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MILTON NEWS

Summer 2018 Edition

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Chartered Financial Planner

Independent Financial Adviser

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Dear Client *July 2018*

I do hope you are keeping well. I write this whilst the sun continues to shine in beautiful North Devon, as it has done now for almost two months! I do hope that you have had the opportunity to enjoy this unusually consistent fine spell of weather.

Markets seem now to have overcome the wobbles that we experienced during the Spring, even hitting fresh highs in May before settling once more. Potentially and conversely, in part this may have been due to less buoyant economic data than expected (slower growth but growth nonetheless), thereby lowering the likelihood of interest rates rising by very much at all in the short-term. As ever, this was better news for borrowers (including many businesses and therefore the stockmarket) but less favourable for savers who continue to suffer the appallingly low rates offered by the banks, building societies and National Savings & Investments. Remember to keep an eye on bank balances as yes, you need to keep enough for known expenditure over the next few years and to cover possible emergencies but beyond that, there are so many other more attractive options.

I am very pleased to report that investment valuations are looking much improved from the rather subdued position on 5 April, which itself followed an excellent run of several fantastic years. Indeed, we are delighted and very proud to have surpassed previous records of total funds under our discretionary management, as I shall highlight later. By the time you read this, investors will also have received their 5 July valuations now that we are required to report these quarterly and I hope the results remain positive.

I suspect that it may be a delayed interest rate rise or two (coupled with foreign interest, albeit that may now be waning) that continues to prop up the UK residential property market. If you have spare funds, please avoid buying property as an investment as nothing ever goes only up in a straight line and valuations will come under increasing pressure as interest rates escalate, Sterling recovers and housing supply becomes more plentiful.

In the US Mr Trump continues to cause a stir on the global stage after walking out on G7 meetings, yet welcoming dialogue with both North Korea and Russia. Very strangely indeed (albeit bizarrely predictable perhaps in the face of a sense of political arrogance elsewhere?) yet domestically his popularity seems as strong as ever. Trade tariffs with the rest of the world are unhelpful for economic prosperity yet appear set to remain for the foreseeable future under the Trump administration. The Federal Reserve has increased interest rates for a second time this year and expects another couple of increases before the year is out as economic conditions "normalise" across the Atlantic.

Elsewhere, as readers of our e-shots will know, the US Tech sector is extremely expensive and we fear the worst there – for valuations and not the technology. As many of you will remember, we have been here before in 1999/2000 but it seems that in the face of overexuberance and herd mentality, fundamental valuation principles simply go out of the window! Indeed, in regard to price to earnings (PE) ratios (basically, this is how many years it will take the company to earn its current share price), we now see Amazon is on 254, Salesforce is 764 and Netflix is 223. It is true that a mature company will have a lower PE Ratio and a high growth company, a high one as it is multiplying its growth exponentially year-in, year-out and investors will pay more to benefit from that expectation. Nevertheless, compare this to BP (34), Glaxosmithkline (49), Vodafone (21), Sainsbury (23), AA (7) and Tesco (16). These are all very well known and successful companies (some with very generous dividends on top too) and yet they are now considered a little more mundane which to us means the valuations are far more attractive than the aforementioned US tech stocks, where we have no direct sector exposure and have also elected to trim some of our indirect exposure within such collective funds too. Instead we are more interested in undervalued opportunities in companies that we expect to recover and prosper going forwards.

With regard to currencies, we continue to believe that Sterling is too cheap, no doubt languishing against other currencies because of ongoing and frustrating Brexit and Government uncertainties. A pound currently buys just €1.13 whereas a fairer value would be nearer €1.40 in my opinion. We have been (and continue to) purchase some currency exposure as another form of 'cash' – reverse Dollar and Euro positions. These are defensive assets and whilst generating no/little income, the protection is invaluable especially in potentially volatile times and remember these are uncorrelated to shares and other real assets. However, short-term it has not 'done anything' and may have lost us some money as has gold in the last six months but it does not mean it is time to relent.

Domestically, there are calls for Inheritance Tax to be simplified as it is being described as "misunderstood and unnecessarily complicated" by the Association of Accounting Technicians (AAT). It is suggested that due to the level of complexity, innocent taxpayers are making honest mistakes and accidentally underpaying this tax to the tune of over £500million annually. Later in the newsletter this is discussed in more detail and how families should be planning across generations for valuable wealth preservation. We shall be happy to advise you further in that regard. However, expect some changes over the next year or so as the Chancellor has asked the Office for Tax Simplification (OTS) to carry out a thorough consultation on Inheritance Tax and how it works. The OTS will publish its report this Autumn.

Finally, don't forget, if you're in the area we'd love to see you at the **North Devon Show** on **Wednesday 1st August**; the Firm will have its usual stand in the Arcade. It is such a lovely local event and a great opportunity for us to say 'hello' to our many existing clients and business associates and offer information and guidance to new ones. All the information you need on the event, and purchasing tickets, is available from northdevonshow.com. Fingers crossed for less rain than 2017!

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

Corporate Chartered Advisers

In our Spring newsletter, we reported that we would soon be receiving corporate chartered status for the firm (from the Chartered Insurance Institute) and we are delighted to confirm this award was received in late March. The staff are absolutely delighted by this fantastic achievement which is testament to all their hard work and the direction provided by the Company's management over the years, dating right back to August 1985.

To achieve this award, the Company committed to a rigorous application process involving a comprehensive review of all its internal systems and procedures to ensure that there was an over-riding focus on the best interests of clients. It was also necessary for advisers to demonstrate higher level qualifications, which have been achieved over a number of years through hard work and dedication. This goes above and beyond the basic qualifications that are required to offer financial advice. How qualified is your adviser?

To date, only 725 firms nationally have met the high standards of professionalism demanded to achieve Corporate Chartered status, indicating that this is a highly exclusive award reserved for the leading firms within the financial advice market. Not bad for a small(ish) North Devon firm! We are the only Chartered Firm in the area.

Inheritance Tax (IHT) – is it voluntary?

To a certain extent the answer to this is actually "yes". Certainly, when compared to Income Tax, National Insurance and VAT for example and the opportunities available. Unfortunately, many of us fail to realise that despite its reputation for being complex and complicated, there are several relatively straightforward planning solutions that you can use to reduce the IHT liability that your loved ones will be required to pay from your hard-earned wealth when you pass away.

The threshold at which IHT is payable has been frozen since 2010, which means increasing numbers of families now face a tax bill when their loved ones die. The number of families paying IHT has increased by 160pc between 2010 and 2016, with data from the Office for Budget Responsibility showing that 40,000 families paid IHT in the 2015/16 tax year. Record inheritance tax receipts highlight the importance of planning your estate, with HM Revenue & Customs having collected over £5bn from IHT in the year which ended May 2017, up 13% on the year.

Solutions range from gifts, passing-over excess income from investments, salary or pension (if surplus to your needs but with very careful documenting), paying into certain investments during lifetime, deferring pensions, establishing insurance plans, all the way through to slightly more complex trusts and deeds of variation for larger estates – there are so many options encouraged by the Government yet HMRC continues to boost its tax take. Why? Possibly it is because quality financial advice is not always sought and perhaps also because we are all a little too guarded about our finances during family discussions than we could and should be! I say should be, as earlier planning within the family can literally save many tens or hundreds of thousands of pounds of family wealth (as we have done for many). Some clients tell us that their priority is "to do what they want now and the children will get whatever's left". That's fine in principle but inaction can result in the taxman becoming one of the biggest beneficiaries of your estate on death and do you really choose to favour the taxman? I suspect you might have been both shocked and more than a little disappointed with that outcome if you had lived to see it. Our advice is to act now to avoid this happening to you.

Intergenerational Financial & Tax Planning

We have done and do help many families plan for the future to preserve as much of their wealth and financial security as possible for future generations. Some find it uncomfortable to discuss such matters but I assure you, this is not mercenary or "money grabbing" by younger generations but completely sensible and logical financial planning and part of the educational task which our offspring and others need to master.

We are more than happy to (and actively encourage) engagement with younger and older generations within families as this can often directly influence a sensible financial planning strategy in the future, optimise returns, minimise taxation and other liabilities and protect capital from fraudsters who are lurking for any opportunity of vulnerability. For example, this might involve the gradual filtering outright of money to younger generations during a lifetime (which we might then invest), investing in pensions for children/grandchildren, investing to generate higher income than is required and then gifting the surplus and perhaps even bypassing the children in favour of the grandchildren to mitigate the children's potential IHT bill. As necessary we can also assist with and prepare Wills, Trusts, Lasting Powers of Attorney and variance of Wills after death to deliver a more tax-effective and appropriate outcome and are already the leading firm in the area with this cohesive service concentrating upon the investment management as an imperative element.

We shall be more than happy to sit down with you to discuss how a "joined-up" financial planning approach with your family might work and reassuring all parties that protecting everyone's best interests is the only objective. Indeed, we shall soon be starting the long process of writing to clients to invite them to consult the Firm on this basis but naturally, if you would like to supply contact details of relevant family members in advance for us to contact at a later date (with their prior consent obviously), then we shall be more than happy to receive them. I should add too that often such planning is done in absolute confidence in relation to family members so they do not know about your capital and what is planned, if that is your desire.

A "One Stop Shop"

The definition of a 'one stop shop' is a business or office where multiple services are offered, where customers can secure all they need in just "one stop". The term originated in the United States in the late 1920s or early 1930s to describe a business model offering customers the convenience of having multiple needs met in one location, instead of having to "drive all over town" to attain related services at different stores.

Without any compromise to quality and professionalism (as evidenced by our Corporate Chartered Advisers' award earlier this year), we are delighted to offer that very convenience to our own clients. We are very happy to assist clients with their savings, investments, pensions, budgets, mortgages and insurance. We have our own taxation and accountancy department with qualifications to chartered accountancy standard for those individuals, firms and charities with that requirement. We have a team to help prepare Wills, Trusts and Lasting Powers of Attorney for prudent (hopefully) longer-term care provisions. We are also very proud to offer our own

Probate and Estate Administration Department which deals with all affairs following death, including executorship services, dealing with HM Revenue & Customs and securing Probate for final estate distribution. Many clients are surprised by this offering as they are often led to believe that they require a solicitor for these services, which they do not. A compassionate adviser with specialist skills and abilities in relation to one's finances and investments is frequently what is best and not a general practice lawyer in fact.

Consequently, by evolving our service offering over our thirty-three year history, now we truly are a Firm that will look after your family's every need in the sphere of finance, investment, borrowing, estate planning and dealings with HM Revenue & Customs for tax and Probate. For those of you who have sought our help, I do hope you will agree that we offer a personal and caring service unlike some where customers are simply a number, with little personal interaction. Helping multiple generations of the same family is something that gives us great satisfaction and as we have been fortunate to do on many occasions.

Options at Retirement

Pension freedoms were introduced in 2014 and have completely revolutionised the way in which pensions are used, both before and after retirement. Previously, around 90% of people bought an annuity at retirement to provide a guaranteed income for life. Now the figure is closer to just 12%.

Instead, thousands are preferring the additional flexibility offered by "drawdown". Whereas an annuity involves handing over the entire pension fund to an annuity company to provide a guaranteed lifetime income, with access to it then gone forever, drawdown involves leaving the pension invested (and retaining control), making withdrawals (income and/or capital) directly from it when required with improved death provisions too. Both options allow 25% to be withdrawn tax-free although with drawdown this may be either as an initial lump-sum or staggered over time.

Each income option is subject to Income Tax and the amount you pay will be based on your circumstances and your tax allowances at the time. Whilst it is possible to withdraw your entire pension as a lump-sum through drawdown and initially this may sound attractive, actually this may result in you incurring lots of tax unnecessarily. So, before you decide which option is right for you, it is important to be aware of the tax implications and in almost all cases this should involve taking professional, independent and competent advice.

Modern retirement takes many forms, with more of us continuing to work later on in life or on a part-time basis. Is phasing your retirement an option that you've considered? Perhaps you'd like to start your own business – or perhaps it's a necessity to ensure you can live how you'd like when you retire fully. Would the basic State Pension and any other investments you may have, such as property, other pensions and ISAs, fund your current lifestyle, for instance? Don't forget to also factor in inflation, which could affect the buying power of your money in the future. Also, remember that you'll spend your time in different ways when you've retired and your day-to-day budget and cash needs will likely change, with some costs going up and some coming down.

Of course, drawdown is not a silver bullet and nor is it without risk. You could run out of money if you withdraw too much, you could live longer than expected or your investments perform poorly. With annuities, the income will not run out during the individual's lifetime but the major drawback is the low level of income presently available. Low interest rates and increasing life expectancy combined mean that annuity rates have fallen dramatically. There is also a complete lack of flexibility should your circumstances (whether financial or family for example) change in the future, as they often do. And what if rampant inflation returns and you have fixed incomes?

Naturally, there are options to lower the (drawdown) risk of running out of money part way through your retirement. For example, you could choose to take only the income actually generated by the investment strategy. This is known as the "natural yield" and typically will be made up of investment dividends and interest. The income is likely to fluctuate slightly over time as the pension is professionally managed but there won't be a time where investments need to be sold to fund your income. Indeed, in time the income from a broadly-based strategy will rise too and hopefully the capital with it.

One of the main attractions of drawdown is complete flexibility with your withdrawals. You could take nothing for a period (which might be sensible to rebuild the pension during a market downturn for example or whilst income from other sources meets your expenditure), the natural yield, a higher initial income before reducing it back to a more achievable level or indeed, capital lump-sums when you (or family) might need them. Before choosing drawdown, it makes sense to ensure that your basic needs (or at least most of them) could be met from other sources, should drawdown income cease or need to reduce temporarily for example.

Another advantage of drawdown over annuities is the treatment upon death. Rules introduced in 2015 allow someone's drawdown pension to be inherited on death by a nominated beneficiary. If death occurs before age 75, withdrawals by the beneficiary from an inherited pension will be completely tax-free (and the pension pot grows tax-free too). Separately, pensions are usually held in trust outside of your estate and therefore are free of Inheritance Tax. Consequently, where Inheritance Tax is likely to be incurred, it may be prudent to defer drawdown withdrawals indefinitely and spending everything else first, if affordable. With an annuity, whilst an ongoing dependent's annuity may be arranged (at a cost), access to the capital is typically lost.

At Philip J Milton & Company Plc, we have been offering independent, highly specialised financial advice and wealth management services since 1985. We help individuals with the management of their medium to longer-term investments, including their ISAs, pensions and portfolios. This year, funds under our management exceeded £150Million for the first time ever. Our lead fund manager has been managing the same funds successfully for one of the longest track records in the investment management industry too.

We offer a wide range of highly diverse discretionary managed pension strategies, based upon investor risk preferences and proximity to withdrawing benefits. All of them facilitate pension drawdown in an extremely cost-effective way. Our managed pension solutions (and ISAs and portfolios) also entitle investors to imperative one-to-one personal consultations about these investments every year, all without extra cost. We believe that our managed pension solutions are a fantastic option for a drawdown portfolio due to unrivalled diversity, cost and purpose-built administration systems. All strategies also generate healthy flows of income (through dividends and interest) to meet any "natural yield" requirement (noted earlier) and yet still offer excellent capital growth prospects.

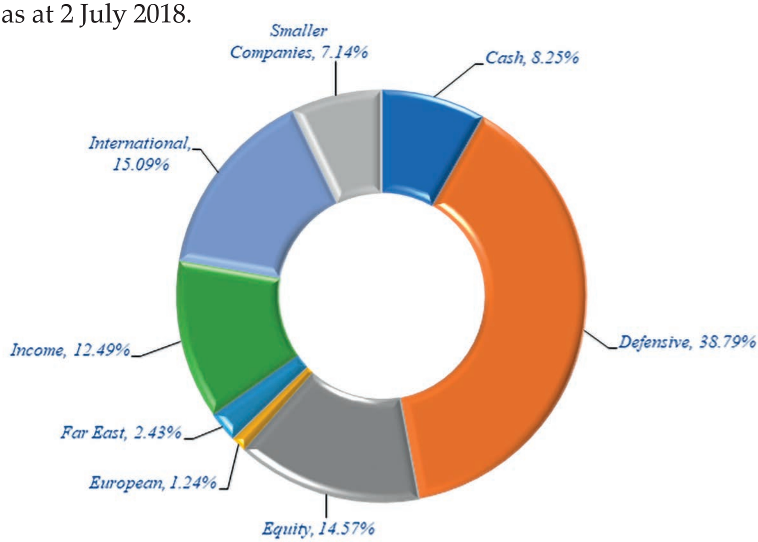
As an example, within one of our more "balanced" pension strategies, a £100,000 pot could potentially generate an income of almost £4,000 per annum gross, of which £1,000 would be tax-free. The £100,000 would be invested across over sixty separate holdings, many of which are Investment Trusts which themselves are collective funds with many underlying holdings. This reduces the risk of too much being invested in too few opportunities. These holdings are capable of delivering growth on top of the income, albeit neither is guaranteed. In this example, if the individual died before using the full pension, any remaining amount could be inherited by nominated beneficiaries, free of Inheritance Tax. If death occurred before age 75, the beneficiary could enjoy tax-exempt income from the pension forever, regardless of their own age or particular tax circumstances. Upon their death, any remaining pension could again pass to the beneficiary's nominated beneficiaries!

In the past, pensions were often criticised for a lack of access (to the entire fund) both at retirement and upon death. Both of these factors have now been addressed with the recent rule changes.

Clearly, there are now even more reasons for accumulating funds within a pension, not only are they incredibly tax-efficient but they also offer wonderful flexibility ultimately (when entering retirement) and can also be inherited by beneficiaries on death (as opposed to being lost forever). "Staying in control" of what is often a significant pot of money is also a major attraction that cannot be over-stated as many of our clients have been less than happy at the prospect of handing over their pension fund to an insurance company to buy an annuity, where the financial return is difficult to quantify in advance (as it depends upon the individual's mortality). And dare I say that if you are a higher rate taxpayer and are not exploiting the absolute maximum in pension funding then you are being very foolish and do not understand the principles now – and the more so if you are near to or over the magical access age of fifty-five. Nothing else can touch them – nothing.

Of course, this information is not advice – you should seek independent advice which will be specific to your circumstances. Our highly qualified advisers will be delighted to meet with you at our cost and without obligation. Please contact the Office to make convenient arrangements. Alternatively, if you are an experienced investor and/or know what you want, we shall be happy to accept your direct instructions.

For information only, see below for more details of one of our balanced pension strategies as at 2 July 2018.



Top Ten Holdings	%	Sectors
Blue Planet Investment Trust Plc Ord 1p	2.35%	Income
JPM Global Convertibles Income Fund Ltd Ord NPV	2.30%	Defensive
Ranger Direct Lending Fund Plc Ordinary 1p	2.22%	Defensive
P2P Global Investments PLC Ord GBP0.01	2.09%	Defensive
Blackrock World Mining Trust Ord 5p	2.08%	International
Value & Income Trust Ord 10p	2.07%	Income
Carador Income Fund Plc Ord NPV (USD)	2.06%	Defensive
Investment Company PLC Ord 50p	2.06%	Defensive
Shires Income Ord 50p	2.04%	Income
Blue Capital Alternative Income Fund Limited Ord	2.02%	Defensive

Investment Income

As investors know, we offer a wide range of highly diverse managed investment strategies. For investors requiring income, they may draw this on a monthly or quarterly basis. See below for details of the income that our strategies are generating. As 'value investors' even our growth orientated strategies generate good flows of income which can be reinvested to bolster returns. Whether you extract or reinvest the income is completely flexible.

Investment Strategy	Income projection at 2 July 2018	Income per £30,000 invested
Higher Security Portfolio	3.18%	£939
Balanced Portfolio	3.63%	£1,039
Cap Growth Portfolio	3.27%	£981
ISA A	3.75%	£1,125
ISA B	3.31%	£993
ISA C	4.60%	£1,380
SIPP D2	3.71%	£1,113
SIPP E2	3.33%	£999
SIPP D3	4.04%	£1,212
SIPP E3	3.77%	£1,131
SIPP D4	4.17%	£1,251
SIPP E4	4.22%	£1,266

Average yields as at 2 July 2018.

Of course, the returns noted above relate to income only (like interest on savings for example but much greater!). On top of that, over time, there is a significant likelihood that the capital value of the account and income will increase too, even if this cannot be guaranteed.

Adding Money to Your Account

Typically, an investment into a discretionary managed solution will follow a rigorous financial review with one of our advisers to determine the most appropriate strategy for your individual needs and at professional cost for the significant time engaged in the advice process. However, for the more experienced investor who wishes to invest with us without advice, this too is possible. Indeed, we are more than happy to accept your execution-only instructions into any of our discretionary managed solutions. We can accept a cheque or a bank transfer, if preferred. Regular monthly contributions could be another option that appeal (see below for further details). Of course, if you do not seek our advice, we would not be liable if you later determined that the investment selected was not suitable for you. Please complete and return the form at the back of this newsletter to proceed.

Contributing Monthly

One of the biggest dilemmas investors face is market timing. Jumping in and out of markets on a regular basis not only requires constant monitoring of daily events but also requires the skill to act on such events. Even then, the likelihood is that results are inferior to those achieved by a longer-term managed strategy as constant jumping in and out often means you are out of the market on the best performing days which sounds odd but is actually true! The message here is that it's nigh on impossible to consistently time markets perfectly, so it's best not to attempt. Invest for the right reasons and then have faith in your convictions.

But that leaves us with a quandary; we want to invest and achieve the best returns for our future but we don't want to put our hard-earned capital at risk just at the wrong time. What we want to do is improve our chances of entering the market at the right time (although of course, one means of achieving that is by delegating management responsibility to long-standing, successful and proven investment manager). Another way to achieve this is to spread or drip-feed one's lump sum into the market as opposed to investing it all in one go. In fact, during volatile times this strategy allows one to benefit from what is known as 'pound cost averaging'. So how does it work?

The concept involves investing on a regular basis. The beauty of this arrangement is that not only does it instil a sense of discipline to one's investment habits (with minimal effort as contributions are collected by direct debit) but it also avoids trying to second guess market movements and averages the cost of buying an investment. This means that a regular investment of say £100 a month buys fewer holdings when markets rise but a higher number will be purchased when shares fall. It is also a great way for the novice to put a toe in the water to see how the system works!

It is actually in falling markets that Pound Cost Averaging really comes into its own. Investing regularly in volatile and falling markets usually results in buying more shares and at a cheaper price when compared to the lump-sum option which may instead be invested whilst markets are at the higher initial level (thereby purchasing fewer things).

The strategy of drip feeding makes market volatility work for the investor during falling markets, which will ultimately boost performance when markets recover. So essentially:

- The investor will be better off in falling markets.
- The investor will be worse off in rising markets.
- Instils a sense of investment discipline which avoids second guessing markets.
- Most investment providers (including us) offer regular savings' plans.

Here is a snippet from our recently launched new Investment Brochure which I hope is of interest to you.

Risk and Emotions

Investing is difficult, very difficult in fact. Being human actually makes it harder still. Why you may ask? Well, it is because even the cleverest individuals are affected by cognitive biases which are driven by our personal life experiences.

Consequently, we all react differently to events and that it just human nature. When it comes to investing, typically this will impact what you do with your spare money, do you save it, do you invest it or do you hide it all under the mattress? Inevitably, it will also affect how you react to investment market volatility, whether it is fear and anxiety to losses, or confidence and elation to gains. Some will see markets fall and immediately panic and extract cash, others will take a sensible long-term view and allow heightened volatility to subside and then there will be those that take the opportunity to invest more. On reflection, despite the volatility that stock markets have endured over the past century, as a result of world wars, depressions, recessions, financial crises and international upsets, markets have remained extremely resilient, delivering generally wonderful results to patient investors over the years and the best returns from shares, outstripping all other forms of investments (including residential property, yes).

Of course, it is investors' reactions to events which makes markets and creates opportunities with a combination of buyers and sellers. When markets learn of potentially bad news, sellers often over-react and dominate (driving down prices) whereas more favourable news is when buyers may increase activity (pushing up prices, sometimes excessively). 'So what?' You may say, you know all of that. Yes, you may do but the key is to understand how your cognitive biases affect your investment decision making as this may save you from potentially expensive and disastrous mistakes.

There have been studies where the emotional reaction to events is measured. In theory, a £1,000 loss on an investment should be equal to a £1,000 gain on an investment in terms of the emotional impact of the event. After all, it would have the 'same' proportionate financial impact on you. However, in reality, something called "negativity bias" causes investors to place more weight on bad news/losses than on good news/

profits. You may tolerate a profit, feel chuffed perhaps at your clearly shrewd judgement but with the loss, often look to blame someone else for the crass stupidity of allowing you to make that decision and you also panic - and fear you need to exit to avoid losing even more. In reality, the studies show that we are five-time less likely to 'like' a loss in emotional terms than the exact same gain.

As investors, we need to harness this and recognise how the masses react and whether that reaction is justified. The "bandwagon effect" or herd mentality is something that people do purely because others are, regardless of their own beliefs. By understanding this in an investment environment and perhaps acting contrary to the masses will allow us to benefit from the over-reaction to such an event perhaps – suggesting that a bad situation can be over-played and positive news taken too complacently.

Whilst it is easy to say and difficult to apply, as investors we must do our very best to disregard the short-term "noise" and sometimes our natural human tendencies and remember our original longer-term reasoning for investing in the first place.

Client Enquiries

Did you know that as a new client you are entitled to an initial consultation with one of our advisers at our cost and without subsequent obligation? Before an appointment we shall also sent send you one of our New Client Packs which contains information about the Firm and why you might choose to use us. We have also launched our new Investment Brochure which discusses the Firm's approach to and rationale for investing in medium to longer-term assets. Please do contact the Office to make further arrangements. If you live further afield or cannot make daytime appointments, we are happy to telephone, email or skype you at your convenience.

Discretionary Investment Clients

Of course, (as noted earlier) if you have already made the sensible decision to join us as an investment client where we manage some funds for you, remember that you too enjoy the entitlement to contact us annually for a review of your investments, all for the cost of your current annual management fee. There is no extra cost. These reviews can help to ensure that the existing investments remain appropriate for you and your ongoing circumstances or allow us to manage the investments in light of any changing needs, an income or likely withdrawal perhaps. Naturally, without knowing about any changes, we shall continue managing the accounts as we are doing presently. If you haven't been in contact for a year or three, please do contact us!

Taxation and Accountancy Service

As with the Firm's financial advisers, our team of taxation and accountancy advisers provide a dynamic, professional and competitive service to our many clients. In attending to your tax affairs, if we highlight opportunities to reduce your liability we shall let you know and offer further advice. We do not simply "process your numbers" without also thinking about whether there is a better option which would save you some tax as well and having access to highly qualified financial advisers is an excellent resource in that regard. There is a natural connection between tax and finance and consequently, the joined-up approach can be hugely beneficial, with constructive personal and business advice to boot.

We offer many different services, covering all aspects of business and personal taxation and accountancy. Indeed, as we can usually provide all the services that you need in-house, we are sure that you will find our charges to be rather more reasonable than many of our competitors, without any compromise to professionalism, competence or presentation.

Some of the main services we offer are:

- Taxation advice and planning
- Personal/Trust/Estate Self-Assessment tax returns and tax reclaims
- Capital Gains Tax advice
- Book-keeping
- VAT returns
- Payroll
- Establishment of Limited Companies
- Business/Limited Company Accounts
- Partnership Accounts and Tax Returns

We shall be more than happy to meet with you initially at our cost to discuss your circumstances and how we might be of help to you.

Dividends and Savings' Tax – Some Useful Facts

Dividends

- You may receive a dividend payment if you own shares in a company or an investment which itself invests in shares for you. You only have to pay tax if your dividends go above your dividend allowance in the tax year. For 2016/17 and 2017/18 that allowance stood at £5,000. However, for 2018/19 the allowance has been reduced to just £2,000 which is likely to catch many more "average" investors. Previously, you might have needed to have investments totalling over £100,000 to exceed the allowance but now, it might affect investors with nearer £40,000-£50,000, depending upon how they're invested.
- Above this allowance, the tax you pay will depend upon your Income Tax band. Add dividend income to the other taxable income you receive to calculate your liability. Tax may be payable at more than one rate, such as 7.5%, 32.5% and 38.1%. Dividends that fall within your Personal Allowance do not count towards your dividend allowance.

- If you exceed your allowance and need to pay tax, how you pay depends upon the amount of dividend income received. Up to £10,000 and you should tell HMRC to change your tax code (the tax will then be taken from wages or pension) or add it to your tax return, if you complete one already.
- Over £10,000 and you will need to complete a tax return. If you don't already, you should register with HMRC before 5 October following the tax year you had the income.
- Tax may also be payable if you sell shares.
- Certainly, these lower allowances make the use of our £20,000 per annum ISA allowances all the more attractive, as all interest, dividends and gains on the sale of shares are completely tax exempt. Pension contributions for those under 75 are another attractive option.

Savings

- Most people can earn some interest from their savings without paying tax. Your allowance for earning interest tax-free is made up of the following:
  - Personal Allowance
  - Starting rate for savings - depending on your other income
  - Personal Savings Allowance - depending on your Income Tax band
- You receive this allowance each tax year. The tax year runs from 6 April to 5 April the following year.
- Your personal allowance can be used to receive tax-free interest if you haven't used it already on wages, pension or other taxable income.
- The starting rate for savings is 0% on up to £5,000. The higher the other income you receive, the lower this allowance becomes. You're not eligible for the starting rate on savings if your total taxable income exceeds £16,850. If your taxable income is less than £16,850, you will receive a maximum starting savings' allowance of £5,000 but for every £1 that your income exceeds your Personal Allowance £11,850 for 2018/19, your starting savings' allowance reduces by £1.
- You may also get up to £1,000 of interest tax-free depending on your Income Tax Band. This is your Personal Savings' Allowance.
- Basic rate taxpayers receive a £1,000 allowance, higher rate taxpayers £500 and additional rate taxpayers £0. This can be applied to interest from bank/building society accounts, savings accounts, interest bearing Unit and Investment Trusts and peer-to-peer lending.
- Any interest received over this allowance will be subject to Income Tax at your usual rate. (If you receive any interest of course!).
- Simply put, for most people these mean that if you earn less than £17,850 a year in income and savings' interest combined, you won't have to pay any tax on the interest paid on the savings.

Unfortunately, the Government has opted to make the tax system for savings and dividends unnecessarily complicated for individuals when a much simpler set of rules should be achievable. We shall be happy to assist you with any queries but equally, do remember that possibly the simplest solution is to redirect savings and investments towards ISAs and pensions where allowances are generous and tax is not payable!

Marriage Allowance Transfer

The Marriage Allowance lets you transfer £1,190 of your Personal Allowance to your husband, wife or civil partner - if they earn more than you. This reduces their tax by up to £238 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 £11,850 or less. You can backdate your claim to include any tax year since 5 April 2015 when you were eligible for Marriage Allowance.

You can get Marriage Allowance if all the following apply:

- you're married or in a civil partnership
- you don't earn anything or your income is £11,850 or less
- your partner's income is between £11,851 and £46,350 (or £43,430 if you're in Scotland)

It won't affect your application for Marriage Allowance if you or your partner:

- are currently receiving a pension
- live abroad - as long as you get a Personal Allowance.

If you or your partner were born before 6 April 1935, you might benefit more as a couple by applying for Married Couple's Allowance. (MCA) instead. MCA works by deducting 10% of the allowance from the tax due on your taxable income. If you are a tax payer your coding notice from HMRC should show half of the MCA amount. For 2018/19 the full allowance is £8,695. This means you receive a maximum deduction of £869.50 from your Income Tax.

Grandparents' Option To Boost State Pension

Thousands of grandparents who have given up work to help look after their grandchildren could be missing out on a state pension boost worth thousands of pounds over the course of their retirement. However, they can act to protect their pension.

Many grandparents opt to retire early to look after grandchildren to allow the child's parents to return to work. However, very few know that they may claim National Insurance credits to compensate them for lost State Pension entitlement.

A parent (usually the mother, though it can be the father) who receives child benefit for a child under 12 automatically receives NI credits towards their state pension. But a mum who goes back to work and pays NI doesn't need the credit because she secures a qualifying year anyway. Under this scheme, a mum can sign a form and pass the NI credit to the grandparent who is actually looking after the child. This means the grandparent benefits from the NI credit and it goes towards their state pension instead.

It is important for grandparents to act or risk receiving a lower State Pension at their State Pension age. Retirees before 5 April 2016 required thirty qualifying years for a full basic State Pension whereas retirees after that date will require thirty-five qualifying years. However, you do need to claim these extra credits via HMRC, they will not be given to you automatically. The number of hours a grandparent helps out with childcare is irrelevant to the claim. So even if it's just one day a week, eligible grandparents should be entitled. Remember though, there is absolutely no point in making voluntary contributions beyond the maximum entitlement you are likely to secure.

The "new" State Pension

You'll be able to claim the new State Pension if you're:

- a man born on or after 6 April 1951
- a woman born on or after 6 April 1953

The earliest you can receive the new State Pension is when you reach State Pension age. If you reached State Pension age before 6 April 2016, you'll receive the State Pension under the old rules instead.

The full new State Pension is £164.35 per week. The actual amount depends on your National Insurance record. The only reasons the amount can be higher are if:

- you have over a certain amount of Additional State Pension
- defer (delay) taking your State Pension

You can still receive a State Pension if you have other income like a personal pension or a workplace pension. You might have to pay tax on your State Pension. The new State Pension is usually paid every four weeks into an account of your choice. You're paid in arrears (for the last four weeks, not the coming four weeks). The day your pension is paid depends on your National Insurance number.

You can apply for a statement which will give you details of how much new State Pension you may receive.

Pension Transfers

Many of us have changed jobs during our lifetimes, starting but then possibly abandoning several small pensions in various locations. This may include a combination of salary related works pensions and (group) personal pensions, all of which will have various individual features. Some of these may not have been reviewed for literally years, sitting dormant in old funds or possibly worse, in cash earning very little indeed.

Whilst not suggesting consolidating them under one flexible "umbrella" is always going to be the better option for you longer-term, certainly it should not be discounted out of hand. For a completely independent review of your options and guidance we should be very happy to help. This might also involve consideration towards how benefits might be available to you and preferred by you in the future. Some of the older pensions won't offer access to the new flexible access options, instead restricting you only to purchasing an annuity. Additionally, the death benefits associated with some deferred occupational pensions are dreadful and offer very little protection for surviving family.

ISAs

Lifetime ISAs

You can use a Lifetime ISA (Individual Savings Account) to buy your first home or save for later life. You must be eighteen or over but under forty to open a Lifetime ISA. You can put in up to £4,000 each year, until you're fifty. The government will add a 25% bonus to your savings, up to a maximum of £1,000 per year.

The Lifetime ISA limit of £4,000 counts towards your annual ISA limit. This is £20,000 for the 2018/2019 tax year. You can hold cash or stocks and shares in your Lifetime ISA or have a combination of both.

There's a 25% charge to withdraw cash or assets from a Lifetime ISA. This doesn't apply if you're buying your first home, aged sixty or over or terminally ill, with less than a year to live

When you turn fifty, you won't be able to pay into your Lifetime ISA or earn the 25% bonus. Your account will stay open and your savings will still earn interest or investment returns.

Help to buy ISAs

Open: the Help to Buy ISA is available from a range of banks, building societies and credit unions. The accounts are available to each first time buyer, not each household. This means that if you are planning to buy with your partner, for example, you could receive a government bonus of up to £6,000 towards your first home.

Save: save up to £200 a month into your Help to Buy ISA. To kickstart your account, in your first month, you can deposit a lump sum of up to £1,200. The minimum

government bonus is £400, meaning that you need to have saved at least £1,600 into your Help to Buy ISA before you can claim your bonus. The maximum government bonus you can receive is £3,000 – to receive that, you need to have saved £12,000.

Receive bonus: when you are close to buying your first home, you will need to instruct your solicitor or conveyancer to apply for your government bonus. Once they receive the government bonus, it will be added to the money you are putting towards your first home. The bonus must be included with the funds consolidated at the completion of the property transaction. The bonus cannot be used for the deposit due at the exchange of contracts, to pay for solicitor's, estate agent's fees or any other indirect costs associated with buying a home.

Energy Cost Comparison

It remains a mystery why so many householders do not take the time (perhaps as little as half an hour) to research the market to identify cheaper energy contracts. After considerable justified pressure, the energy industry has been forced to make it far easier to compare what you pay with other options both from that same provider and the industry at large.

Once you have your predicted usage information, you can simply visit one of many comparison websites and identify a range of other providers' best offers, whether a fixed price tariff or a variable price option. Savings can often amount to hundreds of pounds every year and is a wonderful saving for a quick and painless exercise. Don't delay!

E-Shots – Keeping Up To Date

If you would like to keep abreast of our ad-hoc thoughts regarding markets and many other finance related topics including the mundane but just as valuable, please do let us have your email address so that we may forward to you (without charge) our periodic and independently prepared e-shots. Please email info@miltonpj.net.

Further Enquiries

To speak to one of our highly qualified advisers or paraplanners about any financial query, initially at our cost, please call us on 01271 344300 or email info@miltonpj.net.

Awards and Achievements

2018 to date has been a landmark year for the firm. We are delighted to have achieved the following:

- The award of the highly prestigious Corporate Chartered Advisers status from the Chartered Insurance Institute
- Surpassing £150million of investments under our discretionary management
- Short-listed for "Financial Planning - Adviser of the Year UK" by Finance Monthly Magazine
- I am thrilled to announce that Philip J Milton & Company Plc, has been awarded two COMBEbusiness accolades at its 5th annual OPEN FOR BUISINESS Awards 2018 held at the Ilfracombe Landmark Theatre on 28th April. COMBEbusiness is an independent, not-for-private-profit, private sector organisation which aids established and start-ups businesses in and around Ilfracombe, Woolacombe and Combe Martin with marketing and promotion, training, advice and lobbying. We were delighted to receive the accolades of Finalist in the 'Best Use of Website, Online and Social Media 2018' and the overall Winner of the 'Best Small to Medium Business 2018' category, presented by business guru, Tony Robinson, OBE.

Thank you so much for your continued custom and kind comments below, without which these achievements would not be possible. And finally, Managing Director Mr Philip Milton will have surpassed forty-years' full-time work in the field of finance by the time this newsletter arrives…. But no plans for retirement on the horizon…

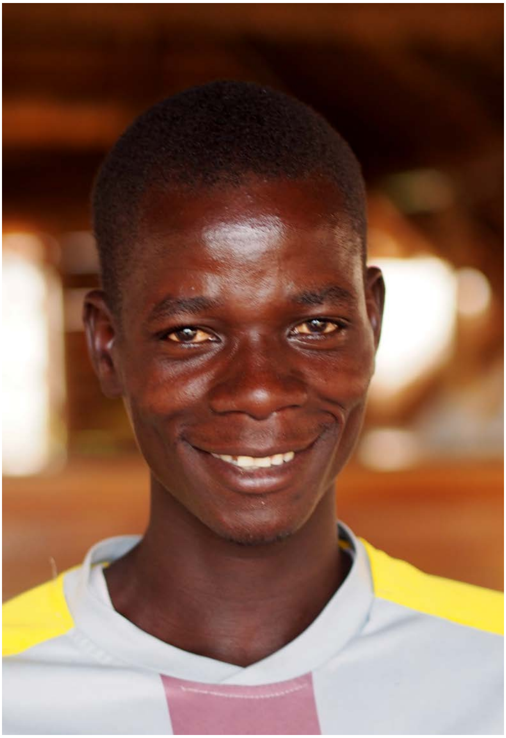
> *"Both my previous adviser at PJ Milton and my present adviser are very good at explaining my options"* – SF Cornwall, October 2017

> *"It is now about 30 years since I first invested with the Company and in all that time I have received a very high level of professionalism, helpfulness and kindness. Finances are not my strong point but you have explained everything very clearly and you have guided me on making the right decisions and this has been very much appreciated."* AD, Norfolk, May 2018

AMIGOS

As you are aware from our regular updates, for the past two years we have been sponsoring 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 hopes to play its part in helping people to change their lives for the better. Whilst only 17% of the young are employed in Uganda, 100% of Kira graduates are in employment.



Patrick Obur is the latest student who we are sponsoring. Patrick is a quiet, nervous young man who lacks confidence. His name, 'Obur', means 'near to the grave'. It is possible that Patrick's parents lost some children before Patrick was born and feared they would lose him too. By the time Patrick leaves Kira he will have become a confident young man with a vision that will help him change his future.

Growing Up: Patrick lives with his uncle as his mother, father, and aunt have all passed away. His father died when Patrick was very young and his mother died eleven years ago from lung cancer. Patrick has two older brothers who live on the family land, which comprises two to three acres. When Patrick's parents died he was taken to live with his aunty, who promised him an education. However, rather than sending him to school his aunty made him work on her land, growing crops and looking after livestock. When she also died, Patrick's uncle allowed him to remain and Patrick plans to live with his uncle when he leaves Kira Farm as they have a good relationship and there are more opportunities living closer to Kitgum town.

The family has a grass-thatched mud hut but Patrick has his own little hut to sleep in; he sleeps on a foam mattress and has a blanket. They grow cassava, sweet potatoes, sesame, sorghum and some green vegetables. Twice a day they have a meal of vegetables and they might eat meat two or three times a year. The uncle also has five goats and fifteen chickens.

Surviving War: As an orphan, life has not been easy for Patrick and it has been a constant struggle to simply survive. From the age of nine, his childhood was also affected by the twenty-five-year war with the Lord's Resistance Army (LRA) – a rebel group known for human rights atrocities, which included abducting 40,000 children and forcing many to fight as child soldiers. Patrick was shot in the groin by a rebel soldier when he was running away from the LRA as they raided his home.

The Ugandan government was unable to stop the LRA and the people of northern Ugandan had to leave their villages and live in government-run camps for internally displaced persons (IDPs). These camps were created for the safety of the people, but they were rife with disease and violence and had 1.7 million people living in them at the height of the conflict. From the age of nine, Patrick spent three years living in a camp.

Life Today: Growing up, Patrick wanted to be a mechanic as well as a good man who cared for people. Now, on a typical day, he gets up at 6.00am to sweep the compound and then fetch four jerry cans of water half a mile away on a bicycle. He takes the goats for grazing and then goes to the garden to tend the crops until 11.00am, when he washes and rests for a few hours until the temperature cools. From 3.00pm until 5.00pm he meets up with his friends and takes the goats back home. The evening is spent washing clothes and helping to cook a meal for his uncle's family, before going to bed around 8.00pm.

Patrick collects firewood on a bicycle twice a week with other family members. There aren't many trees left where they live so they are now cutting down mango and guava trees, the very trees that could feed them. For fun he plays football with his friends and he has also been trying to earn some money picking up occasional labouring work at building sites for £1.30 a day. He has tried to save £1.00 a day and has paid his full commitment fee (£30) to come to Kira Farm.

Arriving at Kira Farm Development Centre: Patrick wanted to join Kira Farm to gain knowledge and skills. He has met previous trainees from Kira and has been impressed by what they are doing back home. He believes he was selected because of his attempts to try and find work despite being an orphan.

Since his arrival he has settled in well and is making friends and enjoying the love he has been shown. The fact that it is cooler than Kitgum has been a surprise, as well as the different styles of buildings and the way the gardens are planted. Patrick has also been surprised to see sugar cane grown for the first time. He is looking forward to studying carpentry, tailoring and agriculture – his dream one day is to be a carpenter and take care of his family, send his children to school and make sure they are healthy. He would like to build a brick house, buy some land and make sure his family grow up following God.

Meet The Team

Our clients, whether they come to us for Financial Advice, Wealth Management or Investments, enjoy close and regular contact with their adviser and they will be aware that we have a highly competent support team on hand to assist should an adviser not be available immediately to answer queries. Over the coming editions of Milton News, we should like to provide more detailed insights regarding the full Advisory Department team who will be delighted to help you at any time.

Q&A

SIMON VALENTINE-MARSH BA(Hons) FPFS - DIRECTOR

Chartered Financial Planner

So Simon, tell us a bit about your background and how you managed to arrive at Philip J Milton & Company Plc:

I joined the company in June 2007 as a trainee adviser, having previously worked in an insurance company as a technical adviser. Soon after I attained competent adviser status after joining the Firm and progressed through the higher Chartered Insurance Institute qualifications becoming a Chartered Financial Planner in June 2012. Later I was appointed as a Director of the firm in October 2012. As well as seeing clients and advising them, I help to oversee the Advisory Department.

I live in Tiverton with my wife and two young children. I am from Cornwall originally and went to the University of Kent where I studied Accounting and Finance. I returned to the South West via Reading where I worked for Prudential.

What element of your job do you enjoy the most?

I enjoy the variety that my role presents and particularly the interaction with people. Everyone is different and so finding the solutions to people's needs remains fresh. The changes to legislation and the market mean we have to revisit advice and seeing people's lives develop and helping them attain their goals is a privilege.

What does a typical day at work involve?

Typically, I arrive at the Office early to review any outstanding work from the day before and get a 'head start'. Follow up reports will be checked and feedback given to staff members, then daily work will start to come in in the form of emails and short communications to clients from our administration department. I shall prepare for any meetings and see clients, followed by debriefing from that and recording any follow-up work that is required. After a quick spot of lunch, I may dictate a letter or two to follow-up on clients contacting me and if there is any time left at the end of the day I shall turn my time to management jobs such as reviewing the latest legislation and products available. I try and get away on time to be home with the family for dinner and to help put my youngest to bed.

What are your interests outside of work?

I love music and have a fairly eclectic taste. I also enjoy cycling and love anything to do with cars and motor racing. Of course, I also love spending as much of my spare time as possible with my young family.

If you weren't a financial adviser, what career path might you have taken?

My Father is a Mechanic and I was interested in following in his footsteps as a child. I also always liked the idea of being a long-distance lorry driver – I love driving. My parents persuaded me to progress my studies in the areas that I excelled and that was maths predominantly and so I studied accounting but found the lack of interaction with people and the pure figures a little dry and so sidestepped into the financial advice world.

Favourite holiday destination and why?

I love the South West and we tend to stay local when we are on holiday. Dartmouth has to be one of the top spots for us alongside St Michael's Mount in Cornwall. Give me a sea view and I am a happy man!

After Hours

APHORISM: A SHORT, POINTED SENTENCE EXPRESSING A WISE OR CLEVER OBSERVATION OR A GENERAL TRUTH; ADAGE

1. The nicest thing about the future is that it always starts tomorrow.
2. Money will buy a fine dog but only kindness will make him wag his tail.
3. If you don't have a sense of humour, you probably don't have any sense at all.
4. Seat belts are not as confining as wheelchairs.
5. A good time to keep your mouth shut is when you're in deep water.
6. How come it takes so little time for a child who is afraid of the dark to become a teenager who wants to stay out all night?
7. Business conventions are important because they demonstrate how many people a company can operate without.
8. Why is it that at class reunions you feel younger than everyone else looks?
9. Scratch a dog and you'll find a permanent job.
10. No one has more driving ambition than the boy who wants to buy a car.
11. There are no new sins; the old ones just get more publicity.
12. There are worse things than getting a call for a wrong number at 4 AM. Like this: It could be a right number.
13. No one ever says "It's only a game" when their team is winning.
14. I've reached the age where the happy hour is a nap.
15. Be careful reading the fine print. There's no way you're going to like it.
16. The trouble with bucket seats is that not everybody has the same size bucket.
17. Do you realise that in about 40 years, we'll have thousands of old ladies running around with tattoos? (And rap music will be the Golden Oldies!)
18. Money can't buy happiness - but somehow it's more comfortable to cry in a Corvette than in a Lada.
19. After 50 if you don't wake up aching in every joint, you are probably dead.

Puns

I was in a bookshop the other day, and a sign said 'A third off books', so I bought 'The Lion, The Witch'.

Why is there only one word for 'thesaurus'?

A man came up to me in the street and said 'Give me two pronouns'. I said, 'Who? Me?'.

Double negatives are a no no.

Why does 'monosyllable' have 5?

Shakespeare walks into a pub. The barman says, 'You're bard'.

Avoid clichés like the plague. They're old hat.

Who needs rhetorical questions?

A man entered a punning competition. To give himself a better chance of winning, he sent 10 to the judges. He hoped one would win, but sadly, no pun in ten did.

Norwegian Joke

All of his life Ole had heard stories of an amazing family tradition. It seems that his father, grandfather and great-grandfather had all been able to walk on water on their 21st birthday. On that day, they'd walk across the lake to the boat club for their first legal drink.

So when Ole's 21st birthday came around, he and his pal Sven took a boat out to the middle of the lake. Ole stepped out of the boat and nearly drowned! Sven just barely managed to pull him to safety. Furious and confused, Ole went to see his grandmother. "Grandma, it's my 21st birthday, so why can't I walk across the lake like my father, his father, and his father before him?" Granny looked into Ole's eyes and said, "Because, you dummy, your father, grandfather and great-grand father were born in January; you were born in July."

Philip J Milton
& Company Plc
Established 1985

North Devon's Leading
Independent Wealth Managers

Dear Philip J Milton & Company Plc.

Please accept this letter as notification of my intention establish an 'execution only' (without advice) investment in your discretionarily managed:

- ☐ **Balanced Investment Portfolio**
- ☐ **Stocks and Shares ISA**
- ☐ **High Income ISA**
- ☐ **Balanced Personal Pension**
- ☐ **Other Portfolio / ISA / Pension strategies** (please delete)

We have listed some of our most popular strategies here but these are not 'recommendations' for you.

Please select 'other' if you would like to receive information on all our available investment strategies.

Please contact us if you would prefer to transfer funds direct to our bank.

Please find enclosed a cheque payable to 'Philip J Milton & Company Plc – Client Trust a/c' to begin my ISA/Portfolio investment. For my pension investment, my cheque is payable to GAM Asset Company Ltd – PJM SIPP 2 A/C

I/we look forward to receiving full details regarding the investment and understand my/our funds will be held in a Client Cash Account until all relevant documents and information have been provided and I/we have satisfied all other requirements of the Firm as stipulated by the Regulator.

Name(s) ____________________

Address ____________________

____

Postcode ____________________

Telephone ____________________

Email address ____________________

☐ Please tick the box if you **do not** wish to receive **confidential** information via this email address.

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

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