Philip J Milton
& Company Plc
Established 1985

North Devon's Leading Independent Wealth Managers

MILTON NEWS

Tax Year End 2020 Edition

Highlights

- News from the Markets
- Tax Year End Priorities
- ISAs, Pensions, Allowances – ACT NOW!
- Why use our discretionary investment solutions?
- Important Tax dates for the diary

and much more!

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Dear Client *February 2020*

To all those who have yet to receive communications from us this year, may I start by wishing you all a belated Happy New Year! Well, as we enter a new decade, finally the UK has clarity about its direction of travel, which is to exist outside of the European Union, albeit trade agreements may take a period to finalise. After years of uncertainty, during which UK markets and the Government really struggled to make any significant progress, we (businesses and families) can all now begin to plan our futures. With a substantial majority in Parliament, the Government is unlikely to face similar obstacles when implementing its domestic plans including additional (but measured) spending in an attempt to boost economic growth as worldwide economic conditions generally become more challenging.

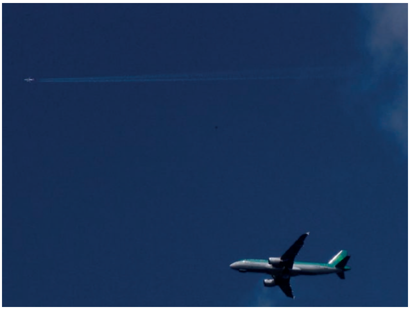
Looking at the markets, since the General Election result in December, it has been a positive period for the UK indices. However, prior to that, Brexit uncertainty really did put the handbrake on UK Plc as an investment proposition. Indeed, growth in UK markets between the Summer of 2016 and the end of November 2019 (approximately three-and-a-half years) was roughly 25%. In light of the turmoil we seemed to be facing daily during much of that period, that's not too bad really.

However, if we also consider that over the same period the American markets grew by approximately 66% (Dow Jones Industrial) and 55% (S&P500) then it becomes apparent that the UK has been dragging its heels. Of course, if we dig a little deeper, we realise that the US markets are heavily influenced by technology companies which have dramatically (and in our view excessively) risen in price due to popular demand. Alarmingly, Apple, Amazon, Microsoft, Alphabet and Facebook now account for 18% of the S&P 500. Even the Bank of America is sounding the alarm bells at the influence that the sector has upon markets, warning of "rising concentration risks". According to leading global Investment Bank Morgan Stanley, as the prices of these shares have ballooned to record highs, "their income contribution to the broad market decreased in recent years, a red flag for the stock prices". We have grave concerns for the sector and a 'tech collapse' could happen as it did between 1999 and 2003 when the same sector became far too expensive relative to the wider market.

With this in mind, we continue to avoid direct exposure to US markets and its technology sector in particular. Indeed, we do not see the need to take such high risks anyway when there are excellent and better-valued opportunities, especially here in the UK. As investors continue to be seduced by "exciting" technology firms (with huge valuations relative to earnings) "boring" domestic stocks have once again fallen from favour and offer good value and often with a healthy dividend to boot! With this type of value stock looking cheaper than usual and the growth sector looking more expensive at the same time, we shall focus more on the former now.

Whilst I am not so naïve as to imagine we'd be insulated over here in Blighty if there is a downturn in US markets, there are plenty of places to find really good value in entities which will continue to trade whatever happens to some giant US tech stocks.

On a positive, the US Stock Market (the S&P500 for this purpose) paid out $485 billion of dividends last year – a new record and up 6.4% on the previous year and for 2020 more gains are expected. The market notched-up its biggest gain since 2013 and is not far-off having quadrupled since the low in March 2009 after the global financial catastrophe (and that ignores the income too).



Last year, US companies bought-in and cancelled $736 billion of shares, reducing supply and squeezing prices ever higher and some may say cynically the Executive bonuses which so often are awarded in stock options for the future. Why not instead increase dividends – the present income yield there is only 1.74% against a long-term average of 4.33% (with an all-time low of 1.11% in August 2008 at the Tech bubble time and a peak of 13.84% in 1932). Read that another way and investors are being duped into paying more for poorer earnings' outlooks (and investment returns for them) going forwards! Guess when it was good to buy and good to sell? And yes, crises can happen – Boeing has paid dividends and bought-in and cancelled shares to the tune of $8 billion in the first nine months of last year alone and its shares are down 25% so not a good investment with the Company's cash.

Please don't forget either that not all investment managers and advisers are the same. Most of them out there buy funds for you (or sell them to you) and then, aside from ad hoc reviews (if at all) they do nothing and you sit in what you had at the start, regardless of any changes to external circumstances. We believe that can never be right – as I have often said, not change 'just because' but constant regular oversight is crucial and change when it is required – sometimes change is to find some cash to buy a brilliant short-term opportunity for clients so where do we access the money to pursue it? How does your adviser do that – if it isn't us! Most can't – they have no system or capacity to do so, let alone relationship with you to do that either.

On the subject of our investment management services, we were delighted to announce that the funds under our day-to-day discretionary supervision surpassed an impressive £200 million for the very first time in the Company's thirty-four and a half year history at the beginning of 2020! It is incredibly humbling to think that we have been able to help so many people over the years and that they have had confidence to entrust us with their lifetime savings, helping us to achieve this wonderful milestone and in which of course they have shared and benefited.

I do hope that you find this Newsletter (which we write ourselves without external influence) of interest. With the approaching end to the 2019/2020 tax year, we are focussing primarily upon sensible planning opportunities. If you have surplus cash languishing in bank accounts, there are things you should or could do instead but even if you don't have surplus funds, please do read on as you may still have allowances that you should look to utilise before 5 April! Maybe too you have loose investments or policies of one form or another (including pensions) which could be tidied-up and invested in better things and an overall cohesive strategy!

My very best wishes for a wonderful 2020!

Philip J Milton DipFS CFPCM Chartered MCSI FPFS FCIB
Chartered Wealth Manager, Fellow Of The Personal Finance Society,
Fellow Of The Chartered Institute Of Bankers

Tax Year End Priorities

5 April each year tends to provoke a degree of panic with certain investors who suddenly remember that time is running out to take out an ISA for the year and pay money into a pension! For others and as we advise, the preferred time to be doing this is the beginning of the tax year (so soon after 6 April), not the end! That way you will avoid the unnecessary stress (and when financial firms are at their busiest) and also enjoy the tax benefits for the entire year, alongside any tax-free returns. Indeed, as we are so busy with existing clients to whom we owe our first responsibility, for new enquirers we may even now be unable to fulfil their expectations at all as a consequence of pressures on our time. There are also several other measures you can consider in advance of the tax year end, which may or may not appeal, depending upon your individual circumstances. For example:

- ISA and Pension investing – as mentioned
- Invest in a Junior ISA (and even a pension) for children
- Use your generous Personal Income Tax Allowance of £12,500 to the full
- Make use of the Marriage Allowance
- Use your annual gifting allowance of up to £3,000 each – for Inheritance Tax planning
- Limited Companies can consider employer pension contributions

Allowance - Every UK resident adult has an annual ISA allowance. During each of 2019/20 and 2020/21 every UK individual may subscribe up to £20,000 towards ISAs. These may be Stocks and Shares ISAs, Cash ISAs or a combination of the two in whatever proportions you wish. So that's a generous £40,000 per person and £80,000 for a couple over the two years! Monthly, that's up to £1,666 although we can start our plans from as little as £50 and there is absolutely no penalty for stopping, suspending or amending contributions according to personal circumstances. Regular subscriptions via monthly direct debit are automatic (so require minimal effort on your part) and this option may also appeal to those investors who prefer to stagger their contributions throughout the year in order to spread their investment timing, hence smoothing their exposure in the face of possible volatility as well. There is also no fixed term with ISAs and consequently, you may access your investment at any time although clearly, it is designed to be a longer-term investment plan.

Tax Treatment - The generous tax treatment and growth potential of stocks and shares ISAs makes them very appealing to investors who are prepared to accept some sensible degree of investment risk (and can tolerate it) over a sensible period of time. ISAs are completely exempt from Capital Gains Tax and investors incur no additional UK Income Tax, irrespective of their tax status. All distributions from interest-bearing holdings are completely tax-exempt. Neither profit made nor income earned from ISAs needs to be reported for Self-Assessment. This is doubly beneficial to those who otherwise will be caught by the tax surcharge on their overall dividends, which is just £2,000 for 2019/20.

On death - Spouses and civil partners can also inherit ISAs on death and continue to enjoy tax-free returns. Previously, if someone passed away, their surviving husband, wife or civil partner could inherit their ISA savings but lost its tax-free status. For other individuals the tax benefits are still removed on death.

Our options - We offer a variety of ISA strategies to cater for multiple investor preferences; a more defensive strategy (C) for the lower risk investor, two complementary strategies (for couples for example) for those seeking both income and growth (A and B) and finally an AIM ISA (D) which is designed for those likely to have an Inheritance Tax (IHT) liability, investing within select holdings on the Alternative Investment Market.*

*These shares should be free from IHT if held for two years although HM Revenue and Customs will not confirm that until the time. (An AIM ISA is potentially better than other mitigation as investors retain total control of the capital, all whilst offering tax exempt income and capital gains. This carries a higher level of risk.)

ISA Key Facts (December 2019)

Initial Charge	0%
Management Charge	1.5% + VAT per annum*
Annual Transaction Charge	0.525% (estimated)
Withdrawal Fee**	Nil (assuming cash transfer/withdrawal)
ISA transfer away charge *(as cash)*	£30
Investment Limit	From £1,000 lump or £50 per month
Reporting Dates	January, April, July, October
Income Options	Monthly or quarterly

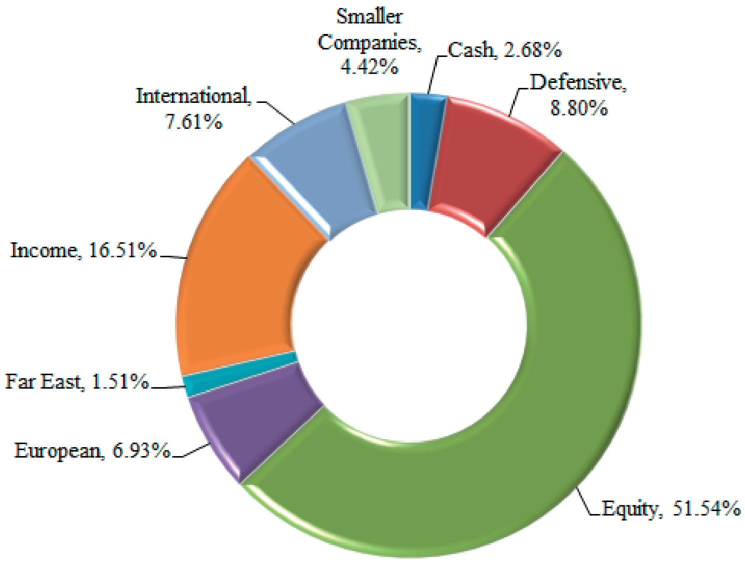
Figures as at 31 December 2019	ISA Model A	ISA Model B	ISA Model C
Projected Annual Income Return alone for £20,000	5.20%	5.40%	5.60%***
Collective Model Strategy Size	£23,409,569	£19,568,466	£10,401,445

**Certain collective investments that we purchase (mainly Investment Trusts) will benefit from their own underlying investment management for which a small additional charge applies within the funds (approximately 0.6% per annum).*

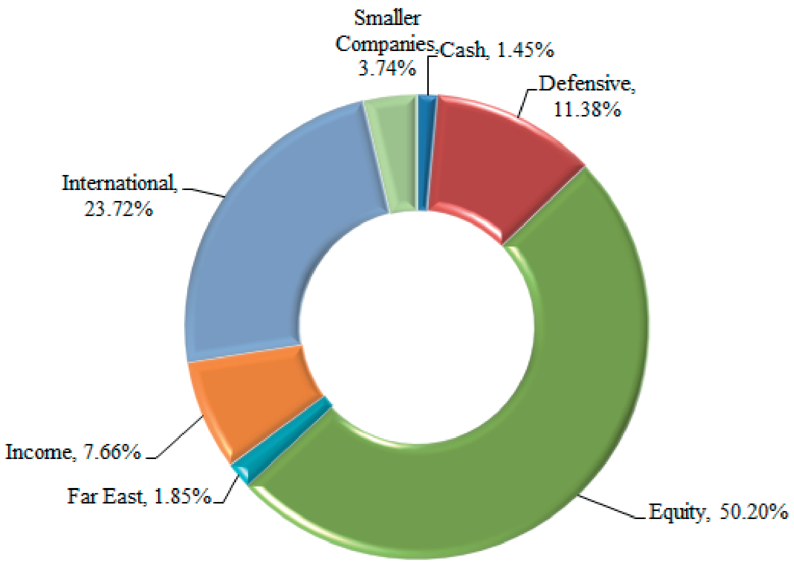
***Subject to our agreed notice period to enact stock sales being acceptable. For full confirmation of our charging terms and conditions, please refer to our Client Agreement, available upon request.*

****The higher income yield compensates for the lower growth prospects compared to ISA A and B.*

Asset allocation within our Model ISA A as at 31 December 2019



Asset allocation within our Model ISA B as at 31 December 2019



Is a Stocks and Shares ISA suitable for me?

The purpose of this newsletter is to give details of our ISA strategies. It is not suggesting a particular ISA type is necessarily appropriate for you. Whilst we shall welcome your application, without advice, this will be a non-advised transaction and as such we cannot be held accountable at a later date for its suitability in light of your overall circumstances.

If you want to discuss options and receive professional advice to confirm suitability before submitting an application, please write, telephone (01271 344300) or email info@miltonpj.net. Naturally time may be very tight before 5 April, a very busy time of the year! And – of course as we do with most of our clients and new enquirers, we are delighted to provide you with professional and thorough advice as well if you do not know what to do but know you need to do something!

How can you take advantage of our ISA opportunity?

- If you have unused ISA allowances in this tax year (or want to use those for 2020/21 or perhaps both), send a cheque payable to "Philip J Milton & Company Plc" with the completed ISA application form. If you would prefer to transfer money electronically, please contact us for bank details.
- Transfer a Cash or Stocks and Shares ISA held elsewhere to our management (without affecting your 2019/20 annual allowance). Contact us for the relevant paperwork.

Pension Contributions

We write endlessly on this subject, so I shall not be too expansive here, I shall note merely that for anyone UK resident under age 75, pension contributions are the most tax efficient savings vehicle around as you receive instant (in most cases) tax relief and can access the funds straight away (not that I would encourage it, if avoidable). Pensions are of course an extremely sensible place for long terms savings for those under age 55, too as all growth and reinvested income accumulate tax-free! The biggest tax saving of all arises for those whose incomes fall between £100,000 - £120,000 – did you know it is possible to secure an effective 60% tax relief on this bank of income due to 40% tax relief and also restoring your entitlement to the personal Income Tax Allowance? Speak to us to make sure pension saving is the right choice for you and to find out more about our unrivalled, seriously cost effective and fully flexible discretionary managed pension strategies but some of the key attractions are as follows:

- Currently, for every £1 contributed to a pension by an individual (under age 75), the pension automatically receives a total of £1.25 (whether you pay tax or not and (even if you are not working) up to £2,880).
- Higher and top rate taxpayers can then claim back even more via their tax return. £10,000 in a pension could therefore effectively cost a 40% rate taxpayer as little as £6,000 and a 45% rate taxpayer as little as £5,500. You can also benefit from other tax savings and things like Child Benefit and Grant funding for example, if you contribute to a pension as this 'reduces' your income.
- For the higher earners who lose all or part of their Personal Tax Allowance (due to income falling between £100,000 and £125,000), a pension contribution is even more appealing as it also allows recovery of the personal allowance!
- You are allowed to contribute the higher of £2,880 net (which receives tax relief making the overall contribution £3,600 gross) or 100% of your UK earnings (up to a maximum of £40,000) to your pension each tax year. If you've been in a scheme previously and not maximised your allowance, you can backdate contributions for up to three tax years.
- Pension benefits can be taken flexibly at any time from age 55.
- 25% of your pension will be available to you as a tax-free lump sum (according to current legislation). The rest can be withdrawn flexibly as part of your annual taxable income or used to purchase traditional pension annuities which guarantee you with an income for life.
- If you die before touching your pension, up to 100% of the whole pot can pass down a generation with not a penny lost to Inheritance Tax! Don't touch all or any of it if you can avoid it!

We have constructed a wide range of pension strategies to cater for clients' differing requirements, security preferences and the probable timing until they might need to access part or all of their pension. Clients can switch between strategies without charge, as their circumstances change, for example approaching or entering retirement and the need to then draw an income/lump-sum. Options also include complementary strategies for couples, to create extra diversity for risk reduction purposes and enhanced return prospects, from exposure to more opportunities. If you have a pension under our management already, personal top-ups are simple! We need only receive a cheque for your net contribution payable to '**GAM Asset Company Ltd – PJM SIPP 2A/C**'. Bank transfers can be accepted too, please contact us for details.

As with Portfolios and ISAs, our pension strategies spread investors' capital amongst carefully selected stocks within defensive, income, growth, smaller company, UK and international sectors in variable proportions based upon our thoughts concerning prevailing market conditions. Cash can also be deployed when appropriate.

So why choose our Discretionary Managed Investment Solutions?

Typically, after considering your individual circumstances and objectives, we shall recommend an investment strategy to you. Alternatively, more experienced investors may choose to invest without advice and thus without a charge for advice and no subscription fees in any instance.

With our discretionary investment solutions, once invested we shall make all of the management decisions on your behalf in line with the recommended strategy. This is perfect for investors who decide to delegate the day to day management of their investments to a specialist. This offers them a convenient and low-maintenance solution where we shall use our expertise, funds and resources which are just not available to the individual investor.

Constructing, monitoring and then maintaining successfully a portfolio of investments takes considerable time, resources and demands a thorough understanding of market opportunities. Inevitably opportunities change over time and by managing your funds on a discretionary basis, we are in the best possible position to react to these changes without delay and in accordance with your best interests. Compare that to the more typical annual review elsewhere, by which time it may be too late to make any necessary alterations.

We do not simply invest a client's money upon receipt for them individually. Instead, at any time of any day, our sophisticated administration system can be deployed to look across all of our Portfolio, ISA and SIPP strategies for all investors and identify every investment that we need to bulk purchase and in what quantity. We shall then decide which of those (if any) we wish to purchase at that time. Equally, for sales, by trading in bulk we usually secure preferable prices for investors. We may also decide to apply limit prices when appropriate for stocks that are more difficult to trade. Unlike certain other available investment options (which face restrictions with dealing frequency), we can trade at any time that the UK market is open, thereby providing optimum flexibility.

Trading Costs - All accounts are subject to percentage-based transaction charges without typical minimums. This applies even to smaller accounts, which also enjoy a very broad range of holdings regardless. Larger accounts benefit from a charging cap per transaction. Separately, we are able to negotiate very attractive dealing terms through our ever-growing market presence and we are often approached by buyers of stock we hold and sellers of stock that we might be buying. We also have access to newly issued stock. Invariably, the prices we pay or receive are far superior to those available to investors on the open market.

We are also able to "match" transactions on certain collective investments. For example, where we are required to sell stock for clients (who need to raise money) but we actually still favour the stock in question, we shall usually buy it back for those clients still in need. In so doing, we trade at a price that is favourable to both the seller and buyer, compared to open market prices. For stocks with limited trading, this is particularly advantageous for sellers who may otherwise be forced to receive a very poor price for a modest quantity of stock.

Investment Freedom - As noted, we face no restrictions with regard to what can be purchased within accounts and we take full advantage of that freedom by spreading clients' money across a huge number of carefully selected holdings, within different sectors and across various locations. Many alternatives elsewhere that we review for clients contain just a handful of Unit Trusts that are reviewed annually at best, something which we consider to be inadequate. We have no ties – it is what we think is best for the client from the whole universe of opportunities.

One area where we consider that we do things very differently from the majority of the industry is our involvement within the collective Investment Trust sector and this has been a major benefit to investors to date. Like Unit Trusts, Investment Trusts themselves are managed and involve numerous underlying holdings.

However, unlike Unit Trusts where you pay the value of the underlying investments plus any initial charges, Investment Trusts are themselves traded on the Stock market, like a share. Consequently, the price you pay can often become detached from the value of the underlying investments, thereby presenting opportunities if the trading price of shares is discounted. We have enjoyed wonderful results from this sector, often buying a stock at an excessive discount to the underlying value, either because the market is small and difficult to trade, investors have fallen out of love with the sector or perhaps because the sector is not well understood. We are happy to accumulate a position in such Trusts where we identify recovery opportunities and often are rewarded with healthy dividends meantime. Occasionally, this may take a period of time, but we are happy to be patient and would never trade just for the sake of it.

Investment Trusts also enable positive returns to be realised when the market is flat, through the narrowing of the discount. One example involved us buying the equivalent of £1's worth of assets for 75p. The market did nothing but the share price rose to '90p' (as the shares became more popular), so we made 20% for nothing – a technical correction. Some Trusts that we purchase at discounts themselves contain a range of Investment Trusts trading at discounts too!

Most of our exposures are these types of mainstream quoted vehicles but we have added uncorrelated assets to provide extra security for clients too so that should a calamity arise, then some things will advance in value whilst others fall. Yes, we do buy some direct stocks too and then there are no extra management fees – we see these as icing on the cake of a good basket of collective funds. We also look globally and consider currency strength or weakness and special opportunities.

In addition, we have always been "value" investors, seeking undervalued assets which may have materialised for a variety of reasons, often unjustified. We are advocates of a good dividend paying policy generally; a reward to investors if you like for having faith to hold a particular investment. This has served us very well to date and I expect it will continue to do so. Of course, dividends aren't only useful for investors seeking income, they can also be reinvested for those seeking growth and the compounding effect over time can be incredible.

Protection - On top of this, for the very best financial protection for clients, all of the assets the Firm manages are held with leading global custodians and administered by them. This means that absolute protections apply as well as the regulatory benefits of the FCA, the FOS and the FSCS and that the Firm can concentrate its energies on the most important things it can – the high levels of personal advice and the dynamic and unrivalled investment management of the funds entrusted to it.

We are regulated at one of the highest available categories, being one of a very few authorised to undertake discretionary investment management and to hold client money. Consequently, we are required to maintain sizeable and very strict financial resources at all times. The Company maintains a very healthy balance sheet, with assets far in excess of the required level set by the FCA. Accounts are subject to thorough independent audit annually. Full accounts are published and submitted to the FCA regularly.

Also, the Financial Services' Compensation Scheme (FSCS) applies to enhance investor protection against financial loss caused by default. Professional Indemnity Insurance also protects clients against Company negligence.

In addition to considerable financial resources, investor protection is enhanced further by our highly qualified and experienced staff. Minimum regulatory qualification requirements simply are not enough to provide thorough and comprehensive advice and advanced qualifications have always been demanded from career staff.

Patience Rewarded

One such example of how our clients have benefited from one of our Investment Trusts involves Henderson Alternative Assets Trust. This was our seventh largest holding but it propelled itself into fourth place after the Board announced it is likely to be winding-up. Effectively, much of the excessive discount to asset value I have noted for years exists on so many as an opportunity, disappeared for this one. That was a 10% gain just like that and if the winding-up happens, as is likely, the gain will increase as the asset value is higher still and all costing us 'nothing'. Thank you very much; our clients will be quite happy with that windfall!

Is Inert Passive Investing Good?

No, I don't think so. Passive investing is buying the index (or a basket of indices) which basically means everything because it is 'there'. There are benefits – primarily the lower cost and the adage that so many 'active' funds don't manage to match the index let alone exceed it. Well, banking the fact that no pure index-tracker can ever match the index it is designed to replicate as its costs have to be extracted (unless it engages some shenanigans to secure other returns like 'stock-lending') and the fact that we are staunchly independent investment managers and can buy 'anything we want' to help us fulfil our requirements for the client's portfolio and reviewing that constantly, meaning that yes, we have some passives in strategies too, let us have a further look. I have said often that it is a fool who knows the price of everything and the value of nothing. Index-chasing advocates tend not to point to the world's largest market in 1989 to which in theory you would have had your largest exposure. Japan's index is still down a mighty 40% some thirty years later. They don't tend to like thinking about the FTSE100 which hit a peak of just under 7,000 in 1999 and has really only just regained that whereas the FTSE250 (the companies sizing from 101-250) has more than tripled in the same period but guess where most of the money was sitting of course – in the bigger stocks in the 'top' 100.

There is also the issue of who is managing your allocation – just what passives do you have and which don't you have? What about your currency and how that will affect results - and how do you pay your bills?

Passive assets have just exceeded $11.4 trillion as more investors have been sold on the story and the theme of cheapness over all else and most of that (some 65%) oddly enough is in US shares and that too is dominated by tech stock. So yes, passive funds in the US now exceed active funds and with a few large fund management group mergers happening, the concentration will 'worsen'. Yes, of the ten biggest funds, only three are active now. The total in passives was a mere $2.3 trillion ten years ago. Of course, cost is important and we are looking at that all the time - as well as looking for technical trading opportunities which have little to do with an underlying stock (like the Henderson story above). We'd like to believe the extra we can provide by such positive 'manipulation' covers our management fees anyway with something left for the client so what we pick is there for 'nothing' (as well as the ongoing advice in that mix of course).

Could there be a passives' crash? Yes – as daft as that may sound it could happen. Too much money chasing exactly the same stuff, therefore acting as a giant Ponzi scheme pushing prices higher and higher till the bubble bursts and then exactly the same masses all crowd for the door, a virtuous circle turning into a vicious spiral - and who is doing the buying? The other advantage is that these stocks are liquid – meaning they can be converted to cash easily and that accelerates the trend both ways (in 2009, some big stocks were selling for giveaway prices as a consequence – I remember L&G in the UK down to 29p) whereas smaller brethren are 'protected' as you can't trade them so the prices stay at the 'same' better levels!

Seriously though, can it be rational that last year Apple alone saw its collective stock value increase by more than any other stock in history? No. That was a 'mere' $556 billion rise and up 86% last year. Apple is now valued at $1.3 trillion – bigger than the value of the rest of the S&P 500 index when excluding the other 'top' four companies. Yes, that gain last year is about the same as the value of the whole of the Italian or Spanish stock markets. Do these results encourage us to change our view? No – they endorse it to be frank even if it makes it harder to generate great returns by not having such things – in the short-term at least. Is the tail wagging the dog, the chicken coming before the egg? Is this the next Tech bubble I wonder… it could easily happen. Still, all the investors losing from such a passive-orientated crash would not be unhappy of course, as they'd all know they are losing the same as 'most' other people, tracking the index downwards religiously so that's alright. Funnily enough I don't think our clients quite think like that…!

Junior ISAs (JISAs)

Remember that the 2019/20 allowance stands at £4,368. We offer our own managed stocks and shares JISA which has access to all of our ISA investment strategies which is an ideal long-term solution for children. With cash JISAs paying nearer 3.5% at best, we are confident that stocks and shares should outperform. Of course, we cannot offer any guarantees but dividends alone should match (if not exceed) the total interest returns on cash and remember – young children have something which adults don't have – a guaranteed long time in front of them for their investments!

Personal Allowances

For 2019/20 every UK individual may receive income of £12,500 before they must pay Income Tax. For 2020/21 this allowance is maintained at £12,500 providing your gross income is below £100,000. For those self-employed amongst you, is there an opportunity to employ a spouse within the business to take advantage of unused allowances (albeit there is auto-enrolment pension related implications)?

Marriage Allowance

Marriage Allowance lets you transfer £1,250 of your Personal Allowance to your husband, wife or civil partner - if they earn more than you as long as neither Spouse is a Higher or Additional rate tax-payer. This reduces their tax by up to £250 in the tax year (6 April to 5 April the next year). To benefit as a couple, you (as the lower earner) must have an income of £12,500 or less. You can backdate your claim to include any tax year since 5 April 2015 that you were eligible for Marriage Allowance.

Gifting Allowance – Inheritance Tax

You can give away £3,000 worth of gifts each tax year without them being added to the value of your estate. This is known as your 'annual exemption'. You can carry any unused annual exemption forward to the next year - but only for one year.

Each tax year, you can also give away:

- wedding or civil ceremony gifts of up to £1,000 per person (£2,500 for a grandchild or great-grandchild, £5,000 for a child)
- normal gifts out of your income, for example Christmas or birthday presents - you must be able to maintain your standard of living after making the gift
- payments to help with another person's living costs, such as an elderly relative or a child under 18
- gifts to charities and political parties

One planning recommendation that we have given to certain clients facing an Inheritance Tax liability (on death) has been to fund a Discretionary Managed Portfolio (in a beneficiary's name) using the gifting allowance of £3,000 annually. A married couple can gift £6,000 annually. If there is surplus income into the household (perhaps by recognising the income from their personal investments), this too can be gifted easily to the Portfolio by way of a direct debit. Over time this can achieve a potential tax saving of many thousands of pounds.

Pension Contributions for Limited Companies

If you are a director of your own limited company, did you know that a Company contribution into your pension could save up to 32.8% in tax and National Insurance and the employee (you) could benefit from greater tax savings by having this contribution paid directly to the pension with no employee National Insurance too?

Unlike personal contributions, employer contributions aren't limited to what the employee earns. A company could contribute more than the employee's earnings - up to the current annual allowance of £40,000, or up to £160,000 in some circumstances if using carry forward. If the employee has 'adjusted income' over £150,000, contributions might be limited to £10,000. If the employee has already accessed a pension, different rules can apply.

This is particularly helpful for controlling directors who take a small salary and larger dividends to benefit from the tax advantages. As dividends don't count as 'relevant UK earnings', this would normally mean a director could only contribute up to the amount of their salary. However, with employer contributions, directors can have contributions bigger than salary, giving them more personal money in retirement.

High Income Child Benefit Charge

You may have to pay a tax charge, known as the 'High Income Child Benefit Charge', if you have an individual income over £50,000 and either:

- you or your partner receive Child Benefit
- someone else receives Child Benefit for a child living with you and they contribute at least an equal amount towards the child's upkeep

It does not matter if the child living with you is not your own child.

You can choose not to receive Child Benefit payments but you should still fill in the Child Benefit claim form. This will help you keep National Insurance credits which count towards your State Pension. Claiming Child Benefit also means your child will receive their National Insurance number automatically shortly before they're 16. They will not have to apply for one themselves.

This tax charge is 1% of the Child Benefit for each £100 of annual income between £50,000 and £60,000 (earned by either individual). For those earning more than £60,000 the charge is 100% of the amount of child benefit – so they will, in effect, receive nothing. The Child Benefit tax charge is based on adjusted net income.

If you are affected by this tax there is a solution and that is to reduce your adjusted net income below £50,000. It is not necessary to work less or change jobs! Instead, this can be achieved by making a lump-sum pension contribution. The gross amount applied (including the tax relief from the Government) is deducted from your gross income to arrive at your adjusted net income.

So, for example, if you are earning a salary of £53,000, a gross pension contribution of £3,000 (costing you less than £2,400) would ensure that your full Child Benefit entitlement is preserved.

If you are affected by this and would appreciate further advice, please do contact the office and speak to one of our highly qualified staff.

Savings vs Investments

With interest rates still at historically low levels, residential property prices too expensive and now seemingly stuck in a rut (and with the risk of a downturn), private investors should be forgiven for hiding their savings under their mattress! With limited prospects for a significant change in interest rates any time soon (and in fact a drop in rates more likely as inflation falls), it makes sense to look for alternatives.

In the UK alone a staggering £1.3trillion of household deposits earns negligible interest. With inflation running at more than the accounts are paying, there is a real danger that savings will continue to erode year-on-year.

Going back to basics, deposit accounts offer a return of interest and often with easy access. Typically, this would be kept for emergencies and/or known future expenditure. Most other options can be classed as investments, where the value of the asset can fluctuate but where return prospects can be much greater. During periods of growth, this can offset the damaging effects of inflation so that the "real value" of your investment goes up. If there is an income too (from rent or dividends for example), this can be used to meet regular expenditure or possibly reinvested to enhance returns.

Whilst property prices may struggle over the coming years from such inflated levels, the same may not be true for equity style assets particularly in the UK where prices have been held back due to Brexit uncertainty. Historically, annual returns have been in the order of 7% from this type of investment in the UK, a combination of inflation, dividends (from profits) and economic growth. As matters stand, the UK stock market (as measured by the FTSE All-share Index) is paying dividends of approximately 3.4% per annum alone. With inflation running at 1.3%, it is not difficult to see how the 7% average return can be achieved. Compare that to just 1% (before inflation) from a typical bank account.

Our view is that there is room for most people to have money in bank accounts (for short-term needs) but also in market investments for medium-longer term objectives, to pay for children's education or any lump-sum spending or retirement for example. Holding too much in either is unlikely to serve you well and the key is to have the right balance, depending upon individual circumstances.

Of course, stock market returns are not guaranteed and the value of share prices can fall as well as rise. Investments in the stock market are usually suitable for sensible timeframes and where access to that money is unlikely to be required in a rush.

Self assessment key tax dates

- 6 April 2020: First day of the new tax year 2020/21
- 6 April 2020: Time to gather detailed documents for your 2019/20 tax return
- 31 July 2020: Deadline for 2nd payment on account for tax year ending 5 April 2020
- 5 October 2020: Deadline to register with the HMRC if you became self-employed or started receiving income from property. You should submit a form CWF1 for self-employment or form SA1 for non-self-employed income to HMRC.
- 31 October 2020 (midnight): Deadline for paper self-assessment returns for 2019/20 tax year
- 30 December 2020: Deadline for online submission of self-assessment tax returns for year ending 5 April 2020 for HMRC to collect tax through PAYE tax codes where they owe less than £3,000.
- 31 January 2021 (midnight): Deadline for online self-assessment tax returns for 2019/20 tax year.
- 31 January 2021 (midnight): Deadline for paying tax bill for tax year ending 5 April 2019/20.
- 5 April 2021: End of tax year 2020/21

Taxation and Accountancy Department

We have our own Taxation and Accountancy Department which can 'take the strain' out of all your taxation and book-keeping procedures. We can offer you the full range of services, including:

Self-Assessment	VAT Returns/Calculations
Capital Gains Tax	Claims for Tax Repayment
Trust & Estate Tax Returns	Book-keeping
Company/Partnership Accounts	Payroll

Website

Have a look at our website, www.miltonpj.net. What do you think? We are tweaking such things constantly of course but trying to make it more interactive to include our market commentary, articles, Newsletters and documentation for you to access. We are pleased with the results and we believe it represents what we want it to say and do, as well as being useful for clients and new contacts alike. Our latest two advisers are about to be added too!

Of course, if you have any comments or suggestions for further improvements, we should be delighted to hear from you!

Charities

Charitable Foundation

If you feel your 'cause' would qualify for a donation please do contact the Office in writing providing details. Indeed, some local campaigns have already benefitted!

If you would like to support the Charity please send your donation to: 'The Philip J Milton & Company Plc Charitable Foundation', Choweree House, 21 Boutport Street, Barnstaple, Devon EX31 1RP. Thank you!

Amigos

Triphina has finished her training at the Kira Farm Development Centre and taken the skills she has acquired over the past year home to the benefit of her family and village.

Dear Philip

I am happy to let you know that I have finally come to the end of my training on Kira and this is the last email you are receiving from me.

I am going to miss you so much; I have enjoyed updating you on how I have been doing. It has always felt like having a dad living far but so interesting in knowing how a daughter is getting on.

I will definitely stay connected with Amigos; we have been given phones on Kira so I know communication is not going to be a problem so please expect to hear on how I will be doing back in my village through Amigos.

We had a wonderful graduation on Kira and it was really fun cerebrating our achievements together as a big family. It has been a time to exchange contacts because we have made great plans on how we can still help out one another back in our villages.

Thanks for your support because through the training, I am not only going back with skills but I am going back home also a very changed person and I know I will make a good community leader in the future.

Thanks once again for loving me this much I wish you a Merry Christmas and a happy new year.

Yours, Triphina.

After Hours

Did you ever stop and wonder . . .

Who was the first person to look at a cow and say, "I think I'll squeeze these pink dangly things here, and drink whatever comes out?"

Why do toasters always have a setting so high that could burn the toast to a horrible crisp, which no decent human being would eat?

Why does your Obstetrician, Gynaecologist leave the room when you get undressed if they are going to look up there anyway?

Why does Goofy stand erect while Pluto remains on all fours? They're both dogs!

If corn oil is made from corn and vegetable oil is made from vegetables, then what is baby oil made from?

If electricity comes from electrons, does morality come from morons?

Why do the Alphabet song and Twinkle, Twinkle Little Star have the same tune?

Why does someone believe you when you say there are four billion stars but check when you say the paint is wet?

Stop singing and read on . . .

Do illiterate people get the full effect of Alphabet Soup?

Did you ever notice that when you blow in a dog's face, he gets mad at you, but when you take him on a car ride, he sticks his head out the window?

Does pushing the elevator button more than once make it arrive faster?

Philip J Milton & Company Plc is authorised and regulated by the Financial Conduct Authority 181768.
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