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# North Devon's Leading Independent Wealth Managers

# MILTON NEWS

## Tax Year End 2019 Edition

**Highlights**

- News from the Markets
- Tax Year End Priorities
- ISAs, Pensions, allowances - ACT NOW!
- Why use our discretionary investment solutions?
- Important Tax dates for the diary
- Intergenerational Planning
- Our Support for Charities & Projects
- What does "Chartered Financial Planners" really mean?

*and much more!*

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Independent Financial Adviser

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*Dear Client* *March 2019*

To all those who have yet to receive communications from the Firm this year, may I start by wishing you all a belated happy New Year! Let us hope for a smoother ride than we experienced in 2018 although until a political consensus is reached and a BREXIT deal is signed and sealed, markets may remain erratic. Once there is clarity, whatever the outcome from there, the choppy waters may begin to calm.

We have seen a partial rally since the turn of the year and it is long overdue. This is global really but the UK was hit harder so there have been some disproportionate improvements too. I am not going to comment on the political shenanigans here but needless to say it is confused and messy. All, again, I'd repeat is to remind you that the world is not going to stop on 29 March so with that in mind, invest with great value in hand and almost regardless of the outcomes.

Recognise too that all is not rosy in the EU itself from an economic perspective so it is not the silver bullet that is being portrayed. Indeed, simply because of our hiatus for so long, we could have a rare economic surge 'after' the event simply because so many people and institutions have been postponing 'decisions' till they 'know'.

Please do read on for our commentary on markets, the urgent action that we recommend before 5 April both for yourselves and perhaps also your families and how we can assist you with those arrangements.

Naturally, if you have any queries regarding the newsletter or any other finance matter, please do contact us and our highly qualified staff will be delighted to assist.

*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*

# Markets

I do not need to tell most of you that 2018 proved to be an awful year for almost all investment areas with many investors nursing some nasty short-term losses, despite some fantastic returns in the prior three or so years. Most investments lost money in 2018 and for the first time in a long while, savers with cash outperformed. Whilst this may serve to convince certain savers that they did the right thing by holding cash on deposit, we are unconvinced by the long-term merits of such a strategy. With cash from a typical savings account now paying in the order of just 1%-1.25% and with inflation running at nearer 2%, it is clear that holding excessive cash is guaranteed to lose you money in real terms. Regardless of the BREXIT outcome, interest rates are highly unlikely to rocket any time soon, in our opinion.

Certain sectors of the market had seen valuations become inflated so a retreat from lofty levels was always likely but some businesses' share prices (that did not rise spectacularly and that should have been affected less), were also caught up in the painful drops. This saw the FTSE100 slide from 7724 at the beginning of 2018 and the FTSE250 from 20932. They now stand at nearer 7100 and 19000 respectively. Despite the short rally since New Year, that's still a drop of around 8-9%, disregarding income (but also remembering that no costs apply). Remember too that the FTSE100 was almost 7,000 in 1999, almost two decades ago!

A tough time for investors, yes absolutely, but more importantly from here is what does the future hold? The end of shares and long-term investing (as was suggested in 2008)….. no, certainly not. We cannot rule out further volatility, as that will always be a characteristic of markets (albeit heightened in the last year or so with increasing BREXIT frustrations and delays). Nevertheless, from a much lower starting point today, there is exceptional upside potential which will benefit both existing investors (through recovering valuations) and new investors (who might want to contribute towards investments either monthly for example or through larger subscriptions). The combination of falling markets and improving expectations for corporate profits from here means that the FTSE100 is on course to yield almost 5% this year at current share prices – a very high level of income by historical standards to help pay bills for example or even better, for reinvestment. We encourage you to be part of that journey by either keeping faith with those existing investments, or having the confidence to establish new investments with cash which you will not require to access for the foreseeable near future.

As some of our clients will have read, we are prepared to call the market and say that there are significant areas which are far too cheap and which represent generational opportunities. This isn't the 'eternal optimist's dream' but a realist having continued to analyse the data and confidence out there in the real world. If you have cash spare or have been holding-back, don't wait to commit it – buy when things are at their apparent darkest as that is when the best value is seen. And if you don't have the confidence to do it all at once, do it in phases – we can take direct debits into all accounts for example so you drip-feed sums into investments.

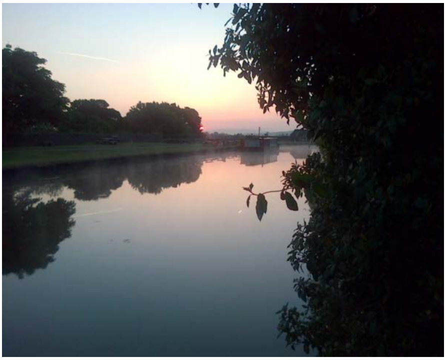
Of course, as we know from numerous industry studies, the inevitable human reaction in conditions such as we have been enduring is to seek "safety", with many tempted to draw a line under losses by selling up their market investments or alternatively, curtailing regular subscriptions for example. However, unless your circumstances have changed which demand such action, our general encouragement is to remember the reasons for your initial investments, which typically involve the meeting of longer-term objectives, eventual retirement, a house purchase, mortgage repayment, children's education, a dream holiday perhaps or simply being prudent with your hard-earned capital and spreading it sensibly. Please don't lose sight of that with the short-term distractions and consider too the longer-term track record of savings and investments. Of course, past performance is no guarantee for the future and investments can rise and fall in value.

## Former Clients of Organic Investment Management

We should also like to take this opportunity to welcome formally all of the new clients joining us from Organic. As they will know, following our appointment in the middle of December, Organic had administrators appointed at the end that month so it was very fortunate that we had taken-over the ongoing investment management in advance of everything coming to a juddering halt whilst very expensive external third parties started to become involved.

We are working hard on assimilating the information we are finding and in terms of managing the investments which have passed across. These include the two suspended Dublin-based UCIT funds and we have been in touch with the administrating company and are also in touch with the FCA and the FSCS in relation to such matters as compensation which will be due, as there have indeed been some rather spurious purchases undertaken and some of those UCIT assets will be irretrievable and some illiquid so impossible or very difficult to sell at equitable prices.

However, we have already reassured Organic clients that despite what some with ulterior motives may have been suggesting to them, for most clients the picture is not anything like as bad as first feared. Unfortunately, there are some vultures which have appeared and these range from claims' management companies (keen to take up to a third of any compensation to which these poor clients will be entitled in due course) or others who might be culpable in relation to some initial faulty advice and encouragement to acquire dubious investments in the first place. We are working with the other genuine and ongoing advisers to endeavour to ensure they are as informed of progress as possible. Certainly, we are NOT suggesting that a swift transfer away of your capital from us is wise and in your best interests to do – till we know what the position might be in regard to those suspended assets. Any adviser encouraging that now cannot be acting with the benefit of full information disclosure and indeed, are they simply doing so for ulterior motive and extra financial reward for themselves out of those poor clients' troubles in pretending that is a good idea? We should like to think not.



We have been in business now for over thirty-three years and it really angers me when we discover such shenanigans (being rather polite) and how these problems are used effectively to exploit people and defraud them, at worst. Some of these clients have been in touch with us too to note other 'investments' which they were encouraged to consider, like specious Cape Verde Property Loans and things which no trustworthy financial adviser would have encouraged to the clients involved – or at all in fact. It is the sort of 'stuff' about which we warn readers via our myriad posts constantly.

In due time we shall hope to relate properly to each of these new clients but clearly it will take a while as there are many of them but meanwhile I hope they have the reassurance that we have their best interests at heart and that we are working hard behind the scenes to ensure that they receive the care and service they deserve and also that when it comes to compensation, that it will be appropriately resolved for them and that they do not have to share it with some other parasitic body, as it should come to them automatically and even then, in due course there are free services with the FOS and the FSCS to assist them. We look forward to sharing with them the service and integrity for which we hope we have become renowned and meantime that we are there to hold their hands with reassurance, which I hope they feel they can trust.

However, to reiterate, whatever happens, the majority of those clients' money is totally safe and if there have been proven misdemeanours and negligence, they should receive compensation to put them in the position in which they should have been and it is only the length of time it will take for that to happen.

## The end of the 2018/19 Tax Year

For many, 5 April is just another day in the year, no different to any other. However, that date actually represents the final day of the tax year which is significant for us all as it is the final opportunity to use our incredibly valuable investment and personal allowances for the year in question. The following day all of those allowances are gone. You are then in the next tax year with new allowances to use too! So, our advice to you is to review whether you have used all of your allowances this year, for 2018/19 and whether you have the need and/or means to use them.

Rather than panicking at this time each year to invest in an ISA or to add money to your pension before 5 April, as we always advise, the preferred time to be doing this is the beginning of the tax year, not the end! That way you will avoid the unnecessary stress (and when financial firms are at their busiest) and also enjoy the tax benefits for the entire year, alongside any tax-free returns. There are also several other measures you can consider in advance of the tax year end, which may or may not appeal, depending upon your individual circumstances. For example:

- Use your generous Personal Income Allowance of £11,850 to the full
- Thereafter, you can earn a further £34,500 before 40% tax is payable
- ISA and Pension investing
- Invest in a Junior ISA (and even a pension) for minor children/grandchildren
- Make use of the Marriage Allowance
- Use your annual gifting allowance of up to £3,000 each (including that for last year too). Married couples can gift up to £12,000 with no tax implications
- Limited Companies can consider making employer pension contributions
- If you suffer the High-Income Child Benefit charge have you considered making a pension contribution to reduce assessable income below £50,000?

# Personal Allowance

For 2018/19 every UK individual may receive income of £11,850 before they must pay Income Tax. For 2019/2020 this increases again to an impressive £12,500 providing your income (after deducting gross pension contributions, charitable donations using Gift Aid or trading losses for example) is below £100,000. For those self-employed amongst you, is there an opportunity to employ a spouse or partner within the business to take advantage of unused allowances (albeit there are auto-enrolment pension related implications)? After the Personal Allowance, Income Tax is payable at 20% and for 2019/20 this band increases from £34,500 to a whopping £37,500. As a result, Income Tax at 40% will only be chargeable on income exceeding £50,000. Originally, 40% tax was introduced for the more affluent in society but has gradually affected more "ordinary" individuals so this is a step in the right direction.

# ISA Allowance

Every UK resident adult has an annual ISA allowance. During each of 2018/19 and 2019/20 you may subscribe up to £20,000 towards ISAs. These may be Stocks and Shares ISAs, Cash ISAs or a combination of the two in whatever proportions you wish. So that's a generous £40,000 per person and £80,000 for a couple! Monthly, that's up to £1,666 per person although we can start our plans from as little as £50 and there is no penalty for stopping, suspending or amending contributions according to personal circumstances. Regular subscriptions via monthly direct debit are automatic (so require minimal effort) and may also appeal to those investors who prefer to stagger their contributions throughout the year in order to spread their investment timing, hence smoothing their exposure in the face of volatility as well. There is also no fixed term with ISAs and consequently, you may access your investment at any time although clearly, it is designed to be a longer-term investment plan.

# ISA Tax Treatment

The generous tax treatment and growth potential of stocks and shares ISAs makes them very appealing to investors who are prepared to accept some degree of investment risk over a sensible period of time. ISAs are completely exempt from Capital Gains Tax and investors incur no additional UK Income Tax, irrespective of their tax status. All distributions from interest bearing holdings are completely tax-exempt. Neither profit made nor income earned from ISAs need to be reported for Self Assessment. This is doubly beneficial to those who otherwise will be caught by the tax surcharge on their overall dividends (£2,000 for 2018/19).

# ISAs on death

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

# Our ISA options

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

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

## ISA Key Facts (February 2019)

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

| *As at 2 February 2019* | ISA Model A | ISA Model B | ISA Model C |
|---|---|---|---|
| Projected Annual Income Yield for £10,000 | 4.7% | 3.9% | 4.1% |
| Collective Model Strategy Size | £20million | £18million | £11million |

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

***Subject to our agreed notice period to enact stock sales. For full details of terms and conditions, please refer to our Discretionary Client Agreement, available upon request or via our website.*

## Is a Stocks and Shares' ISA suitable for me?

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

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

## How can you take advantage of our ISA opportunity?

If you have unused ISA allowances in this tax year (or want to use those for 2019/20 or perhaps both), send a cheque payable to “Philip J Milton & Company Plc” with the completed ISA application form. If you would prefer to transfer money electronically, please contact us for bank details.

Transfer a Cash or Stocks and Shares ISA held elsewhere to our management (without affecting your annual allowance). Contact us for the relevant paperwork. Many new clients find that assimilating a host of eclectic strategies into one cohesive one is an excellent idea and administratively fantastic for them too!

## Pension Contributions

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

- Currently, for every £1 contributed to a pension by an individual (under age 75), the pension automatically receives a total of £1.25 (whether you are earning a penny or nothing and pay tax or not, up to £2,880).
- Higher and top rate taxpayers can then claim back even more via their tax return. Therefore, £10,000 in a pension could effectively cost a 40% rate taxpayer as little as £6,000 and a 45% rate taxpayer only £5,500. You can also benefit from other tax savings and things like Child Benefit and Grant funding for example, if you contribute to a pension as this 'reduces' your income.
- You are allowed to contribute the higher of £2,880 net (which receives tax relief to take the overall contribution to £3,600 gross) or 100% of your UK earnings (up to a maximum of £40,000) to your pension each tax year. If you've been in a scheme previously and not maximised your allowance, you can backdate contributions for up to three tax years.
- Pension benefits can be taken flexibly at any time from age 55.
- 25% of your pension will be available to you as a tax-free lump sum (according to current legislation). The rest can be withdrawn flexibly as part of your annual taxable income, through lump-sums or regular income. Whilst less popular now, you may also purchase traditional pension annuities which guarantee you an income for life.
- If you die before touching your pension, up to 100% of the whole pot can pass down a generation with not a penny lost to Inheritance Tax!

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

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

# Why select our Discretionary Managed Investment Solutions?

Typically, after considering your individual circumstances and objectives, we shall recommend an investment strategy to you. Alternatively, more experienced investors may choose to invest with us without advice.

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

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

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

All accounts are subject to small, percentage-based transaction charges without typical minimums. This applies even to smaller accounts, which will also enjoy a very broad range of holdings regardless and very low charges. Larger accounts benefit from a charging cap per transaction.

Separately, we are able to negotiate very attractive dealing terms through our ever-growing market presence and we are often approached by buyers of stock we hold and sellers of stock that we might be buying. We also have access to newly issued stock. Invariably, the prices we pay or receive are far superior to those available to investors on the open market.

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

As noted, we face no restrictions with regard to what can be purchased within accounts and we take full advantage of that freedom by spreading clients' money across a huge number of carefully selected holdings, within different sectors and across various locations. Many alternatives elsewhere that we review for clients contain just a handful of Unit Trusts that are reviewed annually at best, something which we consider to be wholly inadequate, even if review and not constant change is what is important.

One area where we consider that we do things very differently from the majority of the industry is our involvement within the collective Investment Trust sector and this has been a major benefit to our clients. Like Unit Trusts, Investment Trusts themselves are managed and involve numerous underlying holdings. However, unlike Unit Trusts where you pay the value of the underlying investments plus initial charges and costs, Investment Trusts are themselves traded on the Stock market, like a share. Consequently, the price you pay can often become detached from the value of the underlying investments, presenting opportunities if the trading price of shares is discounted. We have enjoyed wonderful results from this sector, often buying a stock at an excessive discount to the underlying value, either because the market is small and difficult to trade, investors have fallen out of love with the sector or perhaps because the sector is not well understood. We are more than happy to accumulate a position in such Trusts where we identify recovery opportunities and often are rewarded with healthy dividends meantime. Occasionally, this may take a period of time, but we are happy to be patient and would never trade just for the sake of it.

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

Most of our exposures are these types of mainstream quoted vehicles but we have added uncorrelated assets to provide extra security for clients too. Yes, we do also buy some direct stocks too and then there are no extra management fees – we see these as icing on the cake of a good basket of general collective funds. We also look across the Globe and consider things such as currency strengths or weaknesses and special opportunities.

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

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

## Review Service

Unlike many advisers and wealth managers, for our already competitive annual management fee we are also proud and (potentially) unique in offering clients a complimentary regular review of all funds under our management. This is to ensure that the investments continue to represent what clients need at the respective times. That review service can cost up to 1.5% plus VAT elsewhere, on top of the adviser's/manager's ordinary charges. So essentially, for your annual management fee, not only are you able to access our expertise, wonderful investment opportunities, administrative efficiency and unique investment management capabilities, you also have the ability to seek a regular review of those investments with us. This is another significant advantage of using our management services.

## Junior ISAs (JISAs)

Remember that the 2018/19 allowance stands at £4,260. For 2019/20 the allowance increases to £4,368. We offer our own managed stocks and shares JISA which has access to all of our ISA investment strategies which is an ideal long-term solution for children. With cash JISAs paying nearer 3% at best, they are barely keeping pace with inflation and over an investment term of perhaps 10-18 years, we are confident that stocks and shares should outperform. Of course, we cannot offer any guarantees but dividends alone should match (if not exceed) the total interest returns on cash. Don't leave all your children and grandchildren's money to rot on deposit…

## Marriage Allowance

The Marriage Allowance lets you transfer £1,185 of your Personal Allowance to your husband, wife or civil partner - if they earn more than you as long as neither Spouse is a Higher or Additional rate tax-payer. This reduces their tax by up to £237 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 that you were eligible for Marriage Allowance.

## Gifting Allowance

You can give away £3,000 worth of gifts each tax year (6 April to 5 April) without them being added to the value of your estate. This is known as your 'annual exemption'. You can carry any unused annual exemption forward to the next year - but only for one year.

Each tax year, you can also give away:

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

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

## High Income Child Benefit Charge

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

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

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

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

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

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

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

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

## Pension Contributions for Limited Companies

If you are a director of your own private limited company, did you know that a Company contribution into your pension could save up to 32.8% in Corporation Tax and National Insurance? Depending on your circumstances, this may or may not be more beneficial to you than paying personal pension contributions.

Unlike personal contributions, employer contributions aren't limited to earnings. A company could contribute more than the employee's earnings - up to the current annual allowance of £40,000, or up to £160,000 in some circumstances if using carry forward. If the employee has 'adjusted income' between £150,000 and £210,000, contributions might be limited to £10,000. If the employee has already accessed a pension, presently their annual allowance is reduced to just £4,000.

This is particularly beneficial for controlling directors who often take a small salary and larger dividends to benefit from the tax advantages (albeit lessened since the dividend allowance was introduced and which stands at just £2,000 for 2018/19 with nasty surtaxes now). As dividends don't count as 'relevant UK earnings', this would normally mean a director could only contribute up to the amount of their salary. However, with an employer contribution, directors can receive contributions greater than their salary, giving them more money in retirement.

## Who Must File a Tax Return?

The tax year is from 6 April to 5 April the following year.

You will need to file a Tax Return if, in the last tax year:

- you were self-employed - you can deduct allowable expenses
- you received £2,500 or more in untaxed income, e.g. from renting out a property or savings and investments - contact the HMRC helpline on **0300 200 3300** if it was less than £2,500
- your savings or investment income was £10,000 or more before tax
- you made over £11,700 in profits from selling things like shares, a second home or other chargeable assets or disposed of assets with a value over £45,200 (regardless of the profit you made).
- you were a company director - unless it was for a non-profit organisation (e.g. a charity) and you didn't have any pay or benefits, like a company car
- your income (or your partner's) was over £50,000 and one of you claimed Child Benefit
- you had income from abroad that you needed to pay tax on
- you lived abroad and had a UK income

- you received dividends from shares and you are a higher or additional rate taxpayer - but if you do not need to send a return for any other reason, contact the helpline instead
- your income was over £100,000
- you were a trustee of a trust or a registered pension scheme
- you had a P800 from HMRC saying you did not pay enough tax last year - and you did not pay what you owe through your tax code or with a voluntary payment

Certain other people may need to file a Return (e.g. ministers of religion or Lloyd's underwriters) – if you're not sure whether you should be filing a return, check online at www.gov.uk/check-if-you-need-tax-return. You usually will not need to file a Return if your only income is from your wages or pension.

If you receive an email or letter from HM Revenue and Customs (HMRC) telling you to file a Return, you must do so - even if you do not have any tax to pay.

Further information can be found by visiting

www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return

## Taxation and Accountancy Department

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

Self-Assessment

VAT Returns/Calculations

Capital Gains Tax

Claims for Tax Repayment

Trust & Estate Tax Returns

Book-keeping

Company/Partnership Accounts

Payroll

# Self-Assessment key tax dates

| | |
|---|---|
| 6 April 2019: | First day of the new tax year 2019/20 |
| 6 April 2019: | Time to gather detailed documents for your 2018/19 tax return |
| 31 May 2019: | Last date to give employees a form P60 for 2018/19 |
| 31 July 2019: | Deadline for 2nd payment on account for tax year ending 5 April 2019 |
| 5 October 2019: | Deadline to register with the HMRC if you became self-employed or started receiving income from property. You should submit a form CWF1 for self-employment or form SA1 for non-self-employed income to HMRC. |
| 31 October 2019 (midnight): | Deadline for paper self-assessment returns for 2018/19 tax year |
| 30 December 2019: | Deadline for online submission of self-assessment tax returns for year ending 5 April 2019 for HMRC to collect tax through PAYE tax codes where they owe less than £3,000. |
| 31 January 2020 (midnight): | Deadline for online self-assessment tax returns for 2018/19 tax year. |
| 31 January 2020 (midnight): | Deadline for paying tax bill for tax year ending 5 April 2018/19. |
| 5 April 2020: | End of tax year 2019/20. |

# Other News

## INTERGENERATIONAL PLANNING

Apparently, according to a Sanlam survey, 48% of fifty-five-year olds worry their children or grandchildren will squander any money they are left. Well… we help here. We offer guidance and advice and endeavour, with our clients' consent, to begin to engage with the other generations so that slowly and surely we can help to 'educate' those who might not be used to handling assets. We have created an inter-generational project which we are rolling-out for all those for whom we have not already made those connections. Even then, if you are still worried, there are lots of things you can do to start to protect your nearest and dearest from themselves too if necessary. Just come and share your concerns and we'll happily guide and advise you! We hope that our clients will recognise this is a compassionate and caring element of the service to provide automatically and without extra cost to them and something not available formally anywhere else in the industry either. If you care about your finances and also your family and theirs afterwards and you are not a client yet, perhaps we ought to talk.

## NEW WEBSITE

Have a look at our new website. What do you think? We are tweaking such things constantly of course but trying to make it more interactive and easier for us to add current material. We like it and we believe it represents what we want it to say and do, as well as being useful for clients and new contacts likewise.

## RENTAL PROPERTIES – CHANGES ARE AFOOT!

The tax rules for those who rent out residential properties were tightened again in the October Budget. From April 2020, the Chancellor announced that only landlords who continue to live in the property alongside their tenants will be eligible for "lettings relief", which allows them to save up to £11,200 in capital gains tax (CGT). An 18-month grace period in which the tax is not charged before the sale of a tenanted house was also halved to nine months. Those who fail to find a buyer in time will now face a tax bill.

At the moment you don't have to pay any CGT for the years you lived in the property, plus an additional exemption for the final 18 months that you owned it, even if you weren't living there at the time.

But the Chancellor announced that from April 2020 this final period exemption will be cut to nine months. (There will be no change to the 36 months available to disabled people or those in, or moving into, a care home.)

The other change is arguably a bigger deal and involves something called lettings relief, which currently provides up to £40,000 of relief (£80,000 for a couple) to people who let out a property that is, or has been in the past, their main home. From April 2020, lettings relief will only apply where the owner is sharing occupancy of the home with a tenant – effectively spelling the end of this perk.

So how will the new regime affect people? The HM Revenue & Customs website gives an example of what happens at the moment. An individual – let's call him Mr B – makes a gain of £120,000 when he sells a property he has owned for twelve years. He lived there for the first six years, then let it out for the next six.

He receives main residence relief for the first six years, plus for the last eighteen months, even though he wasn't living there then. That means he gets relief for 7.5 of the years (62.5% of the time) he owned the property. As a result, he won't pay tax on £75,000 of the gain. The remaining 37.5% (£45,000) of the gain not covered by relief is his chargeable gain.

But then lettings relief kicks in. At the moment Mr B can claim that valuable £40,000 in lettings' relief. That means he will pay CGT on just £5,000 – resulting in a likely tax bill of just £1,400 (assuming all tax is payable at a rate of 28%).

But after the April 2020 changes – the effective end of lettings' relief and the reduction in final period exemption – take effect, the maths are worse. The £75,000 figure above falls to £67,500, which means a higher chargeable gain of £52,500. Crucially, no lettings' relief would be applied in this example. That means Mr B is hit with a CGT bill of £14,700 (again, assuming all of his gain was taxed at 28%).

Of course, CGT is not payable on death but Inheritance Tax (IHT) will be and with high property values, the prospect of incurring IHT for many with multiple properties is very real. With this in mind, if you are likely to be affected, you may feel that it's time to take some professional advice to discuss your options.

# Meet the Team

Our clients, whether they come to us for Financial Advice, Wealth Management, Investments, Probate and Estate guidance or all things legal, 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 team who will be delighted to help you at any time.

## Q&A SCOTT PICKARD (DIRECTOR)

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

I was born in Barnstaple and grew up there but now live with my partner in our home in Braunton. I went straight into work from College (not then knowing what I wanted to do for a career so I studied French, Maths and Chemistry just to be safe) and then my first job was sweeping the floors in a Carpentry factory for a few months before I left that and then worked in Wrafton at the Laboratory for a few years as an Assistant Development Analyst. I then moved on to work for a national insurance company when I knew there was a vacancy. I started as an Assistant Area Representative there and quickly learned to become an Adviser with that Firm and when I started seeing clients after I qualified I realised the limitations of being a tied adviser and what more I could do for people if I were fully independent. When a friend of mine who coincidentally worked for Philip Milton (The late Simon Purchas who many clients may remember) knew I was looking to move, he told me to send my CV to Philip J Milton & Company Plc in 1996 and so I jumped at the chance and have worked there ever since. (Simon often used to like to say to people that he got me the job - I do miss him, he was a real character).

***What element of your job do you enjoy the most?***

The amount and variety of the work that I get to do (with help from my colleagues of course)! Just letting people talk to me in their own words about their most important life goals or concerns and helping them work out their different priorities and options and then helping them to make the right choices is the most satisfying component of what I do though. After working here for more than twenty-two years now (so it will also be for over half my life I will have worked for Philip J Milton & Company Plc this year), for some families I have had the privilege of helping two or three generations at a time (sometimes even at the same time!). It is an especially nice vote of confidence when long standing clients are so happy with us that they refer their family and friends to contact me if they need help too. Many of our new clients come to us through referrals over the years. I know it will sound corny but the work I do really is its own reward. I really do love it and couldn't see myself doing anything different.

***What does a typical day at work involve?***

It's hard to suggest a typical day as they are so varied but usually they have an early start. I've always been a "Morning Lark". I like to check through my emails first then I work through my file reviews for the coming day's appointments and then I attend to my daily post. As well as my email I have two "in-trays" to ensure I can work through any priority cases that need my attention first (and yes - my priority tray is a red one!) Throughout the day I usually need to give guidance to various staff who are emailing with requests for assistance or information and I try to do that the same or next day usually. I tend to take a short lunch break and will run a few personal errands to make sure I get out for a while to stretch my legs. Much of my day is spent checking work prepared by colleagues in the Office. The whole team at the Office is indispensable – I could not help as many people as I do without all of their continued support! After any client meetings I usually debrief my notes promptly to update our records. I dictate a lot of letters most days and many of these are prompted by our central diary reminders. (I can type quickly though when I need to - and touch-type too) I still try and make a tea round for my colleagues in the Advisory office at some point each day if I possibly can as they look after my needs for tea and coffee throughout the day.

***What are your interests outside of work?***

Very much being outside whenever the daylight and weather allows. My partner and I have a ¾ Acre garden around our home that borders a woodland and it is intentionally a very wildlife friendly environment and takes quite a bit of maintenance. I grew up in a family where both parents were gardeners and I spent many hours working the family veg plot in my childhood or helping out during school holidays and the interest never left me. My first house didn't have a garden so my partner rented a nearby allotment for me which was fun for a while and confirmed to me I really did miss the connection with the land that I had as a child so when we moved, the garden as much as the house was the reason. I really enjoy walking, swimming and cycling and try and get out for exercise as much as I can after work or at weekends to offset sitting at a desk for most of the working day. I am a member of the Woodland Trust and National Trust too.

***Favourite holiday destination and why?***

South Western Australia, without a doubt, particularly the Geographe Bay and Margaret River regions. I was scared of flying for many years but when I turned thirty I decided that I just had to board a plane to see the world and so after a quick trip to France then, I haven't looked back since. I still don't enjoy flying and will stay awake throughout a long-haul flight (especially the bumpy ones).

My partner's brother, sister in law and young niece live in Perth and so we have try to visit them regularly just to ensure that we keep them very much as a part of our lives and when we arrive we then trek "down south". In fact I would say I see SW Australia now as a home from home rather than a holiday destination. I may try the new seventeen hour direct flight sometime but I tend to like the short connection stop part way just for a break.

# Chartered Financial Planners

### What is a Chartered Financial Planner?

What do you look for in your firm of financial advisers? That it is ethical and puts your interests first? That its people are competent, knowledgeable and committed to maintaining their professional capability?

Those are precisely the qualities embodied by Chartered status – the reason we are proud to have achieved the title Chartered Financial Planners as a Firm!

Chartered status is an objective mark of professional standing among all professions. It is awarded to firms which can demonstrate commitment to developing knowledge, enhancing capability and maintaining ethical standards.

The title Chartered Financial Planners is granted by the Chartered Insurance Institute (CII), the professional body for insurance and financial planning.

## CHARTERED FIRMS MUST MEET SERIOUS OBLIGATIONS

To retain our title, we must ensure the advice, service and ongoing support we provide to you are of the highest quality.

Our advice must be based solely on your researched needs, and provided by someone competent to discuss products and services that meet your requirements.

- We ensure our technical and professional knowledge and competence through professional qualifications.
- We keep our knowledge and skills up-to-date through continuing professional development.
- And our staff must be members of the Chartered Insurance Institute and comply with its Code of Ethics, which is enforced through disciplinary sanctions.

Our Chartered title means a lot to us. It was not easily achieved and there are few South West firms meeting the rigorous criteria and it takes continuous investment in customer service and commitment to maintain. It is our policy to maintain these standards and your guarantee of our overall commitment to customer service and professionalism.

# Charities

## DEVON COMMUNITY FUND (DCF) GRANT APPLICATION

As we reported in our Winter Newsletter, our most recent successful application was from Flying Fish Artists, a small local charity based in our home town of Barnstaple. Its aim is to enhance and promote the mental health of people in the Devon area, specifically providing support to those recovering and/or experiencing mental ill health. It also seeks to help those who have suffered mentally or emotionally from health issues, including stroke sufferers.

Philip J Milton & Company Plc is looking forward to awarding this wonderful charity a financial contribution at an official presentation in March.

## AMIGOS

This is a charity in Uganda which works alongside its African partners, to bring about entire communities which are self-supporting through education and training. We are proud to continue sponsoring at least one student of Kira Farm in Uganda and have received an initial message from our new student as follows:

*"My name is Triphina Aciro. I am 20 years old coming from a northern district of Uganda called Kitigum. My name 'Aciro' means 'passing through hard times' and for sure I have passed through hard times in Life.*

*The few weeks I have been on Kira, have given me a lot of hope already that all is going to be well and I have been overwhelmed with your love of choosing me for sponsorship. This is a great opportunity and I am looking forward to utilising it so well. I am so encouraged that with these skills I am going to get on Kira, I will not only be able to help myself but also my sick parents and the entire family because all their hope is in me now.*

*I have settled in well and I will be sending you monthly updates of how I will be doing throughout the training and hopefully through this communications we shall get to know ourselves even more.*

*Thanks once again for your support and love."*

## UMOJA

We have also agreed to sponsor a young lady to travel to Tanzania to work for Umoja, a charity which believes that young people have a right to lead lives free of poverty, abuse, and exploitation. For a young person to thrive they need a holistic education, physical and mental health, and good livelihoods. At Umoja, these services are provided to a select group of vulnerable youth. They want the youth to not only survive, but thrive. They provide youth with the freedom and security they need to become the authors of their own lives.

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)

**Please find enclosed a cheque payable to 'Philip J Milton & Company Plc – Client Trust a/c' to begin my ISA/Portfolio investment.**

*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.*

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.