ASPIRE

At Christmas 2016

All Good Gifts

are wrapped up well

Never mind the Christmas 'present'... a glittering future awaits the patient planners

Putting on the pounds – could pension contributions provide the answer to your taxing worries?

Time to reflect – how could Brexit affect your financial outlook?

Festive cheers – impress your guests with our delectable home-made cocktails

The magazine of Willson Grange Limited

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Aspire at Christmas

It may be cold outside… but we would like to wish all clients, friends and colleagues a warm and joyful Christmas. This special edition of *Aspire* is our way of ensuring that you know you are in our thoughts throughout the festivities.

As ever, we bring you a colourful mix of financial news, updates and useful lifestyle tips inspired by this season of goodwill to all men. The world has seemed a little uncertain of late, but we are continuing our business of advising and managing your wealth wisely so you can look to the future with confidence. As you will read, keeping calm and staying positive amid the turmoil are the best ways to come up trumps - if you'll excuse the pun.

Our overriding wish this December is that you enjoy a peaceful holiday, that you keep safe, healthy and happy, and that you manage to take time out to unwind. And please don't forget to book an appointment to review your financial plans in the New Year. Call in, or phone and ask to speak to your Financial Adviser on 0151 632 7100. We look forward to seeing you soon!

Season's Greetings

from Stuart and Rosemalin Willson, and the entire team at Willson Grange Limited [Chartered Financial Planners]

'Wishing you a very Merry Christmas and a prosperous 2017'

Willson Grange would like to inform clients and friends that we will be making a charitable donation in lieu of posting out individual greetings cards. Our warmest wishes in the meantime are sent to you with this special Christmas edition of *Aspire*.

From me to you

The Chancellor Philip Hammond delivered his first Autumn Statement in November. It was hotly tipped to be a 'total reset' of Government fiscal and economic policy. While not quite as dramatic as some had either hoped or feared, there were a few surprises. Here's what he had in store…

First of all, the Chancellor announced that his first Autumn Statement would also be his last. Following two Budgets in 2017, from 2018 onwards, we will then have a Spring Statement and an Autumn Budget.

Not exactly earth-shattering. Yet the changes should give us much more time to prepare and be fully conversant with any new rules or legislation before the beginning of the new tax year in April. So it makes practical sense.

Two of the biggest announcements were that the previous Chancellor George Osborne's 2020 'budget surplus' target would be axed; and that Osborne's plan to cut Corporation Tax to 17% in 2020 would remain in place.

The current Chancellor's most serious challenges, however, included the need to tackle the long-term weaknesses of the UK economy, maintaining a commitment to fiscal discipline, accepting that GDP and wage growth will be lower than previously forecast, and accepting that government borrowing will be significantly higher than previously projected.

COLD COMFORT?

Many commentators have reviewed the Statement as a somewhat sober, even sombre affair, though with a few crumbs of comfort for those in need of cheer.

For instance, Hammond confirmed the commitment to raise the level at which Income Tax begins to be paid to £11,500 and the threshold for higher rate tax to £45,000 – both from April 2017. This will provide a modest rise in income for middle and high earners, but, alas, doesn't help the poorest.

The tax system, he told the Commons, "must be fair and that means rewarding those who work hard by helping them to keep more of what they earn.

"There is one tax reform the government have pursued since 2010 that has done more than any other to improve the lot of working people: raising the tax-free personal allowance."

He claimed that changes over the years had meant four million people had been taken out of paying Income Tax.

Mr Hammond also reaffirmed the government's pledge to raise the lowest tax threshold to £12,500, and the higher rate threshold to £50,000, by the end of the Parliament in 2020/21. The personal allowance will then rise automatically during the 2020s in line with inflation, rather than the National Minimum Wage as previously planned.

"Although the changes to Income Tax thresholds will mean that many hard-working families will have a little more cash in their pockets, rising inflation next year is expected to put a squeeze on purchasing power, while wage growth will continue to stagnate," says Ian Price, Divisional Director at St. James's Place.

Despite the fiscal pressures, the government will meet its commitments to maintain higher-than-inflation rises to the State Pension until 2020.

Despite this, the changes to Income Tax thresholds mean that those drawing from pensions will pay less tax on withdrawals taken after their tax-free lump sum entitlement.

"A retired couple could take an income of £23,000 in the 2017/18 tax year and pay no tax at all," says Price. "That figure will rise to £25,000 in 2020/21."

The Chancellor also confirmed that the Junior ISA and Child Trust Fund limits will rise to £4,128 for 2017/18 and the ISA limit will rise to £20,000 at the same time. This broadens the opportunity to shelter savings from further tax on income and capital gains for those with the available funds, both for their benefit and, potentially, for the benefit of their wider family.

On the flip side, millions who enjoy tax perks on goods and services arranged through their employer, such as gym membership, and health screening, could be worse off. Mr Hammond announced the removal of tax and NIC advantages on perks from salary sacrifice arrangements (excluding pension contributions) claiming that these schemes are "unfair".

He also confirmed that, despite the fiscal pressures, the government will meet its commitments to maintain higher-than-inflation rises to the State Pension until 2020.

STATEMENT HIGHLIGHTS

PENSIONS

There were no significant changes made to pension legislation. Tax relief continues to be available at the individual's marginal rate and employer contributions continue to be exempt from National Insurance.

Salary sacrifice arrangements relating to pensions will not be affected by the wider application of NI to new salary sacrifice arrangements for certain benefits after 6 April 2017.

Unfortunately, no changes were announced to reform the complicated 'Tapered' Annual Allowance for individuals with 'adjusted income' over £150,000 or to change the Lifetime Allowance (currently £1 million).

The government has launched a consultation paper over its proposal to reduce the Money Purchase Annual Allowance (MPAA) on tax-relievable contributions to money purchase schemes from £10,000 to £4,000, which would take effect from 6 April 2017. The MPAA applies to individuals who have taken benefits as Uncrystallised Funds Pension Lump Sums, who have taken income from a Flexi-access Drawdown arrangement, including those converted from Capped Drawdown or who purchase a flexible annuity. The Treasury estimates that only 3% of individuals over the age of 55 make contributions of over £4,000. This figure is above the current proposed statutory maximum level of contributions under Auto Enrolment in 2019, and the government intends to ensure that the MPAA will not adversely affect contributions to Auto Enrolment schemes.

The government will also more closely align the treatment of 'foreign pensions' with UK pensions. This will probably mean that 100% of a 'foreign pension' payable to a UK resident will be liable to UK tax (as opposed to 90% at present). For those who have emigrated from the UK with tax-relieved pension funds, the time an individual needs to have been non-resident in order to take benefits, in excess of those permitted under HMRC's QROPS rules, has been extended from five complete tax years of non-residence to ten complete tax years.

Finally, the government announced that it will be publishing a consultation paper designed to tackle pension scams, including banning cold calling in relation to pensions, giving firms greater powers to block suspicious transfers and making it harder for scammers to abuse 'small self-administered schemes' (SSAS). We have no details at this stage.

TAXATION

- The **Income Tax Personal Allowance** will increase to £11,500 from 6 April 2017. The higher rate tax threshold will rise to £45,000 from 6 April 2017, as previously confirmed in the Budget of March 2016. The Chancellor has re-affirmed the government's commitment to raising the Income Tax Personal Allowance to £12,500, and the higher rate tax threshold to £50,000, by the end of this Parliament. As announced in the Budget of March 2016, the government will create two new Income Tax allowances of £1,000 each, for trading and property income. Individuals with trading or property income below the level of the allowance will no longer need to declare or pay tax on that income. The government confirmed that the 0% starting rate for savings income will remain at £5,000 for 2017/18.
- The **National Insurance** threshold for employers (secondary) and employees (primary) will be aligned from April 2017, meaning that both employees and employers will start paying National Insurance on weekly earnings above £157. The currently weekly threshold for 2016/17 is £156 for employers, and £155 for employees. As announced in the last Budget, Class 2 National Insurance contributions will be abolished from April 2018. Self-employed contributory benefit entitlement will be accessed through Class 3 and Class 4 NICs.
- **Employer expenses and benefits in kind.** The government will consider how benefits in kind are valued for tax purposes, and the use of Income Tax relief for employees' business expenses, including those that are not reimbursed by the employer.
- **Tax avoidance.** The government is continuing its review into the use of disguised remuneration schemes by employers and employees and proposes to extend these provisions to include the use of such schemes by the self-employed. No further details are available at present. The government will also consider the introduction of penalties for any person who has enabled another person or business to use a tax-avoidance arrangement that is later defeated by HMRC. Draft legislation to this effect will follow shortly. Importantly, these provisions will not apply to "tried and tested" arrangements permitted by the legislation such as pensions, ISAs, VCTs, EISs etc.; as, to take effect, the arrangement has to be first "challenged" by HMRC. The government will also introduce a new legal requirement to correct a past failure to pay UK tax on offshore interests within a defined period of time, with new sanctions for those who fail to do so. However, it is important to remember that, just because something is 'offshore' (e.g. an offshore fund or an offshore bond), this does not necessarily mean that it will be subject to attack.
- **Capital Gains Tax.** The tax advantages linked to shares awarded under Employee Shareholder Status (a special employee status where certain statutory employment rights are given up in exchange for shares) will be abolished for arrangements entered into on, or after, 1 December 2016.

MORE INFORMATION

Should you wish to discuss any of the detail contained here, or to find out more about how the Autumn Statement could affect you, please don't hesitate to get in touch with Willson Grange Limited. Call us on 0151 632 7100.

The value of an investment with St. James's Place may fall as well as rise. You may get back less than the amount invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are dependent on individual circumstances.

PUTTING ON THE POUNDS

The generous tax reliefs within pension arrangements allocated by the last two governments mean that they have long played an important role in tax planning. In an era of government belt-tightening, pension contributions could provide the answer to paying less tax and laying down more for your future.

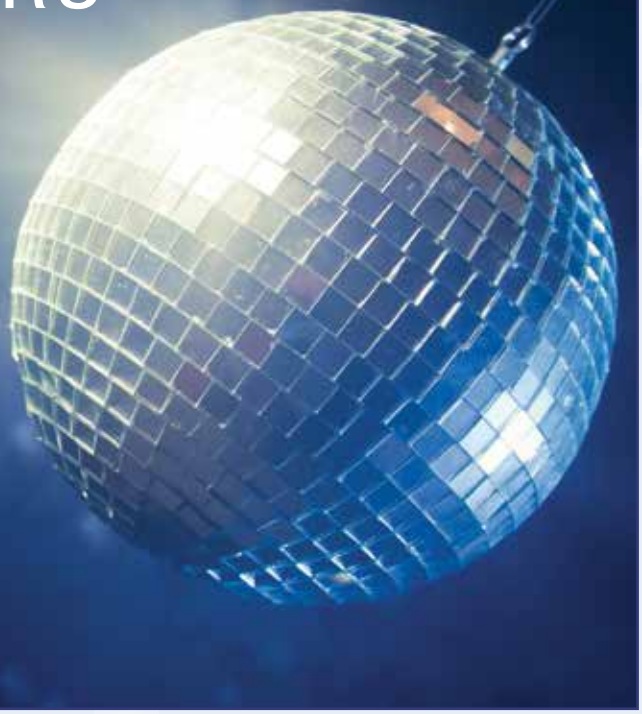
Personal contributions to a pension currently qualify for Income Tax relief at an individual's highest marginal rate. So someone who pays tax at the higher rate is entitled to 40% tax relief on contributions – assuming anything over the basic rate is claimed via their tax return – meaning that £100 invested could in fact cost just £60.

What's not so readily appreciated is that contributions to personal pensions can indirectly provide other tax advantages. For example, they can help people to regain important tax allowances.

The personal allowance is the amount that most of us are allowed to earn before we start paying Income Tax. In most cases, this is £11,000. However, the personal allowance is gradually withdrawn once income hits £100,000, reducing by £1 for every £2 of income over this limit.

Therefore, the personal allowance is wiped out when income hits £122,000, resulting in an effective tax rate of up to 60% on income between £100,000 and £122,000.

ALL THAT GLITTERS



Ten-year gilt yields rose following the Autumn Statement, reflecting in part the fact that the UK debt office will now need to sell £15 billion more bonds in the current fiscal year than previously planned – an increase of more than 10%. Nevertheless, it is worth noting that, unlike sterling, the ten-year gilt yield has largely recovered since the Brexit vote.

The Chancellor also chose the Autumn Statement to roll out a new government bond through NS&I, offering a 2.2% return. Given that the OBR expects consumer price inflation to rise at 2.3% in 2017, savers might need some convincing.

Yet inflation and growth were not the only concerns. The Institute for Fiscal Studies reported that UK workers now face the worst period of pay increase for at least 70 years – and will earn the same in 2021 as they did in 2008, despite inflation. The Resolution Foundation, meanwhile, warned that the poorest third of households will see incomes decline until 2021, and for three reasons: poor productivity, George Osborne's working-age benefit cuts, and Brexit-induced inflation.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are generally dependent on individual circumstances.

However, by making a pension contribution, people can bring their taxable income back down to £100,000 and get their whole personal allowance back. This wipes out the effective 60% tax band.

To illustrate, let's assume Mandy has income of £112,000 for the tax year 2016/17. As her personal allowance is reduced by £1 for every £2 of income over £100,000, she loses £6,000 from her personal allowance. As a higher rate (40%) taxpayer, she also pays £2,400 on this extra taxable income.

However, if she makes a net pension contribution of £9,600 (£12,000 including basic rate tax relief), this reduces her relevant income to £100,000 and she recovers her full personal allowance. In addition, she claims 40% tax relief on the contribution, which amounts to £4,800. This means that the £12,000 contribution actually only costs her £4,800 (ie £12,000 minus £4,800 in tax relief, minus £2,400 recovered by restoring her personal allowance). This is equivalent to tax relief of 60%.

"People who earn between £100,000 and £122,000 should look for ways to escape the 60% tax rate by getting their taxable income down to £100,000. Making a pension contribution is an excellent way of doing this since it is deductible in calculating income," says Ian Price, Divisional Director at St. James's Place.

"Pension contributions can also help bring your income level below the additional rate tax band, which starts at £150,000 of taxable income, or the high income Child Benefit tax charge, which affects those with incomes over £50,000," says Ian.

Of course, whether paying a large pension contribution is right for you depends on your circumstances. If you are likely to need access to the money before the age of 55, putting it in a pension may not be the answer. However, for anyone who is willing to look beyond immediate income needs, pensions offer huge tax-planning opportunities.

Indeed, pensions are so tax-efficient that the reliefs currently available will inevitably remain under government scrutiny. Thinking and planning ahead could help you to lessen any potential impact.

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The levels and bases of taxation, and reliefs from taxation, can change at any time and are dependent on individual circumstances.

Sterling Work

Select a well-balanced, structured portfolio, with a mix of asset classes, and you're flying…

The unnerving events across the globe in recent months underline the importance of constructing a well-diversified portfolio. Not only does it enable you to pick up on growth across more markets and asset classes, but it also limits the impact of any localised falls.

So, for a UK investor with a diversified portfolio, recent losses may well be more than offset by the sterling effect of holding stocks in, say, euros and dollars.

If your base currency is sterling, then the mere fact of your dollar-based stocks maintaining their market value translates into a rise in value of more than 10% since the referendum. Attempting to jump in and out of currencies at a fast pace can prove expensive, and ultimately futile, but the simple fact of diversifying across different currencies and geographies means that local market events can only have a limited impact.

In short, a slide in sterling need not spook UK investors.

The value of an investment with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested.

This Festive Life

MAKING SCENTS

Who doesn't 'pine' for the glorious scents of a real Christmas tree, or wreaths of mistletoe and holly as we deck the halls? Pine trees are actually good for our health – the therapeutic effect of its scent can help you to relax, de-stress and rebalance your emotions. If your tree is shedding its needles, you can take advantage of their nutrient-rich properties. A handful of pine needles contains four times more vitamin C than a lemon. Steep them in boiling water, strain, and enjoy a tasty tree tea (make sure your tree hasn't been sprayed with herbicides or pesticides first!). Add a teaspoon of Manuka honey to sweeten.

TANGERINE DREAMS

Remember the excitement of opening your stocking on Christmas morning, to be greeted with the heady scent of tangerines that you devoured as you rummaged through? The tradition is believed to come from 12-century nuns who left socks full of nuts and tangerines at the houses of the poor. Also packed with vitamin C, they're a great way to keep your immune system strong throughout the festive season.

SNACK AWAY!

Savvy snacking can also keep your mind and body going through the winter. According to nutritionist Dr Marilyn Glenville (marilynglenville.com), eating something nutritious every four hours not only helps to stave off hunger pangs and keep energy levels at a constant, it also helps to reduce stress. "By eating little and often, you can keep your blood sugar levels steady and eliminate symptoms such as irritability, brain fog and anxiety."

Aim to have breakfast, lunch and dinner, then eat small, protein-packed snacks mid-morning and mid-afternoon. The addition of protein slows the release of carbohydrates from the snack for a steady release of energy.

❄ A handful of brazil nuts, dates, apricots or prunes makes a perfect festive snack – satisfying, tasty and good for fibre, too. Brazils also increase your selenium levels, a mineral that boosts your mood.

TIME TO REFLECT

Things may have gone a little quiet on the Brexit front. But while Theresa May and her cabinet battle out the nitty gritty behind closed doors, we at least have a chance to reflect in peace before 2017 and all it brings. For now, we say, "Keep calm and carry on!"

The vote to leave the European Union took many investors by surprise. But rather than panicking, now is the time to reflect calmly on what the referendum result means for your money. Here, we share the current analysis (and advice) from St. James's Place, and take this opportunity to wish you all the very best for a happy, healthy and prosperous New Year.

THE CURRENT PICTURE

Global markets continue to be volatile since the June 23 referendum. The Prime Minister and her cabinet are no doubt looking to keep in control and not be 'defined by Brexit'. Meanwhile, the Bank of England has held off for another month before taking the expected action.

With so much going on, it would be easy to lose your cool. But putting aside the recent turbulence and taking a long-term view will help you plan more confidently for the future.

WHAT'S NEXT?

There's no denying the disruption being felt by all as we start along a path to a Britain outside the EU, research published by Credit Suisse warns of a shrinking in the UK economy in 2017 due to the referendum result.

In such choppy waters, it's natural to have questions about your investments. And that's where a conversation with one of our experts could come in useful.

As a FTSE100 company with £71.4bn funds under management, St. James's Place has plenty of experience to offer.

HOW DOES BREXIT AFFECT MY FINANCIAL PLAN?

1 Should I be de-risking my investments?

Traditionally, de-risking has implied a shift from risky assets such as equities into perceived less risky investments such as bonds, especially British government "gilts" and from less liquid investments, such as property, into more easily realisable assets, of which cash is the most obvious.

Now may seem a classic case of a time in which de-risking is a desirable course of action. Britain's future relationship with the European Union is uncertain, clouding the earning potential of exporting companies. At home, this uncertainty is likely to mean less revenue for businesses of all sorts as consumers cut back on everything from trips to the cinema to buying a new house.

But switching into government bonds in the current climate is not without its own risks, which rather negates the point of making bonds central to a de-risking strategy. Measures by central banks to stimulate their economies have depressed the returns on bonds. The government has already noted they expect more such measures in the wake of the British vote to leave the European Union.

At the same time, further interest rate cuts from historically low levels will impact savers further. And inflation is expected to rise, further impacting returns.

However, there are many ways to potentially reduce risk; diversification across a range of investments being one of them.

2 What does Brexit mean for retirement?

In the run-up to the vote on June 23, the government issued a number of dire warnings about the likely fall-out for pensioners if the UK voted to leave the European Union. These hotly-contested claims were based on assumptions of higher inflation and slower growth.

Total assets held by those aged over 65 would fall by between £170 billion and £300 billion[1], it was said. Today's 50 to 55 year-olds would see a reduction in pension wealth because wages would be lower and company profits would fall.

The 12 million on the basic state pension would see its value eroded by inflation, and the government could not guarantee to maintain the "triple lock" that increases its value by whichever is the higher of earnings, prices, or 2.5%[2].

[1] www.gov.uk/government/uploads/system/uploads/attachment_data/file/526459/Effects_on_pensioners_of_leaving_the_EU.pdf
[2] www.bbc.co.uk/news/uk-politics-eu-referendum-36509931

None of these gloomy scenarios may come to pass. In fact, the value of assets, including pension funds, may hold up or even surpass what would have been their worth had Britain voted to remain in the EU. But these are uncertain times and it is highly advisable to consult a wealth management professional.

3 Is now the right time to invest?

Periods of financial turbulence have historically provided opportunities for bold investors to be able to snap up assets at bargain prices, and it's possible that the current market turmoil could provide similar openings. However, investment decisions should be based on careful appraisal of the available opportunities rather than a desire to stand out from other investors. It's often said successful investing is about 'time in the market, not timing the market'.

Apart from anything else, markets have recovered and in many cases risen after recent shocks, which suggests investment professionals have already spotted potentially profitable openings, perhaps at bargain prices. Those prices are likely to have become less "bargain" since.

All that said, there will be opportunities in the current market especially if you take a long term view.

4 Are there any types of investment that should be avoided as a result of the vote, and any types that should be favoured?

Some investments can seem too good to be true, and many are. With most there will be pros and cons.

The vote to leave the EU seems certain to prompt further stimulus measures from central banks which could depress returns from government bonds and cash. However, their status as a safe-haven investment will remain in the eyes of someone seeking low-risk assets.

Those convinced that the UK vote to leave presages widespread economic and market turmoil may be attracted by gold, the supposed ultimate "port in a storm". However, bullion produces no income and involves storage costs and isn't easily accessible to private investors.

It may be thought tempting to avoid investing in British companies with strong export earnings, especially in Europe, given uncertainty as to what shape the UK's future access to continental markets will take. By contrast, those with sales in markets such as North America may seem more attractive.

A more reasoned way to try to ride out market squalls and uncertainty is to invest in so-called defensive stocks, those issued by companies whose goods are expected to sell in good times and bad: food, beverages, fuel and so on, however even this is not certain.

5 What does the steep depreciation of sterling mean for the value of my shares?

The pound's exchange rate is a price, and the immediate effect of its drop to levels not seen against the dollar since 1985 is to alter the value of goods and capital crossing back and forth across the UK's borders. The impact of sterling's depreciation will vary depending on the type of shares you hold.

An investor holding foreign shares will see the value of their capital and dividends increase in sterling terms because of the lower level of the pound against the currency in which those shares and dividends are valued and paid. It is also worth noting that many FTSE100 companies in fact pay their dividend in dollars.

The weaker exchange rate ought also to be good news for investors holding shares in British exporters. Their products will be more attractive in foreign markets, potentially increasing sales, as the sterling price of goods will be cheaper in foreign currency terms.

On the other hand, shares in British companies that import components, or raw materials, may be hit because the sterling price of those imports will be higher. Companies selling imported items such as cars, wine, luxury goods and specialised food may well find trade dropping off as customers take fright at higher prices.

Currency movements have a complex effect on investments of various kinds.

The information contained in this article does not constitute investment advice. It is not intended to state, indicate or imply that current or past results are indicative of future results or expectations. Full advice should be taken to evaluate the risks, consequences and suitability of any prospective fund or investment.

Contact your Willson Grange Financial Adviser to talk through…

Christmas Cheers!

Having guests over for Christmas dinner? We've put together a little drinks menu to welcome them (or just to keep you going while you prepare). Our recipes (apart from the limoncello) serve one, so simply increase the quantities by the number of guests, and enjoy!

CLASSIC CHAMPAGNE COCKTAIL

What most of us need before starting the Christmas cooking is a bit of fizz – and what could be more traditional than a champagne cocktail?

(ONE SERVING)

1 sugar lump
2 dashes Angostura bitters
2cl (⅔ fl oz) brandy
Chilled champagne
Slice of orange

Place the sugar in the bottom of a champagne flute and shake on the Angostura bitters. Add the brandy, top up with champagne, stir and garnish with the slice of orange.

CHOCOLATE MARTINI

Christmas wouldn't be Christmas without lashings of chocolate! Here's a gorgeously smooth chocolate-flavoured cocktail to indulge your cocoa craving.

(ONE SERVING)

6cl (2 fl oz) vodka
3cl (1 fl oz) white crème de cacao
Chocolate vermicelli

Put the liquid ingredients into a mixing jug with a few lumps of ice and stir them together. Strain into a cocktail glass and garnish with the chocolate vermicelli.

LIMONCELLO

Store in the fridge for after-dinner drinks. If you can get grappa or Acquavite then all the better, otherwise use good quality, strong vodka. Another authentic ingredient to look out for is the thick-skinned Sicilian lemons that have a wonderfully sweet flavour.

(MAKES ABOUT 750ML)

4 lemons
750ml (1 ¼ pint) grappa, Acquavite or vodka
250g sugar
250ml water

1. Using a sharp knife or vegetable peeler, remove the zest from the lemons and cut into thin strips. Add the lemon zest to the alcohol and store in a large jar for at least 3 days.

2. In a small pan gently bring the sugar and water to the boil until the sugar has dissolved and the liquid is syrupy.

3. Mix together with the lemon mixture, strain through a sieve and decant into a thick bottle. Store in the fridge until ready to use, serving after dinner.

GLASS HALF FULL

Good news for Santa (and other sherry-lovers). There are just 60 calories (approximately) in a small glass of dry sherry – compared to a sobering 120 in a standard glass of red or white wine. A welcome thought!

FIRST IMPRESSIONS

How long do they last?

As we've seen more than once in the past year (and will no doubt see again in 2017), significant market moves tend to follow hot on the heels of political events. The election of Donald Trump to the US presidency was no exception… yet trends can quickly reverse, and forecasts of sustained mayhem generally prove ill-founded, investment experts say.

2016 may well go down in history as the year the old political playbooks were taken down, with some haste, from the shelves. The Brexit vote embarrassed the pundits, but Donald Trump's election to the White House came as a similar surprise, and something of a jolt to onlookers throughout the world.

The businessman-turned-TV-star-turned-political-campaigner has never held political office, and during the course of his high-octane campaign, has made comments that could appear petulant, provocative and unpredictable. He alienated many with his stark and forthright views. And yet he won – triumphing against one of the most experienced presidential candidates in history. The Republican Party also took majorities in the Senate and House of Representatives, giving it a clean sweep of Congress and the White House.

What's done is done. And the result – so far as we know - stands.

President-elect Trump won't, however, be inaugurated into the White House until 20th January, and that waiting time could prove crucial as his chosen team prepares itself for the realities of office. Much of the radical campaigning rhetoric may have to be discarded or at least muted as the Trump administration feels its way in a tightly guarded, traditionally stubborn system when it comes to passing new legislation and laws.

Markets, too, will have the chance to settle.

As expected, global markets reeled with the initial shock, as Clinton had been widely tipped to win. Yields on 10-year US Treasuries slipped. The dollar fell close to 2% against the euro, and more against the yen. But the trend was soon reversed. The FTSE 100 also experienced the briefest of falls before returning to its opening price by the close of the day.

LET IT SETTLE

Experienced investment fund managers are always prepared for such political surprises. While they can't afford to ignore politics, they know it mustn't become the driver of their decisions. The balance sheet and business outlook of

COLD AND FROSTY MORNING

Just a timely reminder, as we head into a potentially bleak midwinter (weather-wise) that certain tempting time-savers are not only unsafe – but illegal, too.

We came across a report in the *Birmingham Mail*, that might surprise some drivers, but it is most definitely worth taking heed of.

The newspaper was responding to a warning by police that drivers who leave their vehicle engine running unattended as they wait for their windscreen to defrost are actually breaking the law.

"Drivers should always be in control of their vehicle when the engine is running, even when they're loading or unloading shopping or baggage," a Staffordshire Police spokesperson said.

"Anyone who needs to defrost their vehicle must ensure they stay with it and don't leave it unattended with the keys inside."

Leaving the engine running to 'warm up' during the winter months is not only unsafe to passers-by, but it also risks having the vehicle stolen.

What's more, insurance companies won't pay out if a car is stolen in this way.

❄ So this winter, we'd urge you to stay safe, stay in control, and stay on the right side of the law!

the individual companies they invest in are far more important. Once those details are worked out, they may then be able to take advantage of the kind of market distortions that politics provides.

"Trump's victory doesn't change the fundamental assumptions that I have incorporated into my investment strategy," says Neil Woodford of Woodford Investment Management. Neil manages the St. James's Place UK Distribution and UK Equity funds, and he was quick to respond, giving his measured and experienced view on the fallout of the Trump election within a few days of the result.

"There's every chance that politics will cause severe market fluctuations in the weeks and months ahead. As professional fund managers, we're well aware of the pitfalls investors fall into when they allow their decisions to be dictated by short-term fluctuations, and know the value of sitting them out. What's more, we have the experience and expertise to use short-term dips in the market to increase our holdings in companies we know well – and believe in."

"As with the Brexit vote, some of the old political certainties appear to have been washed away," continues Neil. "The election of Donald Trump is the latest, albeit perhaps most important, instance of anti-establishment nativism sweeping across Western countries.

"It remains too early to know how it will play out, and in recent months, investors have learnt not to pay too much attention to the bookies. But economic and financial gravity remains in place, and markets appear to have weathered the news. Indeed, they have done so far more easily than the news that the UK had voted to leave the EU.

"There are several significant elections looming in Europe over the next 18 months, which could be profoundly important for the future of the eurozone project. It would be wrong to assume that America has a monopoly on disgruntled voters and we will keep a very close eye on political developments."

The opinions expressed are those of Neil Woodford and are subject to market or economic changes. This material is not a recommendation, or intended to be relied upon as a forecast, research or advice. Full advice should be taken to evaluate the risks, consequences and suitability of any prospective fund or investment. The views are not necessarily shared by other investment managers or by St. James's Place Wealth Management and Willson Grange Limited.

Please be aware that past performance is not indicative of future performance. The value of an investment with St. James's Place may fall as well as rise. You may get back less than you invested. Returns on equities cannot be guaranteed.

Ride it Out

History shows the potential dangers of allowing emotions to influence investment decisions.

This year has so far proved a challenging one for investors. Market indices in the US and UK have hit all-time highs, yet 2016 has also been marked by bouts of volatility and some sharp falls. Markets recovered from fears over commodity prices and Chinese growth at the start of the year, but were then buffeted by the Brexit vote in the summer. Yet markets bounced back once again. The Trump presidency may provide their next big test.

That's the nature of equity investing, of course, but it is understandable that investors might be concerned about such short-term fluctuations. What's also true is that the sharpest falls and largest gains are often concentrated into short periods of time.

Investors who try to time the market to avoid the falls, or who lose faith and sell out at the bottom, are highly likely to miss the gains.

The chart below is a sobering reminder of the potential costs of trying to time the market. Even missing a small number of days in the market can have a devastating effect on an investor's total returns. When it comes to investing, doing nothing is often best.

Source: FactSet, FTSE, J.P. Morgan Asset Management. Data to 31 December 2015. For illustrative purposes only. Assumes all income is reinvested. Returns calculated daily over the time period assuming no return on each of the specified number of best days. Please be aware that past performance is not indicative of future performance. Equities do not include the security of capital characteristic of a deposit with a bank or building society.

Saving the best for last

Anyone who risks exceeding the Inheritance Tax threshold can limit the impact of death duties by simply spending the right assets.

This year, it's estimated that almost 40,000 estates will be liable for Inheritance Tax (IHT)[1]. It's a reminder to those whose total assets risk exceeding the current IHT threshold of £325,000 of the perfectly legitimate ways to limit the impact of death duties on their family.

Gifting is perhaps the most popular way to reduce your IHT liability. You can make gifts worth £3,000, free of IHT, to children or grandchildren each year, including contributions to a Junior ISA or a child's pension. You can also make larger gifts, but the catch is that you need to survive for seven years for these to completely move out of your estate. Thus, while gifting mitigates some of the effects of death duty, it doesn't always give you the scope to completely wipe out an IHT liability.

Pensions, on the other hand, offer investors an effective – if unexpected – way to avoid some of the worst effects of IHT. Recent reforms to the way pension benefits can be paid out to loved ones have opened new estate planning opportunities. Furthermore, they have changed the way many investors are using and designating their funds in retirement.

ALL THINGS MUST PASS

Strictly speaking, pension pots have always fallen out of the scope of IHT. However, prior to April 2015 there was a 55% tax charge on lump sums paid to beneficiaries from any defined contribution (DC) pension that was already in drawdown.

Then last year, former chancellor George Osborne announced that, regardless of whether a DC pension is already being drawn or not, it can pass tax-free to any beneficiary as long as death is before 75. Even after 75, nominated beneficiaries do not pay IHT, only Income Tax at their marginal rate, and then only when the money is withdrawn from the pension.

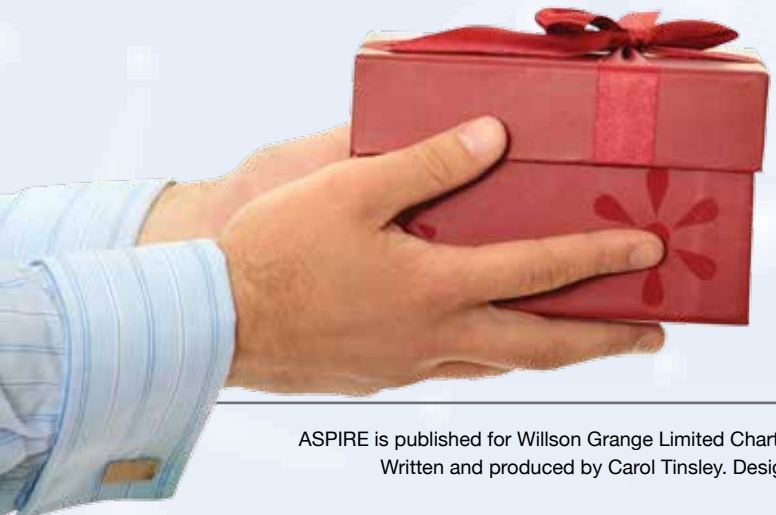
In light of the changes, those who have the financial means are starting to ring-fence their pension so they can pass it on to the next generation – potentially free of tax – while using other assets to fund retirement.

"It makes sense to spend the assets that are liable for IHT and keep the ones that are not," says Ian Price, Divisional Director at St. James's Place.

"You can avoid passing an IHT problem to your family by living off the assets you have outside of the pension plan first [such as ISAs and savings], while keeping the value of the pension pot as high as possible."

Passing on pensions is done through completion of an 'expression of wish' form. This tells the trustees of the pension scheme to whom they should pay death benefits. It's important to keep this updated, especially when either your own circumstances or those of your intended beneficiaries change.

[1] Office for Budget Responsibility, March 2016



The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are dependent on individual circumstances.

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