Philip J Milton
& Company Plc
Established 1985

North Devon's Leading Independent Wealth Managers

MILTON NEWS

Summer 2016 Edition

Highlights

- **Referendum commentary**
- **Investment outlook following the vote**
- **'Brexit' client case study**
- **Currencies - where now?**
- **More from our 'Investment Idea' series**
- **The budget unpacked**
- **Premium bonds**
- **Our support for local projects and charities**

and much more!

Choweree House, 21 Boutport Street, Barnstaple, North Devon, EX31 1RP
Tel. (01271) 344300 www.miltonpj.net Email: info@miltonpj.net

Dear Client *July 2016*

The Brexit vote was 'not expected'. However, that is how the Country has voted and that for now is how the markets and currencies are reacting. I am very sad that we find ourselves in this position as it was so avoidable if the 'Establishment' and the 'EU' had been prepared to sway just a little for its own benefit as well as ours.

Overnight volatility on the day of the result was colossal. Things began to stabilise but deteriorated again on the following Monday with financial and building shares hit especially hard and anything related to property taking a large hit, too.

There will be winners and losers and as the days have passed, the FTSE100 scaled the highest levels seen since last August as big overseas' earners like Shell rose significantly – up a massive 75% from its February low and for the biggest company on our Stock Exchange and the one which is the biggest dividend payer in the whole market that is worth many points. Investors must exercise a good dose of patience till 'normal conditions' return and the panic abates – which will happen. Inevitably during volatility, extremes develop and it is only the future which shows how ludicrous a particular 'price' is on any day. At the time of writing, in aggregate our clients' overall strategies are HIGHER than before the vote.

Yes, of course, with hindsight it is easy to say that you could have done things differently but that doesn't help you or us today. I am not trying to pave the way for dire news as certainly the same implications which have driven down say the banking sector have been positive for companies with large overseas' earnings and assets as they have become better 'overnight' as the Pound has fallen. You will recall that I predicted this likelihood.

However, so far the market reaction has not been reality. 'Nothing much' will change for two years as we negotiate our exit and indeed, in many respects any business which decides on courses of action to exit the UK would be foolhardy as it might actually prove to be the case that the 'new EU deal' is far superior to the old. There was always going to be an economic blip - not because of the vote but simply because of the 'change'. So we are faced with the volatility of human emotions panicking and responding excessively to what they do not consider they know nor can they know at this stage.

I believe that things will stabilise more quickly than some imagine though a vacancy for Prime Minister and difficulties for the Opposition are all extra reasons for people to decide to defer decisions. Yes, stability could mean slightly lower levels than before the vote. However, that is still much higher than the troughs during the night.

The FTSE250, more reflective of smaller, UK orientated businesses, has been hit much harder and has fallen 20% over the past twelve months. Putting that into perspective though, it is still three times higher than its low after the Banking collapse in 2008; that is how far forwards our economy has gone. Yes, certain sectors and stocks will be afflicted more than others and remember, there is considerable cash on the side-lines which was raised in advance of the vote. Indeed, as unbelievable as it might seem today, the stockmarket could advance to new highs as one great uncertainty, the vote itself is behind us and thus investors can adjust to a new, unfolding reality.

In fact, metals, miners and oils have been the firmest area (buoyed by gold, too) and we are significantly overweight in these and funds investing within them. We had no housebuilders which have effectively halved and no secondary banks but RBS and Lloyds have been hit as well as other financials. The FTSE100 companies we have liked for some time have strong overseas' earnings so have done very well, too.

Banks are seen as a direct corollary to the economy. We are confident in the reserves they have rebuilt significantly on the back of international (and EU) accords for greater protection to withstand shocks like this. They are seriously attractive in valuation terms if we know what is 'under the bonnet'.

Lynmouth Bay

For clients, we took some actions to hedge our positions but no-one could have anticipated the extent of the impact or imagined how honed its victims might be and indeed, even up till close of polls and beyond, I thought Remain would just win. We have some gold, some Yen and Euros as well as other defensive assets such as timber, a second-hand life policy fund, Peer-To-Peer (P2P) lenders and debt consolidation funds and of course, our overseas' stocks (especially Dollar denominated ones) are worth a simple bonus higher as a consequence of the currency move and in most respects, the currency translation has offset any individual overseas' market drop – or even exceeded them.

We were and are quite fully invested and really, the impact in average terms was positive for a balanced investor. If you don't need to access any capital at the moment, don't take it, as volatility is likely for some time, but that can be as positive as it is negative. I suppose really we ought to try our best to persuade any who might have circumstances needing capital to defer encashment if they can until some form of normality returns. Patience over those stormy days was the best investment to make. In the long-run, this blip will disappear on the chart of time and reacting negatively now, after the event, is certainly most unlikely to be the right thing to do. There are some bargains out there as prices have not kept-up with reality.

Central banks across the world have been ready to take action to avoid the most acute volatility. The interest rate on British Government Bonds has bizarrely fallen below 1% pa for the first time ever, yielding a bonus for the Chancellor in due time as debt funding falls. This will keep general interest rate levels down. Savers will lose out again I am afraid and the days of your bank or building society charging you to keep money with it are nearer now than they were. In theory, to keep financing our Country's international debt, it could have been imagined that the value of our Bonds would have fallen (as has been happening in a few places like Italy, albeit from record lows) as to lend to us becomes less safe, less attractive so at some point, once artificial central bank support abates, that should still be expected. Think about it though – if £1trillion of UK Government Debt is held by dollar connected currencies, these investors have seen their interest income drop and the capital values of their investments fall $170billion in a week, depending on where you start your comparative.

Property is a significant asset in the UK – houses more so than commercial property. This sector could prove to be hit very hard as uncertainty gives great excuse for people to hold-off home (and investment) buying decisions. If you are a Frenchman owning a London house, it is now worth 12% less in Euros than a few weeks ago but today you have an asset much more difficult to sell. Contagion can take hold very quickly and the problem which so many in property forget is that it can be very difficult to sell at any price sometimes – often that can be a burden but sometimes it can save you from doing a foolish thing at the wrong time. All that said, sadly I have noted for too long that residential property is so over-priced that it has just been awaiting its 'excuse' to begin its inevitable descent – but what will this do for consumer confidence and indeed the economy with a slow-down reverberating across myriad related sectors. I just hope that the banks have not over-extended their lending but that is probably a naïve hope. Yes, youngsters may think lower prices are great but the problem is that when attractively priced, they don't want to buy as they realise how much friends and family have lost and don't want anything to do with such a risky asset.

Commercial property is much better value but several institutional funds have had big runs on them and they have closed to withdrawals to protect the value of the funds. This is a wise move, caused when withdrawals become excessive and where the fund does not have enough cash to meet the payments without selling an underlying asset.

We are unaffected as we have no open-ended property exposures. Indeed, we have very little in commercial property at all – the main holdings were sold after producing excellent capital gains as well as income from when we bought them after the slump following the 2008 financial crisis. They became too popular and indeed, many managers were raising new money to buy more properties. Most of the remainder we have is overseas so that has benefited from Sterling's demise following the Brexit vote. The shares of such commercial property companies have been hit hard too – these can be traded whatever the conditions and price being the temporary agreement between seller and buyer so therefore they are over-reacting to realities in the underlying market.

Investors do need to remember a few things though. Yes, property tends to be illiquid and so selling a chunky office block or shopping complex is not something you do overnight – or if so, certainly not at the best price. However, most of these funds have long-term holdings with long-term tenants and they pay the rent regardless of 'what happens' elsewhere. The rent, the income, still comes along, regardless of the capital value from one day to the next.

I suggest caution if you are invested in one of these animals – it is not so bad as the short-term fears suggest so don't panic but prices could decline further before stabilizing and then improving.

Watch-out for property companies with big borrowings as this exaggerates the falls in the value of your investment but conversely loans gear-up your returns when the values advance, too. All that said, when incomes you can receive from such vehicles start to edge towards 6%pa or more, they could become very attractive and remember that for an overseas' investor, he is buying at a discount because Sterling is cheap. Of course, if your tenant goes bust you don't receive a rent but funds are very well spread over many properties and usually covering a range of different property types and tenants.

At the moment the fears are based upon a slowing UK economy and possibly lower demand for commercial property for business purposes of all types. Clearly it is irrational to assume that 'everything' will be afflicted in this way and remember how good the recovery was from 2008 when there were real economic crises.

The canary in the mine could be singing however – residential property values are significantly higher in quantum value and the investment return multiples so unattractive compared to commercial property. We hear too that 'Britain's largest Buy-to-Let investors' were unable to finalise the sale of their portfolio in time for Brexit and now that may be on hold - you have to sell before the top and before everyone else is panicking to do the same thing. Yes, the individual unit sizes of houses are smaller and therefore more marketable but not if your prospective customer is an even more emotional animal than institutional property managers and doesn't want to buy even if you are giving it away.

Reasons for economic and stock market confidence now

I must remind you of the basic tenets of day-to-day business as they remain unaffected. You will go to the supermarket, use your telephone, consume electricity and gas, use the bank and pay your insurances. You will entertain yourself; buy clothes, personal products and household things and use pills prescribed by the doctor. Our clients' income flows have not changed suddenly. Indeed, their income from overseas will rise as it buys more Pounds. 71% of revenue for UK companies originates from overseas too so that figure will now rise as the Pound falls. If clients need some money, there are usually some opportunities available without significant detriment to their accounts' overall value.

Croyde Bay

We need to reassure not simply because it is psychologically sound to settle any emotional reactions but because it is the right thing to do - and to try our utmost to dissuade investors from doing absolutely the wrong thing at the wrong time. Over our thirty-one years I believe in the main we have been very good at doing just that. I do not discourage those with spare cash from investing whilst bargains abound but there is no way I can ever say 'this is the bottom' – though if you wait for that it will be too late as the opportunity will have gone. There is some tremendous value out there. Indeed, investors in our strategies and most others will continue to receive income from the underlying businesses. That doesn't stop. In fact, if clients who currently withdraw their income can allow it to be reinvested instead for a short while, that could be a brilliant instruction to us as we shall reinvest it at the cheapest possible time in what we consider to be the best thing to acquire then. Just tell us and we can arrange that immediately but please, if you need the income to pay the bills, rest assured it will continue unabated for now and there is no reason why this should change as a consequence of Brexit.

There will be reverberations. The financial markets will be quite quick to react and indeed could settle at levels just a few percentage points different to where they were before the vote. There will be significant differences in some stocks and sectors and many beneficiaries as well – exporters will do better for example as they receive more Pounds for the same Dollars, Euros, Renminbi or Yen.

I am 'hopeful' (not wishful) that a solution to some of these issues regarding Brexit (or a renegotiated arrangement which satisfies the British people) will be feasible sooner rather than later. Our new Prime Minister is already selected. These things will bring some sense of certainty and that is what we human beings like best – a sense of capability to plan. Remember, all

Brexit: Client Case Study

In April this year, one of our clients contacted us as they wished to assist a family member with a house purchase by withdrawing up to £90,000 from their Portfolio. As there was no urgency for the capital, a long term withdrawal instruction was placed with the funds to be made available by 31 December 2016.

In light of the uncertainty in the markets following the Brexit vote, our client telephoned us to discuss the best options available. We had at that time raised £30,000 in cash as part of our normal trading and so we were satisfied that we had realised good value for money for our client through these sales. However, while markets following the Referendum remain depressed, there is little to gain in continuing to try to accumulate cash. In consultation with our client, we have therefore paid out the cash sum currently available and lifted the dealing restriction upon their account and have diarised a review in a few months. There will still be plenty of time to make further sales by December if required.

We do understand that not all our clients will have the flexibility to change their plans in this way, and we can of course obtain funds for you whenever you need them in line with our terms and conditions. However, if you can have patience and adopt a 'wait and see' attitude, it may reward as simple common sense financial planning in the long term.

businesses, governments and consumers the world over are made of people, just like you and me. We can be very irrational sometimes and both over-pessimistic and too ebullient too and being able to help recognise those extremes will make you – and I – a more sensible person and able to react more appropriately with our financial decisions for our longer-term benefit.

I am reminded that some clients and dear friends are undergoing their own serious health struggles and uncertainties that there are worse things than some short-term upset and economic volatility which can happen to us. Keep strong and resolute, invest in that most critical of things now – patience – and we shall emerge through the other side and with firmness, an optimistic gait and great opportunity before us. The short-term gyrations will hit us all in some ways but I trust that I and you have been sufficiently careful as to not be imprudent with long term personal security and futures, as we try our utmost to do for and with our clients. I am certainly no seller at any bottom.

I hope that you find my comments helpful and reassuring at this time of great uncertainty to you. We shall emerge from the panic with strength and perhaps in great hope that the message we are delivering to the experiment called the EU - of renegotiation of 'club memberships' for mutual benefit - will be enough to make it realise that it needs to transform, that it can change and that together it and we can still save the primary, beneficial principles to which the majority of our inhabitants (and the rest of Europe) signed-up in 1975.

As ever, please do not hesitate to contact us if there is anything about this you wish to discuss. We might be very busy but you know that someone will be here to talk to you sensibly about things if you want a chat on the telephone for example. If you have an email address and do not receive our more regular updates, please pass it to us and we shall add you immediately. If you have friends, work colleagues or family who would like reassurance on their circumstances, likewise please feel free to encourage them to contact us too as we should hope to be able to assist them as well. Sadly, too many advisory firms (and government officials?) act like rabbits in the headlamps not knowing which way to turn (and don't contact their clients either) and whilst none of us can predict the immediate future, we need to be able to consider the ramifications – and to communicate with you at these prospectively most difficult of times. Indeed, that is why the week after the Referendum we posted a letter to every single client for whom we manage money, large and small, because we felt that was our duty to do so.

My very best wishes

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

Risk - Financial Advice & Brexit

So those with cash at the building society suffered no risks from a Brexit vote? Wrong. Not only are interest rates on the way further down (possibly into minus territory if the Bank of England Governor gets his way – would you like to pay money to deposit funds with the bank, building society or National Savings?) but your living costs will be going-up at least temporarily as the bills you pay will rise as Sterling has fallen, let's say by an average of 12%.

Those with investments have had a volatile week or so but at the time of writing the FTSE100 is at its highest since August 2015. Initially it fell but overseas' impacts have caused some of the key stocks to advance significantly as a consequence.

So what else have cash-only investors lost? The primary one is lost opportunity. I appreciate some may say this is a semantic matter but it is real – what could you, should you, have done instead? Let's think – had you invested in the largest company on the British Stockmarket in February, Royal Dutch Shell, you would have made a 75% capital gain and had a big dividend as well. You didn't. You could have had some money in what we considered to be one of the most undervalued parts of the world – Latin America – of course it's not the sort of place you put much but even a little would now have grown by over 50% and again, a chunky dividend and of course, the Pound's demise aiding your outcome today. You could have filled your boots with mining companies back in February and seen stellar returns – you didn't. The whole mining index has actually doubled. I mean, are you going to stop using precious and base commodities? Even then, just a little wouldn't have harmed, would it? That is perhaps the point.

However, you may say you are very risk averse – well, we never choose to invest in something we expect to see fall in value, of course not (well, actually that's not always true – sometimes we do buy something believing it could fall further but you have to buy bigger quantities when it is available – not when it is not! You relieve a distressed seller then but no-one wants to sell to you when everyone perceives the market is at the bottom). However, you could be sitting on your £400,000 of cash at the building society and do you know what would have been prudent before the vote? Shuffling at least some of this into Euros, Dollars and Yen – a basket of leading world currencies and some gold. Would that have been worth paying a competent professional financial adviser say £500 or £1,000 to achieve that goal in that you'd have had 'nothing' to lose if the vote was 'Remain'? Let's say you had put half that chunk of cash there – it would have returned you an insurance of £24,000-£30,000 or put it another way, the buying power of your money has fallen in global terms by just that sum because you didn't. And there – I thought you didn't take risks.

'Oh but it's ok, that's not me, I have it all in investment property'. I see… what with all overseas' owners now suffering a 12% drop in the capital values and their rents, what has that done to the values of residential property? Can you sell at all? What will the economic uncertainty do for the housing market and the flows of extra people coming to the UK who have propped-up the bubble-like prices artificially and where the uncertainty may push the flow the other way?

Being 'low risk' and prudent come in funny ways don't they! Perhaps the vote on Brexit will be one of the most valuable ways in which sensible financial advisers have been able to act for their clients for many years – not taking risks but recognising risks exist in everything and doing something to mitigate those. If you haven't yet – it's not too late incidentally. Be wise for the future even if the past cannot be changed! Take advice from a competent, staunchly independent, qualified and experienced adviser who is going to be around in the future and with a reputation for integrity and putting clients' interests first.

As for our clients, we have such a range of investments for them with very wide diversity for any of them from pure cash to gold, currencies and global investments and funds. We believed we were well positioned to cope with whatever the Brexit vote might bring – or Remain. We had a very diversified strategy (clearly different for different types of clients with different profiles, risk ratings and so on).

The Dollar? It is a currency of safety now and always (in theory) has been seen like that. Anyway, it is Sterling under attack not others strengthening but think about it – America is going to enter its own period of gross uncertainty later this year with a presidential election – as if that is not going to impact economic confidence over there! The Dollar is too high now – but as any currency speculator will know – prices can be extreme for far longer and far further than reality should ever allow. Give us twelve months though and we could look back and realise now is a great time to have been selling a few Dollar-backed assets and bringing the money home.

Let us look at the Dollar against Sterling, then. Whilst we have been in the European Union, the Dollar has ranged from \$2.447 in January 1981 to \$1.0345 in February 1985. It's \$1.2925 at time of writing. So here are some facts. When the Pound hit rock bottom in 1985, within three years it had jumped 88% back to \$1.8965. It was \$1.7919 in July 2014 so the Pound falling by 27% since its high. The Dollar has strengthened by 38% since its low point in November 2007 so you see, currencies do gyrate. We have lots of non-Sterling assets, many of which we have bought as the Dollar, Yen and Euro were in our mind too cheap and at some point we shall start bringing them home to buy cheap Pounds. There's no finite line but degrees of excessive valuation and maybe Sterling is beginning to hit that 'level' now against Yen, Euro and Dollar.

What Exactly is Risk?

Most people imagine risk is simply something going 'wrong' against them. In investment terms, that could be a loss on an investment, an asset purchase which becomes worth less than they paid. It could be a loss of income flow or an outgoing increasing without compensation (e.g. a loan interest cost rising on a mortgage). I have touched upon 'opportunity risk' too – the cost of not having something you ought to have had and thus the loss you suffer by not taking the 'right' action. It could be loss of purchasing power against Inflation.

However, there is another insidious risk which most do not consider – probably because they do not realise it hits till it is too late. That is the risk of missing your objectives. What this can mean is that your future plans, objectives and needs demand you to take action now – for example paying into a pension plan to enable you to have the capacity to enjoy a comfortable retirement, or making sure your capital is invested in things which have the opportunity of increasing in value and not simply all sitting on deposit earning you 'nothing'. Of course, the 'answer' is to be balanced – there is risk with everything you do, from boiling the kettle to make a cup of tea to crossing the road or going down the stairs. You choose to take certain risks for the benefits you have calculated the outcomes will create. So, why do so many take a different perspective with their finances when it is exactly the same, really? Maybe you just need to simply unlock some of that superstitious psychology to start doing the 'right thing' with at least some of your capital… so the outcomes you want (or need) later on have the opportunity of being met.

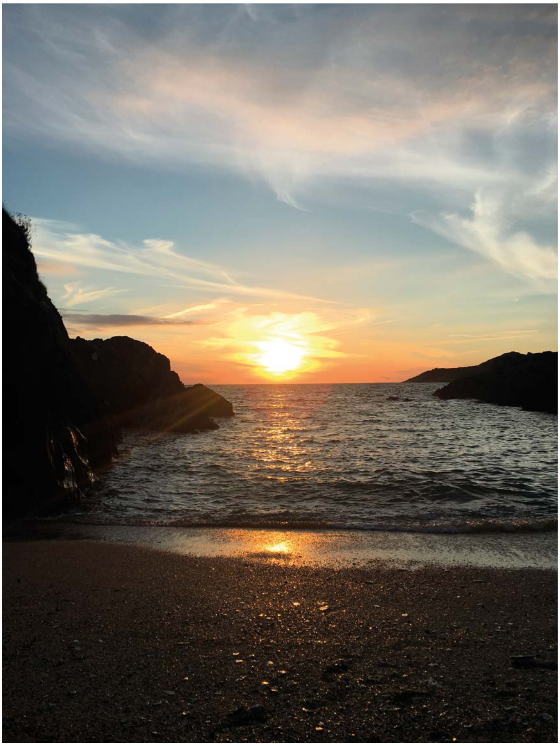
Additional Market Comments

Market Performance

In this time of turbulence, I wish to offer you a few further thoughts.

I am an investor myself. I hold many/most of the same things which clients have; the same ISAs, Pensions and so on and for the Family, as well as other liabilities and assets. I might do things more 'aggressively' for myself than I would for clients and I use other tools which I shouldn't recommend for an individual investor necessarily, as I hedge overall exposures by taking compensating positions and such like. Curiously, few investment managers seem to have big stakes in the same funds they manage for clients but the opposite is true for me in that I would not be recommending something in which I did not believe I could or would invest myself. It does remind me of a financial salesman I knew once who recommended investments to his clients – he told me that he would never buy them himself as he thought they were too risky (he was wrong incidentally…)! Or, after a bad time for markets the client who suggested I kept all the good investments for myself and let the clients have the bad ones…

Why do I say this now? Well, as the conditions deteriorated down to the low on 11 February and again entered a period of volatility after the Referendum, my personal hedging positions have and will continue to cause me some discomfort. Now I should add that I do not ever exceed sensible, text-book parameters for diversity and so on but that doesn't avert specific issues when such a meltdown appears to take place, as was the case in many respects in February. There was little optimism anywhere and aside from ourselves, there weren't many investment firms suggesting the bargains should be purchased. At these dreadful times, the media instead loves to report the need to conserve more cash and sell more assets to that end and batten-down-the-hatches as worse is to come. Yes, I do things which I shouldn't ever do for clients – I 'play big boys games' sometimes



Barracane Beach

and believe that I understand the markets and positions well enough to appreciate what can happen and how. I take calculated management decisions and risks but as at 11 February, it was not a good time and the distraction of a much-needed winter holiday was exceedingly welcome to me (starting 20 February) and I felt it a prescient reminder of the real 2003 collapse when I was on the slopes in Austria – the best place to be when Corus shares hit 3p (as I read on the front of a German language newspaper)! You might recall that ultimately Tata took-over Corus for £6.3billion after a few changes – what a wonderful buying opportunity 3p had been! So, what since that 11 February trough? On my hedging account I recouped all the paper losses and gained the most I have ever achieved in such a short space of time – just three weeks and all because I 'kept the faith' in those positions I held. For clients, with funds available we bought stocks on 14 January, 2 February and 22 February and you can imagine the prices were excellent in many cases. There weren't many people buying. In fact I remember a gentleman who at just that time was going to invest £50,000 after he sold a commercial property (a third or so of the sum realised) but he decided not to do so – he would have had some bargains and buying a very high level of comparative income for the rest of his life, when prices were down. Well done if you invested in patience at the time too and indeed if you closed your eyes to valuations and did what you knew was the best thing to do – you invested further capital at those low times. Of course not everything has recovered and we expect further turbulence now so there are plenty of dour spots – and opportunities remaining – but remember that those underlying businesses are the same ones they were six months ago and are likely to be in six months, too.

Dividends and Income from Shares

There are many scare stories doing the rounds at the moment and many big companies (especially oils and miners) are cutting dividends but… is that endemic of them all? Many entities are creating significant cash mountains and are paying bigger dividends. Last year, countering the negativism, dividends rose 9.9% (even more in blighted emerging markets) but wait for it, for 2016 the projection is for a further increase but 'only 3.3%' - that's 3.3% more than the 2015 figure.

Investment Returns

Two interesting reports recently. The first from the AIC (Association of Investment Companies) shows that a £10,000 investment on 31/12/95 in the average UK Equity Income Investment Trust generated average annual income of £383 the first year for investors to spend to pay the bills and this would have grown to £899 by the end of last year. On top of that, the capital would have more than doubled to £21,587 (up 116%). That was a total of £12,455 income over the two decades incidentally and remember – that is through some tumultuous times, too.

The second report by Hargreaves Lansdown is somewhat damning of 'cheaper' index trackers or 'passive funds'; it's all very well saying that you may as well just buy the 'index' as that is cheaper in management fees but what index and what proportions? What do you include and what to exclude and who picks it or manages your selections for you? The FTSE100 plunged very badly over the last year (much worse at its low points) but almost 90% of all UK managed funds achieved more than that since April last year when the index peaked at over 7,000. Most index trackers follow the 'All-Share Index' which is a bigger index but still dominated by the FTSE100, of course.

Over the last several years more investors have picked 'passives' – whether that is private individuals or pension funds and trustees – so more people will have underperformed the average managed fund – and the difference in many cases will have been quite significant. Investors may well be waking-up to realise something is lost in translation – and remember, we do use 'passives' sometimes too but we manage what we use and when and we don't have an axe to grind.

Just What Is Active Management? What Is Passive Management?

There are all types of arguments about which is best – passive which just gives it to you 'because it is there' and active which is where a manager does the picking and the deselecting for you. There is now $6trillion invested in passives and $24trillion in actives.

Of course, each side is biased – and perhaps the solution is to be open to the advantages from time to time of each – we are not constrained – we prefer 'active' but as noted above do use passives/ index-trackers for certain tasks in helping us achieve our goals for clients and one will ebb and flow against the other style. Of course, passive aficionados always point to the indices which have done well – for 'technical reasons' they never suggest you should invest in the Nikkei Dow which is still under half its 1989 high point for example and nor do they usually note that the All-Share Index in the UK has massively underperformed the FTSE250 too. For us – it makes no difference we'll hold whatever we believe is the 'best' thing for clients for that element of their accounts and use cash too which of course is not a passive decision either.

Investment Ideas

Resuming our investment ideas series, here is the next. To remind you, I am not naming these as that unleashes regulatory obligations but this is just a flavour of the types of things we may pursue for clients and which are unlikely to have been offered to you from elsewhere! Prices and so on are as at the time of writing and of course will vary. If you want to participate, the only way to do so with ourselves is to entrust some capital to us through an ISA, Portfolio, Pension Fund or whatever and we may buy some for you as part of a diversified strategy.

This is a collective fund which invests in other investment funds, some of which have been doing well recently in the face of global volatility. It is a small Investment Trust worth only just over £40million so the big boys like Brewin Dolphin, Investec and well, most of the brokers, won't touch it as it is simply too small for them. For about £1.70, you buy assets worth more (£1.85 at the moment). The interesting thing is that it buys other discounted Trusts and Funds and these are on an average of 29.3% (at time of writing) to the underlying asset value as well, so a double discount.

There is something else about this investment which makes it very low risk, if I dare use the expression though a recent investor has been the charity division of a big brokerage which sees the opportunity (I should add that we have just under £2million of it as well, incidentally). The special quality is that of the underlying funds in which it has invested, mainly as they are very out of favour (and indeed, we have several ourselves as we share the same value principles!), a significant quantity has passed motions to wind themselves-up over the next two to three years by selling all their assets.

What this means is that the 29.3% discount will disappear on these investments and no, it doesn't demand any changes to the markets, interest rates, currencies or in fact anything for that to be realised. In 2018, the Fund also has its own 'realisation' pot and if investors want their money back, a portion of the portfolio will be segregated into that and sold at the market value. So, if nothing else changes, an investor could see his £1.70 turn into £1.85 and also his proportion of the other liquidating funds so that would give us a nice £2.30 or so per share. That's say 30% over the two years before the costs of disposals etc. are paid. Of course, if the other components continue to do what they should, there will be other gains as well. It has increased by just under 45% in the last four years and that is without too many 'special features' coming to fruition during that time. The types of extremely diversified investments are often those which were extremely popular at the time they were launched but are now totally out of favour, from Berlin property funds to Italian telephone exchanges, timber, private equity, trusts with gold mining companies and second-hand life policies! I should add too I have known the fund manager for thirty-five years…

So what returns do we expect for our clients who hold the fund for the next few years?

1. The removal of some of the 'discount' in pricing, so an extra return for doing 'nothing'.

2. Liquidation of many of the components and their discounts unlocking.

3. A rerating as some of the other strategic assets begin to reward.

4. Other investors coming on board as they recognise the prospective very low-risk opportunity of double digit gains over the next few years, potentially 17%pa simply without any changes to the other assets generating other rewards, too.

5. Tax free returns for investors where we subscribe via ISAs and their pensions or make gains under their annual generous allowances.

Why not put us to the test?

Earlier this year via my regular email newsletters (which incidentally you can sign up for by emailing info@miltonpj.net and we'll add you to our mailing list), I challenged anyone with some capital 'to spare' to put us to the test and invest with us, whether it be topping up an existing investment here or taking the plunge and finally becoming a new investment client.

My premise was this:

You may have seen our messages, eshots and so on – or experienced and heard about us – for a long time but possibly what we haven't communicated easily is how you 'can try us out'. Indeed, you might have thought you ought not to have all your money earning you 'nothing' in the Building Society but either don't know how to change or are concerned about how you invest in potentially better things. You might be daunted by thinking about how to do 'it' or the prospective unknown costs of making an appointment with an adviser anywhere – or being sold a 'product' which is best for the salesman and not you…

So here you go. If I was to say that you let us have £10,000 (either an ISA, or two ISAs, half each, husband and wife say or a non-ISA 'Portfolio' or even a Pension) then we'll invest it and manage it for you without any ingoing charge, so just the ongoing annual management charge and the nominal brokerage for transactions *within your account. You'd need to select the underlying fund – (ISAs – there are two Market ISA, mainly equities and funds, one Defensive and one IHT alleviation model, for Portfolios a range of five from Defensive to Aggressive and Pensions, we have ten sets of models from Defensive to Aggressive but with complementary strategies for couples for extra diversity and risk mitigation).*

This is where the rules have become silly for 'your protection'. We can advise you but to do so we have to do a thorough review of your overall circumstances and there have to be professional charges for that. So, this is 'execution-only'. You still have to sign the necessary forms but the deal is that there is no charge to enter the systems on this basis, so as I say it is a trial opportunity for you to see what we can do. On the ISAs and Portfolio you can let the income accrue within or take it, or change your mind any time.

Recently I was chatting to another adviser and he charges £500 plus VAT for any advice on, say, 'an ISA', so if you wanted to do a small top-up, that's £500 please (plus VAT)… I can understand that – if it takes say three hours to review the clients' overall circumstances to risk assess and consider suitability, research the market, write a report, have a discussion with the client, arrange the transaction… The advisory world is still changing but I hope that our trial will give some of you the opportunity to see what we can do – and how we do it! All the details are in our terms but remember:-

1. *Low annual management charges*
2. *Access anytime to all or part (but be sensible about the expected investment period you are considering – it's not a one-month wonder! – and admininstration charges will apply to immediate sale instructions)*
3. *Small brokerage charges (percentage based)*
4. *We spread your money widely and concentrate on others' managed funds to begin*
5. *Full protection of the regulatory system (save the advisory service)*
6. *Money held by one of the world's largest and leading global custodians and cash held at Barclays Bank Plc and Royal Bank of Scotland Plc.*
7. *Complimentary annual personal review of your investment account with an adviser, if desired (most firms charge an extra annual percentage fee for this and subject to a minimum charge too)*
8. *Income can be taken monthly, quarterly, ad hoc, rolled-up, stopped, started, a regulated monthly sum to ease budgeting (based on one-twelfth of the expected annual income). This ranges from approximately 2.5% - 6.5%pa to start dependent upon the chosen model.*
9. *Capital growth expectation on top of income (negligible on the Defensive Model clearly).*

Why might we suggest this as frankly, it costs us money to arrange an account and we have charges with our administrators, regulator and so on as well as costs of overheads, advisers and staff? Well, it's quite simple. Yes, we'll earn a little income from the proportion of the management fees and brokerage but we see this as an opportunity to show you what we can do so we are prepared to invest our money in your taking advantage of this special chance. If your 'trial' stops there, so be it, but if we can demonstrate our prowess, both administratively and investment-wise, then you might well see the value of extending your connections with us so that we can help you much more.

Well done to those of you who have already taken advantage of the 'trial offer'. We hope that soon we shall be able to show you what our unrivalled systems can do.

Fair enough, it might cost us to provide the service so you can join so it could be a sprat to catch a mackerel but on a no-commitment basis we hope it appeals and sounds like a fair and confident proposal to make to new prospective clients. There are plenty of excellent value investments out there at the moment and overall, for example, our 'Balanced Portfolio' can generate in the region of 4%pa or more income alone - for many that is tax free under the new Tax Allowances, too. Are you using yours? Remember these are on top of your ISA and Pension allowances too.

Please get in touch to receive further information about all our available investment accounts and models (and of course to receive either advice on the investment or all the necessary information and risk warnings to satisfy our regulator if you wish to proceed on your own).

Our Will Planning Services

It is estimated that nearly 60% of the UK population does not have a valid Will. If this is you, when you die the law will decide how your Estate will be distributed under "Rules of Intestacy". Make a Will – your wishes are what counts! Don't assume the law will fulfil your wishes but take steps to protect those closest to you.

We have written Wills for over 800 of our clients. Our standard charges are from as follows:

A basic single Will	£120 plus VAT
Update to a Will previously written by us	£50 plus VAT

Specific quotations are provided once we are clear on the work required. You can have an appointment without any obligation to assist you in determining your needs if desired. 50% discounts are also available on the cost of a second instruction for couples instructing together (unless the instructions substantially differ).

Is it time you reviewed your Will?

Did you know that whilst changes of address do not usually mean that an existing Will needs to be rewritten, common life 'events' such as marriage, divorce or change of name (either you or anyone mentioned in your Will), a birth or a death, a significant change to your financial situation or changes to legislation may all play their part in invalidating some or potentially all of an existing Will. We recommend that you review your Will every two to three years to ensure that it still reflects your wishes and that the details are up to date. Whether or not your existing Will was written by us, we shall be happy to help.

'My Will had been made many years ago and needed updating. I had not been able to schedule the time to make an appointment with a local solicitor. The Company was able to deal with my requirements by post which saved me having to take time out from work. They sent an excellent questionnaire and guidance pack which enabled them to draft the Will to my requirements and was able to explain any concerns and questions I had. The draft Will was sent to me for approval before being finalised. The Will was prepared exactly as I wished and comprehensive signing and witnessing instructions were provided. Philip Milton & Company Plc has retained a copy of the Will as a safeguard and also in the eventuality that legislation might change and the Will might need to be revised at some time in the future. The Will writing service is very convenient and efficient.'

Bodmin, March 2016

Pension Higher Rate Tax Relief: Client Case Study

As part of their annual review, our client, a Higher Rate taxpayer, wished to discuss their plans for a Stakeholder Pension. They had been contributing to the Pension each month for a number of years. As per current legislation, personal pension contributions (rather than employer contributions) automatically receive 20% Basic Rate Tax relief (e.g. £100 net contribution becomes £125 gross contribution upon investment). Our client had not previously realised that Higher Rate taxpayers are therefore entitled to further tax relief but that this is not applied automatically, it must be reclaimed separately. We assisted our client by providing a letter to HM Revenue & Customs alongside evidence of pension contributions and Higher Rate Tax status from the last five tax years in order that a backdated tax rebate could be processed. Our client received a cheque in the post for over £1,200 as a result and we will continue to reclaim the rightful tax for them. They have subsequently chosen to transfer the pension to our discretionary managed Self-Invested Personal Pension (SIPP) so that the policy can benefit from our ongoing oversight, too!

In Other News

Are You A Bad Cash Manager?

Apparently 31% of the middle class and 46% of the working class could not pay an unexpected £500 bill without borrowing. This is what a recent survey has found. Really, that's a pretty poor indictment and aside from the unusual negative financial situations which afflict all of us from time to time, if you don't have that, then that should be your priority. Put a few pounds aside each week/month and stop over-spending. Repay your credit card debts each month too to avoid suffering the penal interest rates (did you know that if you leave a penny of debt you pay interest on the whole outstanding sum?). Start managing your finances smartly and be better-off!

Sovereign Wealth Funds

Did you know that in 2014, sovereign wealth funds (typically fat pots accumulated by oil-rich nations but not exclusively oil-based) added $48billion. However, following recent weaknesses in commodities, $46.5billion has been withdrawn and this pattern will be continuing as oil prices remain depressed.

Is this a bad thing? Yes, in that if it happens too quickly it can destabilise (and has destabilised) things. However, let's rationalise. Most of the money invested is in things like government bonds and very low risk bonds, so not direct equities. Then, a goodly chunk of the latter is in 'passives' – index-tracking holdings and hence why suddenly the 'low cost' ride there has proven pretty darned expensive for investors as they have realised how out-of-line the indices can be with underlying economic performance as a few sectors have really dragged-down performance (remember the FTSE100 index is still way lower than the 1999 peak, the more representative All-Share Index is just about level whereas the FTSE250 has risen some two-and-a-half times since then and with more income).

But look at the other side, economically it is destabilising to have these sales but remember, if these nations have to encash this level of investment, corporations, governments and individuals across the world are enjoying the benefits of very low oil and other commodity prices so they are significantly better-off and are investing their surpluses instead, so counter-balancing the argument. Yes, it might not be quid pro quo (too much into residential property, for example) but it is all having a positive, mirror reflection.

Putting amounts into better perspective, the 89 Local Authority Pension schemes in the UK hold £179billion.

Our Business Strength

It is reassuring when an independent entity analyses the accounts of all businesses in our sector and advises us that we are 'strong' in its latest assessment, based on 1,450 financial advisory groups in the Country. We are complimented whilst 208 competitors are in financial danger and a record number are making a loss.

Plimsoll's report suggests that upon its criteria we are the 21st most profitable and 213th most valuable company assessed…

The Budget

There were some interesting things in the Budget on Wednesday 16 March which we have not yet had the chance to comment upon within Milton News. I shall try not to be political (as we may all have had enough of that recently, and that is not the purpose of this missive) but whilst a provision in one way might appear to cost tax revenue, it doesn't mean that it is at the expense of a Benefit cut somewhere else. For example, it has been proven that a lower Corporation Tax rate can raise more money as fewer companies go out of their way, legitimately, to do things to reduce the tax they pay as they see a lower rate as attractive. You don't have to agree with the principle but that's a fiscal fact! Another interesting point is that in 2003 (under a Labour Government curiously) the richest 1% by income paid 21% of all Income Tax and now under a Conservative Government that 1% pays 28% - primarily because the lower the highest percentage charge, the more they are happier paying (as opposed to going out of their way to avoid tax legitimately). If the top rate was set so much higher than it is now as a socialist may believe is logical, then we could even frighten those few taxpayers to leave the Country and go to the Channel Islands for example and then, instead of collecting 28% of all Income Tax from them, we collect 'none' and so the rest of us has to pay 39% more Income Tax simply to balance the books – interesting isn't it! I have to agree that 40% is the 'optimum' top tax rate in fact so one more cut due sometime, to collect even more money for the Country's coffers!

Of course, Nicola Sturgeon is going to fall into that trap as she is not going to pass the tax savings on and plans to increase the basic tax rate as well as introduce a 50% rate at some point. She should have a chat with M. Hollande of France! He found out the hard way. How many better-paid Scots may gravitate south of the border to do their jobs if they can even with the forthcoming Brexit (especially self-employed top-end ones) and also how many new ones will be dissuaded from going to Scotland; the amount may seem 'small' but it is all an unnecessary negative adding to the fears over 'independence' and a very left-wing and profligate government up there already. She will then find that rather than collecting an extra, say, 5% she loses a whole 45% she would otherwise have retained. It is no surprise house prices in Edinburgh have not moved in the last five years apparently (or elsewhere) and so Berwick-on-Tweed could be the place to buy if you are an investor! It is only 57 miles from Edinburgh.

So what specific things were of particular interest beyond the headlines reported?

Capital Gains Tax – cut to 10% and 18% on profits from 'any' capital gains aside from Buy-to-Let properties which remain at the higher present levels. This could be a big boost for stock market related investment and 'products' like 'zeroes' which legitimately roll-up the gains over the years. Particularly interesting in that dividends are being subjected to surtax, especially for Higher Rate taxpayers.

Rent a Room scheme – you can now charge up to £7,500pa for renting-out furnished rooms in your home and enjoy the income tax free! So, take in a lodger or two! The exemption (which is turnover not profit) also applies to holiday letting (e.g. renting an annex or indeed the whole property) and bed and breakfast as well! Whilst this is good, it is a negative for genuine businesses in the holiday trade which need the peak season income to pay the year-round bills as the 'amateurs' would be taking money only at the peak periods of course and with none of the overheads – or standards and protections afforded to visitors of 'proper' businesses.

Clovelly Harbour

Selling goods and services and property income – two new allowances for everyone here. The first £1,000 of profit from trading (internet, for example) is tax free! The same if you rent-out say your drive or a garage at your home - £1,000 of profit tax free! In neither case do you need to declare the profit either if below £1,000 (not quite sure how this will work in practice; nor the implications if you exceed the limit by 1p and haven't reported it, nor whether this allowance will exist automatically for existing trading businesses).

ISAs – a significant increase to £20,000pa for subscription into a tax free wrapper. This doesn't cost the Taxman too much as interest rates are so low and the majority of ISA subscriptions have been to cash accounts not the stock market, despite the better potential from the latter (don't forget you can transfer from a Cash ISA to a Stocks and Shares one now - and that can include P2P lenders as well at rates approaching 10%pa).

LISA – Save up to £4,000pa and the Government will add £1,000! You can take the money out anytime but lose the tax relief (and pay a penalty) unless you are 60 or it is to buy your first home. We look forward to encouraging everyone eligible from 18-40 to save as much as they can into a LISA and shall have a facility available starting at only £50pm for them to save.

Help to Save – Those on Universal Credit will be encouraged to save up to £50pm with a 50% bonus at the end of two years which could be worth £2,400!

Multinationals – have cheated the legitimate tax rules for many years so expect the rules to keep tightening. Of course, along with more tax comes bigger costs to us as consumers.

Quarterly Tax Returns for businesses and landlords – has the phraseology changed? 'Taxpayers who keep their records digitally will have the option of adopting a pay-as-you-go payment pattern'. Did George listen to the protests about this extra bureaucracy? More below!

Business Rate Relief – small business exemptions increased significantly so many savers across the country benefit from this and the exemption has been made permanent.

Curiously the Chancellor has announced no major changes to tax relief and pension taxation. That is good news, probably, but is still no excuse if you are a Higher Rate taxpayer from using your invaluable allowances each year. There is still a tremendous benefit and the 'pot' can almost be used for 'anything' as well these days and access to the whole thing from age 55. There are fewer better investments out there at the moment and at some point the rules will be changed. Curiously, the threat ahead of the Budget of major change could have cost the Chancellor £1.5billion it is suggested – from all those extra contributions which have been made in anticipation of the tax change coming into effect from 6 April…

Countisbury and the Exmoor Coast

Ethical Investments

Unfortunately, sometimes these 'products' and their concepts can be the most unethical and manipulative going. They prey on many people's natural desire to 'do something positive' with their money and so a well-intentioned endeavour (albeit however naïve in the context but that's for another time) can result in an absolutely imprudent foray into something in which no-one should be investing.

The latest is a Costa Rican 'Ethical Forestry' project that frankly anyone in their right mind wouldn't have touched with a barge pole but sadly the directors of the company have done very nicely (taking £14million out in its last two years alone) and investors are left holding the losses. 3,300 people subscribed to this one and at a minimum thought to be £18,000 each with many being more significant than that. Whilst it is important not to generalise, very often the fluffiness of a scheme or a project can mean that the economic heads are not screwed-on so wisely either and/or they offer rich pickings to scammers who sell the 'latest' buzz thing from 'Carbon Credits' to collective 'Solar Farms' and so on. Of course they are not all 'bad' but it is an easy game for the fraudsters, I regret.

Indeed, even solar panel installations on your roof are allowed to quote a 'return on your investment' yet conveniently forgetting that you lose the capital over the panels' lifetime so that should be included within it as well, let alone the decommissioning costs which can be some thousands, scaffolding if your building needs it (both ends!) and of course the possible constraints upon your house insurance (and possibly higher costs) as well as the legal issues involved if you have taken-out one of these lease-back schemes. Recently a colleague also found that following high winds whipping his panels off his roof there was no insurance to replace them either and the original installer had gone out of business.

In a strange turn of events, some in the ethical investment sector are also now debating how ethical it has been to not be invested in tobacco stocks which have generated a vast return of well over 1,000% for shareholders since 2000, about nine times the average. The lost returns for their stakeholders could have been considered 'unethical', apparently. Whilst our own views are that what is offered investment-wise is not what people think they are buying and proactive ways of influencing behaviour are preferable (and not all other investments or investors are 'unethical' by default), it would not be a surprise to see the tobacco industry subjected to special taxes or liability lawsuits. This would help cover the proven adverse health consequences of smoking, allowing governments to recognise the ongoing corruption of millions of vulnerable people and children from across the world and especially in developing parts.

The issues experienced by developed and developing countries when attempting to fund health programmes could surely be aided by specific taxes against these overly profitable giants growing big on the backs of people's inevitable ill health. Conversely, it highlights the pathetic albeit well-intentioned 'ethical investment' concept – it would have been better if 'ethical people' had invested in such vile companies (as they perceive them) so that then they diverted their energies towards influencing policies as shareholders rather than wondering how unethical it has been by not ensuring their stakeholders participated in the returns from tobacco stocks! Indeed, I am sure plenty of 'ethical people' have enjoyed the investment returns from Mr Neil Woodford's passion for tobacco stocks across his Portfolios! Not as a judgement or decision but justified from a value basis anyway but I should add we have none, incidentally.

The Chancellor and Our MP Listen

You may recall that each week we have a Business Breakfast at Trimstone Manor Country House Hotel at 7.15am. Everyone in business and retired from it is welcome to attend – you only pay for breakfast and that is at a preferential rate of £9 as well. Well – earlier this year we forwarded our ideas for the Chancellor to consider for the Budget and here is the reply – with thanks for our erudite thoughts. If you would like to join us anytime, please feel free to attend – and a quick call or email beforehand is always appreciated to help with numbers.

HOUSE OF COMMONS
LONDON SW1A 0AA

29 February 2016

Dear Philip

Thank you for your email and I hope all is well.

You have raised some interesting points and I have written to George Osborne, as you requested, raising them. I will of course inform you of the response that I receive.

Whilst I do not expect that we will be seeing a reversal of the living wage or a removal of the triple lock pension guarantee any time soon, the business meeting nonetheless has made informed suggestions which I am sure the Chancellor will consider.

Thank you again for taking the time to contact me.

All the best

Peter

Peter Heaton-Jones MP
Conservative, North Devon

Then in the Budget, the Chancellor mentioned the 'Corner Shop in Barnstaple' – he remembered that we had mentioned in our list a desire to review Business Rates and reliefs especially for small businesses and so he referred to our erudite comments specifically – thank you! You didn't realise we had such influence, did you!

National Savings

Oh yes – mustn't forget these where the rates are down yet again. And on Pure Superstition Bonds (PSBs, although most people call them Premium Bonds…), the Government has cut the rate to only 1.25%pa from June with nearly 300,000 fewer prizes. So please, as with the Lottery, don't pin your hopes on a big win to reward you for your interest and transform your financial life – it isn't going to happen. The odds are so remarkably poor that the only person who should invest in these from a financial planning perspective is a wealthy, Higher or Additional Rate taxpayer who uses every other possible tax allowance going every year already and there aren't many of those around. The other person is the one who uses PSBs for instant cash accessibility like a deposit account – you're not going to lose much and the funds are readily available. The rest of you need a wake-up call as your monies are stagnating and will continue to do so – sorry but that's a fact!

Chartered Wealth Manager

To think that I decided not to become a vet as it seemed so many years of study and here I am, having taken the latest examination, this time with the CISI entitled 'Integrity Matters'. Bolting this onto existing examinations and experience has qualified me to apply to be a 'Chartered Wealth Manager', which has been accepted – the second in our Firm after my esteemed colleague Mr Mark Millichope and I believe only the second in North Devon. So that is thirty-seven years' study and examinations so far… Hmmmm! Add to that I calculated I shall have been paying National Insurance for my State Pension for fifty-two years before I start to qualify to receive any… and the new rules mean that in theory, men or women only need to complete thirty-five years' contributions for a full pension now…

Pension Schemes Destroying Businesses

It is a sad fact that the rules to protect the salary-related pension funds of employees and pensioners have claimed yet another scalp and put thousands of employees on the scrap-heap. A well-intentioned strategy to invest the assets in pension schemes according to their present and future liabilities has caused such a colossal poison-pill to so many companies that they are struggling or indeed have been swamped. This is a foolish way of investing money even if theoretically logical. I fancy the same economists making such wanton predictions for leaving the EU might be to blame for the position in which we find ourselves! I mean, just think about it. If some wise spark on the case for employees' rights said that every employer had to put money aside to ensure all their future salaries were covered by a separate pot regardless of what happened to the very company for which they worked… that is almost what has happened and the only difference (they'd say) is that pensioners don't have the chance of going to work to repair against any damage which could arise.

Only a few months ago BHS closed and if it had not had such a colossal deficit and indeed annual payment demand imposed upon it to meet that pension deficit, maybe the company would still be going. This is nothing to do with other mistakes and downright inappropriate financial behaviour but add to this list Tata, Woolworths and Comet and indeed even BT has been included in view of its massive mismatch of assets over liabilities.

There has to be another way of providing employees' pensions which doesn't end-up killing the very business which must try to survive to protect the well-being of the present employees' salaries as well as providing future pension benefits.

It reminded me this week about the claims for employment rights in the EU debate (remembering that employment contracts will not change overnight even now we have voted to leave the EU, incidentally) but sometimes these very 'rights' to those privileged few who may benefit from them prove to be the exact opposite. The unemployment levels especially amongst the young in Greece, Spain, Croatia, Italy, Cyprus and Portugal all have figures over 30% (Greece almost 50%). The National Living Wage here could prove to be a reason why people don't have jobs – as they are unaffordable – not giving a bigger income to all employees at all. Pension Fund 'protections' seem to smack of exactly the same thing.

Who will look after things for you if you can't?

If you lose mental capacity– for whatever reason – someone else will have to manage your money and bills and take decisions about your health and welfare circumstances. The Court can appoint a deputy to represent you, but Lasting Powers of Attorney (LPOAs) are the way for you to decide in advance who can best represent your interests when you may not be able to communicate them for yourself. You may wish to make both "Health and Welfare" and "Property and Financial Affairs" LPOAs.

Our charges for LPOAs are:

£225 plus VAT to make a single LPOA

£50 plus VAT for each additional LPOA made at the same time

£150 plus VAT to register a first LPOA

£75 plus VAT for each additional LPOA registered at the same time

The Office of the Public Guardian charges a further £110 for each LPOA registered.

For a no obligation preliminary review as to the possible merit of making these arrangements for your future peace of mind please contact us.

Your Retirement

The latest data from the National Institute for Economic and Social Research suggests home owning can leave you poorer in retirement. The theory is that those who scrimp and save to own a property place less in other forms of savings and pensions to provide for their dotage. Many might say that their property is part of their retirement nest-egg (though it is often an impossibility to access it). However, there is the other side to the equation: properties have maintenance costs and repairs and owning your home means the liability falls to you – if you are retired and without your occupational income that is a harder cost to find.

Of course, you'll know my present concerns that whilst I believe the concept of home ownership is an absolutely admirable one – when the price is wrong it is no longer wisdom and can become foolishness and when parents or grand-parents do help youngsters to buy, could they be helping them into a whole load of trouble as and when the market goes into reverse and interest rates have to rise, inevitably? Regardless of one's views, it is true that the 'appeal' of saving for a pension (despite the tax relief to entice you) has waned – but please do not fail to do so. It is imperative to spread your financial exposures far and wide and having 'everything' in your home is not wise, however good it may appear to have been in the past. Changes to markets (including property) are the only certainty in life and that means ups – and downs.

Fraud Emails – Watch Out!

The fraudsters will try anything and please, please DO NOT respond to offers from Nigeria or messages from HM Revenue and Customs telling you that you have a refund to come – they are unscrupulous people simply trying to access your bank accounts and get you to pay them something.

And how about this for audacious – a local man who previously succumbed to a simple boiler room scam was telephoned by an entity which said they had secured his details and have managed to extract some value from the bogus investment and wanted to send him some money back – so they did – £4,000. They then went on to sell him some other bogus investments and thankfully he came to us and only sent a part of it back but clearly their idea was to entice him into sending them a far bigger sum as no-one would send you money first, would they? It is disgusting. The lists of 'vulnerable people' and those who have been caught before are sold on the black web. The criminals these days can be Mafiosi, ISIL or other such groups – please be wary and DO NOT RESPOND to any telephonic offers about money. Also remember, you can always ring us for comment – without cost and we shan't treat you as an imbecile, I promise. The whole subject makes me very angry and I feel governments could do more to stamp-down on the origination of such crimes – rather than wasting so much on telling people to watch out. The snake's head and its conduits need to be cut-off, not more issues of anti-venom when often it is too late. Oh yes and avoid funeral plans too – the latest high-commission racket.

Official Opening of Choweree House

In April, we were delighted to hold our official opening of our new business premises, Choweree House. Guest of honour, Mr Peter Heaton-Jones (MP for North Devon), was on hand to cut the ribbon in front of our staff, clients and well-wishers.

It was a truly special and memorable day, having opened up our offices to the public in the afternoon for guided tours and cream teas. We were glad that so many people took the time to attend and the feedback was overwhelmingly positive. Many of our visitors commented upon the light, bright spaces for staff and clients alike, as well as admiring the period furniture and artwork which I selected to sympathetically furnish the client spaces.

We were particularly grateful to have Peter Heaton-Jones in attendance and I thought his words before cutting the ribbon were particularly well chosen: “It is wonderful to see the building brought back to life, once again holding an important position in the town. It is companies such as this which keep Barnstaple’s heart beating.” Albeit he did joke that I was subject to the Grade II listing status, dating back, as I do, to the 1830s… Thank you, Peter!

I’d like to take this opportunity to again thank everyone who worked so hard to get the building ready for us: Project Manager, Mr Les Murray, for coordinating the renovations; Mike Hooper, Structural Engineer, for ensuring the base from which the works commenced was sound; MultiHeat for providing the state of the art infrared heaters; Simon Holder, Paul Brock and Ross Wensley, who undertook the mammoth task of rewiring the entire building for electric, telephone and data provisions; Southwest Lighting for suppling imitation daylight fittings and the feature chandeliers; Nick Howard and his team for the internal decoration;

Al Baker, plastering; Richard Pearce for repairing the sash windows; Andrew White for plumbing; the Sign Shop for our superb new business signs; M&E Alarms for ensuring the intruder and fire alarm systems were in place; Finishing Touch Flooring; Solar PV Tech Devon; finally, AFS Fire and Security for providing the necessary fire extinguishers.

We are thrilled to be in the new building after all the careful planning and painstaking renovations and look forward to being here for many years to come!

Memories of Choweree House

We are appealing to North Devon locals for their memories of Choweree House and its residents. We have been delighted to hear from clients and friends of the Company with stories to share about our new building and its past, and will be seeking to collate these memories and our own research as part of a special project.

If you have anything you would like to contribute or share, we would be very happy to hear from you! Please contact info@miltonpj.net, call 01271 344300

Exams

We have always believed that it is imperative to have professional qualifications to back-up your advisory experience. With this in mind, well done to Felix (my very own) and Elizabeth Webb, both in their twenties and who are now regulated by the Financial Conduct Authority (FCA) and are as qualified as the MD in a leading local competitor's firm… Thing is, they haven't and won't stop yet. Once they become 'signed-off' as qualified 'advisers', as with their colleagues, they will be encouraged to continue studying, possibly with specialist disciplines to add to the general levels of qualifications necessary to satisfy the regulations and ultimately their advisory and management skills for the future. In reality it is not 'boasting' but actually what I suggest you, the client, should expect of your adviser. Why not check to see how advanced their qualifications actually are?

Shortlisting for The North Devon Journal Business Awards 2016

Well done to the North Devon Journal again for hosting its awards this year and especially to the Business Editor, Rob Zarywacz, who I know works tirelessly on this. We were very pleased to be shortlisted in two categories – 'Digital Business of the Year' and also 'Medium-Sized Business of the Year'. We were not the winners but appreciated the accolade of being selected from a very strong field! I had to laugh at our first nomination – just days before my internet notoriety – success which I imagine any local marketing, social media and PR firm could only dream… Well done to the organisers, all the entrants and the winners in the varied categories and a lovely night at High Bullen Hotel in its new Pavilion – a lovely centre for functions.

Firm's most newly qualified advisers, Felix Milton and Elizabeth Webb at the North Devon Journal Business Awards Ceremony.

Philip Milton & Co is Rock Solid!

Two of our youngest members of staff, Felix and Elizabeth decided to take on a new challenge: 'Rock Solid', a 15km obstacle course involving mud, running, lake plunges, icy conditions and more than 40 obstacles throughout the course!

This type of course is not new to them – they did their first challenge together last year in the form of Tough Mudder (a 12 mile obstacle course) – but this time, the weather was a challenge too!
We were happy to sponsor them both to complete the course (rather them than me!). After hours of training almost every day and even some health issues leading up to the race, they completed

the course in Exeter in a very respectable two hours and fifty minutes and while Elizabeth came away with many 'badges of honour', Felix managed to not get a bruise on him at all!

Our Support for Local Projects & Charities

Tearfund

As announced in our previous newsletters, as part of the Company's 30th anniversary celebrations, we are delighted to have partnered with Tearfund, a Christian charity with a vision to see 50 million people released from material and spiritual poverty through a worldwide network of 100,000 churches by 2016.
John Appleton of Tearfund has visited the office to discuss our partnership with our staff and we are looking forward to some exciting joint projects, more news to follow in subsequent editions of Milton News!

If you would like to join us in supporting Tearfund, we are of course happy to accept donations (please make cheques payable to 'Tearfund' rather than ourselves and we shall allocate the funds to the partnership project).
For more information, do visit the Charity's website: www.tearfund.org

Devon Community Foundation (DCF)

The Philip J Milton & Company Plc Fund through the Devon Community Foundation (DCF) has funds to allocate to local causes every year. If you know an organisation which may qualify, please approach me and I'll put you in touch! We like to try and help a range of smaller ventures if possible but DCF's general endowments or other funds could help, too.

Through our networks I am also happy to give guidance on general fund raising opportunities and access to funds for smaller worthy causes where I can, too. www.devoncf.com

Wimbledon Prize Winner

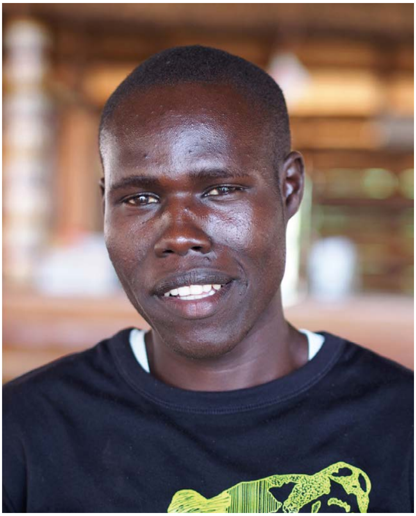
For the second year running, an added 'perk' of being one of our eligible investment clients was free entry into our draw for a pair of Wimbledon Centre Court tickets. We are delighted to announce that Mr Peter Murdoch of Aberdovey, Wales, was the lucky winner. Generously, as he was unable to attend the event himself, he made a gift the tickets to his cousin Mr David Stanworth and David's daughter, Sian. At the time of writing, Wimbledon is in full swing and Peter is looking forward to trying to spot David and Sian in the Centre Court television coverage! Congratulations Peter and we wish both you and your family a very happy tournament!

Amigos

Philip J Milton & Company Plc is delighted to be supporting Amigos, a charity whose aim, working alongside its African partners, is to bring about entire communities who are self-supporting through education and training. Their vision is to see poor and marginalised people live with dignity, equality and freedom.

Our Corporate Sponsorship is currently being used to sponsor a student of Kira Farm in Uganda, where young people can enrol in a one year programme focusing on three main areas: conservation farming, vocational training and holistic life skills.

Amigos



Geoffrey Okot, age 19, is the student benefiting from our sponsorship. We are delighted to receive monthly updates from him by email as he progresses through the programme. Regarding his training in computers, he commented, 'Imagine, I am going to leave Kira with skills that are going to better my life and community but also be in position to compete with university graduates because I can use the computer'.

Geoffrey's studies will include:

FARMING:

Although many young people in Uganda have access to fertile land, they often live off just one meal a day because no one has taught them how to farm effectively due to their parents' generation being wiped out by conflict and HIV. Ironically vast areas of Uganda which lie barren could yield abundant crops. Kira trainees learn conservation farming techniques which are environmentally friendly and equip graduates with the skills to feed themselves, and their extended families, three meals a day. They are also able to grow extra crops to sell and use the spare income to pay for their children to go to school and purchase essential items such as soap and salt.

VOCATIONAL TRAINING:

Uganda has both the youngest population in the world and the highest rates of youth unemployment. Kira's solution is teaching young people the skills and providing help to set up small businesses. Students can choose to focus on tailoring, carpentry, bicycle repairs, bee-keeping, hairdressing and beauty or construction.

HOLISTIC LIFE SKILLS:

Young people in Uganda are full of potential, energy and talent, but they are trapped in a cycle of poverty. At Kira we aim to change the mindset of the trainees and help them see what they can do for themselves. The project believes in holistic social transformation and throughout the year the trainees complete courses in character development, conflict resolution, Biblical discipleship, health and hygiene and nutrition.

Geoffrey's childhood was not an easy one. He was five years old when the Okots family left their home and spent five years surviving in an Internally Displaced Persons (IDP) camp during the war with the Lord's Resistance Army (LRA). The LRA was largely made up of tens of thousands of children, led by the infamous Joseph Kony, who were abducted and forced to fight as soldiers. Kony has been indicted for war crimes and is believed to be in Central Africa.

The LRA would often raid the camp so all the children would set off late afternoon and walk to the safety of Lira town, sleeping wherever they could. Sometimes they would run to the bush when the rebels attacked. The LRA were looking for clothes, food, boots - anything they could get their hands on. Most adults were beaten almost daily as the raids took place while the Ugandan army, who were supposed to be protecting them, stayed in their barracks. Geoffrey lost an older sister when she was captured by the LRA and she has never been seen again.

In recent years, Geoffrey has been living at home helping his mother to produce enough food to feed and pay for the family's needs. Geoffrey's favourite subject at school was agriculture. Before Geoffrey started studying at Kira he planted lots of crops for the family to live off while he's away.

Amigos hopes to play its part in helping people to change their lives. Whilst only 17% of young people are employed in Uganda, 100% of Kira graduates are in employment.

Geoffrey has completed his first semester at Kira, and is enjoying the wide range of his studies. We will keep you updated on Geoffrey's progress in our next newsletter.

Client Testimonials

Please find below a few unsolicited testimonials received from our clients – thank you!

'Just to congratulate you and your company for your achievements and hard work… We did not hesitate when we selected you to deal with our financial affairs … so a big thank you and hearty recommendations to you and your company.' **Honiton, April 2016**

'Thank you so much for dealing with our request to make available £1,000 in respect of the balance for a different car last month. The speedy, efficient and pleasant service was very much appreciated as usual by both of us and makes life a lot easier especially when one is within the older generation! We hope to visit your new Offices today and inspect the lovely building which we have seen from the outside. Our very best wishes to you, your Partners and Staff for a long, happy and prosperous stay there.' **Bideford, April 2016**

'Thank you for you thoughtful, clear and professional response to my email. Your helpful approach is always exemplary and much appreciated.' **Barnstaple, April 2016**

'Planning retirement, gave us the best advice we could possibly have hoped for. Very confident with the future.' **Braunton, March 2016**

Have you suffered the loss of a loved one?

We are proud to offer a compassionate

Probate and Estate Administration Service.

To date, we have administered over £35 million of Estates.

Just a few of the benefits of using our Probate and Executorship Services include:

- Initial consultation at our cost
- Our charges are time-costed only
- We encourage you to help with the work, if desired or possible, to ensure costs are kept as low as possible.

Contact us for further details of how we can assist you.

Bennett's Mouth

Watersmeet Tea Rooms

INVITATION TO YOUR ANNUAL REVIEW 2016

Were you aware that if you are a discretionary investment client you can have an annual review of your capital which we manage for you all as part of our service to you? Please contact us if you would like a review, particularly if it has been some time since we have had the opportunity of assisting you. There are a number of situations which may give rise to the need for a review. The following list provides a few examples which may prompt you to contact us (though of course, there are many others):

- A significant change in your income or expenditure.
- A change in your tax situation, chargeable on income or capital gains.
- A change in your family circumstances, like marriage, birth, divorce or death.
- A change in health circumstances or the health of a dependant.
- A significant increase or decrease in your cash reserves.
- A change in your views regarding risk or your ability to cope with fluctuating investment values.
- A worry that very low returns on cash elsewhere are jeopardising your future.
- An expectation of change in your job such as retirement or redundancy.
- A change in your longer term objectives.
- A need for other capital to work harder to meet your future plans and goals.
- An expectation for income or capital from your investments in the near future.
- To query if any changes to tax and investment rules might affect you.
- If you have not been in touch with us at all in the past two years or more.
- The need to consider Inheritance Tax and Estate planning.
- A need to simplify your finances and perhaps consolidate lots of other assets, making them overall more manageable for you and your family.

Even if none of these points apply, you are welcome to contact us to discuss your investments and general situation. Our initial thoughts are provided at no further cost. The update may result in us recommending changes to your strategy to better align your finances with your current situation, aims and objectives.

You can tell us about your current situation by completing our Confidential Client Questionnaire and Risk Assessment, available upon request, from our Office or to download from our website. We are available for face-to-face meetings, telephone appointments or Skype calls, as suits you! We can also offer an initial review at our cost to non-discretionary clients too, so if any of the above examples apply to you please do get in touch, even if you currently don't invest with us.

We look forward to hearing from you!

Choweree House, 21 Boutport Street, Barnstaple, North Devon, EX31 1RP
Tel. (01271) 344300 www.miltonpj.net Email: info@miltonpj.net