing, is where one finds an investment that you like, which is likely to yield a substantive return. One then invests all ones savings into it and as the investment is such a cast iron bet one borrows more to buy more of the stock, equity or property.

This is the play with most Buy to Let investors, the borrowing is set to the payment of interest only, relievable against tax. The bought property is then rented, with the income used to pay maintenance and interest payments. The investment appreciation comes at the disposal of the house after the mortgage is repaid. To me this has always appeared a high risk strategy. Exposing one to tenant risk, moonlight flips and damages. Interest rate risk, rates go up faster, than one can increase rents. Diversity risk, all one's eggs in a leaky basket. Finally taxation risk, Capital Gains Tax is pernicious and with only £11,600.00 per annum relief, tax on disposals is usually substantial. I prefer my investments tax free. Then came the sting in the tail of our "beloved" Chancellor's post election budget. Initially aimed at the London residential property professional, in brief the new rules will mean £7,000.00 tax for those who own property portfolios valued at more than £1 million, next year it will be £500,000.00 (one can guess the likely direction in future years). In addition all landlords will now be responsible for tenant Migration Checks, Tenant Anti Social Behaviour and a Local Government licence. That adds up to a whole lot more Red Tape. Thanks George.

Our house view is that residential property investment is a most excellent component of a diversified portfolio. However, it seems evident that after many years ignoring the Buy to Let Market, the Government is now seeking to control and restrict this market and gain increased revenue from it and this has increased the risk. Especially if this asset class is your sole investment.

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Mortgage Market Update:

2 Year fixed rate	5 Year Fixed Rate
Lowest ~ 1.39%	Lowest ~ 2.33%
Highest ~ 7.95%	Highest ~ 7.49%

With interest rates set to rise in 2016, now is a great time to remortgage onto a fixed rate product. In times of rising interest rates, having a fixed monthly mortgage payment is highly beneficial as you know what is going out each month especially if you have fixed income from investments. As you can see from the figures above, there is a vast range of interest rates out their for mortgage products and it is our job to ensure you have the best available.

There's also an increasing amount of low deposit mortgage products becoming available. This is helpful for first time buyers where getting a lump sum of cash together may be difficult. With 95% mortgages starting at 3.14% per annum interest, now could be a good time to help your children get on the property ladder. Help to buy is still running, you put in 5%, the government puts in 20% which counts as if you've put in the whole 25%. The benefit of this is that you get access to 75% mortgage products which have far better interest rates. The catch you say? You have to pay the government back 20% of the resale value. We believe this is a fair deal as the benefits are great from this and it's interest free for 6 years on the governments 20% equity stake. Most first time buyers will have sold up and moved on by this point and thus incurring no interest.

Get in touch with us to find out what's available for you and your family, if we can't help you with the mortgage then there is no cost involved.

By James Williamson CF&IS Mortgages

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Cornwall Finance & Investment Services: Our Service Standards:~

Prime Service

Designed for our clients with large assets or complex financial planning needs. The minimum annual fee for this service is £1,000.00

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 from a maximum fee of £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 any later 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

Have a great Autumn ,we look forward to seeing you soon.

Mark Ridgment & The Cornwall Finance & Investment Services Team

Cornwall Finance & Investment Services are authorized and regulated by the FCA No. 596144

Past performance is not necessarily a guide to future return, although it is the only one we have. Prices can go down and as well as up.
Your home is at risk if you do not keep up a loan or mortgage secured on it.