New Model Adviser TOP 100 2018

Philip J Milton
& Company Plc
Established 1985

New Model Adviser TOP 100 2016

North Devon's Leading Independent Wealth Managers

MILTON NEWS

Winter 2018 Edition

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Chartered Financial Planner

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Dear Client *December 2018*

As we prepare to welcome 2019, it is time to reflect on the events shaping economic and market movements globally. It has been a more difficult six-nine months with some awful natural disasters afflicting the world and uncertainties continuing.

We have witnessed droughts, food shortages, forest fires and ferocious storms with dreadful and fateful consequences. With predictions of these unpredictable weather events becoming more common-place, we have to expect and prepare for the likelihood that such events are more regular features of the news, whatever our collective endeavours to address the prospective causes of them. We have also seen the mid-term elections in the US, with mixed results with the Republicans expanding their control of the Senate but the Democrats regaining control of House of Representatives. With a split once again, there could be difficulties for President Trump in pushing through some of his plans during his remaining time in office and will that have an effect on the markets and currencies?

BREXIT uncertainties remain the main stumbling block for the UK economy and stockmarket. We wait to see whether issues will be resolved before the March deadline or in fact whether that deadline is extended. Whilst a draft agreement was reached in mid-November, at the time of writing it must now be passed at the House of Commons and by other EU member states. Meantime, Sterling continues to struggle against the US Dollar, with £1 buying just $1.28 compared to $1.71 in July 2014, which is a drop of 25% (even if we take a longer-term context and in 1985 it reached parity almost!). Over the last year the US S&P500 Index is up almost 10% whereas over the same period the UK market remains firmly in negative territory. Remember too it is simply because of 'uncertainty' and not 'certainty' and not in reality what the 'deal' is.

Does that mean that we should now be looking elsewhere for a home for our investable long-term cash? Whilst you know how wary we are of the US Tech sector which has driven much of the gains over there, not at all. UK markets are still paying a handsome income of 3%-4.5% annually (whereas typical easy access deposits are paying less than 1%) from the profits of real (and often quite boring) companies with which

you and I trade every day (and with which we shall still be trading after BREXIT oddly enough!) and with UK markets in particular looking very depressed (and therefore attractively priced for new investments) in comparison to European and US markets, there is excellent value on offer. For example the FTSE100 is down roughly 11% since it's year highs so essentially £1 shares are trading at 89p. What do we usually do when we see discounted prices, Black Friday for example? The temptation is often to buy and certainly that would be our encouragement, with the usual caveats of course. This is most definitely not the time to exit existing investments as then all you will be doing is "locking in" lower prices and possibly unnecessary losses.

The UK market as a whole has a price-to-earnings ratio (price divided by earnings, so a useful valuation measure) of approximately 13. This compares to 34 in September 2016 and just 7.4 in March 2009 (when markets slumped to their lowest level after the banking crisis). The S&P500 in comparison is trading at over 25. Obviously, this is just one measure of valuing markets but coupled with an excellent income tradition, the UK market offers a compelling proposition for the longer-term, sensible investor.

We would be surprised if the Monetary Policy Committee raises rates again yet, particularly until there is greater clarity over BREXIT and in light of its own forecast for inflation to reduce to nearer the 2% target by 2020. Despite the doom and gloom, it was encouraging to see that the UK economy grew again for the three months to September, this time by an impressive 0.6%. That is the highest quarterly increase in two years. Admittedly, the forecast for the final quarter of 2018 is back to nearer 0.3% but let us not forget that these figures are still reflecting growth and this has been achieved over what must surely have been one of the most uncertain periods (politically and for businesses) since the advent of the Iraq war. As I have said before, even if the ultimate result of BREXIT is not quite to everyone's liking and differs from some of the original (possibly hopeful) expectations, the clarity of a path forward should begin to feed through to markets, both for individuals and businesses looking to invest. At worst, it is not time to be exiting the markets at the moment even if reasons to procrastinate on that further investment abound, despite the opportunities. Investment in patience is necessary.

Of course, as our longer-term clients will attest, market investments should not be judged on short-term gyrations such as this (however frustrating) and we must all continue to remember the original reasons for investing which typically involves the expectation (and ongoing likelihood) of superior returns (versus cash) over longer periods of time. Property is another (expensive) option of course although I advise extreme caution there. Later in the newsletter you will read about a client who has come to seriously regret the purchase of a property, albeit not of the conventional type. Nevertheless, some of the same principles still apply when considering property as an investment. For example, expensive current valuations, difficulty accessing the capital if circumstances change, high costs to buy and sell, filing annual tax returns, ongoing maintenance costs which will continue even if the rental property is vacant, not to mention the problems caused by difficult tenants.

As noted earlier, stockmarket returns are generated not only by rising share prices. There is also the income that longer-term investments continue to generate. The FTSE100 index is paying a dividend income of 4.40% at the time of writing. So that's £440 each year on a £10,000 investment. The FTSE250 index (comprising the next 250 listed companies by size) also pays a competitive 2.8% currently. This income should be paid regardless of typical share price movements, so can be enjoyed as required to pay the bills or reinvested to buy more investments for you. And remember, this year so far, the amount paid-out in dividends from real profits (from trading with you and me) is the highest ever recorded – again!

Finally, I am delighted to report that this last year has proved to be a successful time for the Firm, which I hope demonstrates we are doing the right thing by our clients and also helps secure the Company's footprint to continue helping and advising you. Soon after broaching £150million of discretionary managed funds for the first time ever, we were successful in being awarded Corporate Chartered Financial Adviser Firm status (one of very few nationally, let alone locally). We were then awarded two COMBEbusiness accolades at its fifth annual OPEN FOR BUISINESS Awards 2018. The Firm was then short-listed for the national Money Age 2018 Awards in the categories of Wealth Management Firm of the Year and Financial Adviser of the Year (medium to large firm category). This is not bad for a comparatively small single office Firm compared to much larger national firms (with colossal budgets to boot!). Two more of our financial advisers also secured the highly prestigious Chartered Financial Adviser status. We are now the proud employer of over thirty staff, which we see as a welcome contribution to the local community and economy. In exchange, our highly-prized staff do a wonderful job for us and more importantly for you. Finally, and as we shall feature later in the Newsletter, most recently we were informed that once again we have secured a ranking in the nation's Top 100 Financial Advisers for 2018 by industry publication New Model Adviser. Let us hope that 2019 is another successful year for us all – and the Country at large too.

All that remains now is to wish you all a very Merry Christmas and a Happy New Year.

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

Budget Update

Here are the main financial highlights from the recent Budget:

- The personal allowance threshold, the rate at which people start paying income tax at 20%, to rise from £11,850 to £12,500 in April 2019 - a year earlier than planned. This means a basic rate taxpayer will pay £1,205 less tax a year in 2019-20 than in 2010-11.
- The higher rate income tax threshold, the point at which people start paying tax at 40%, to rise from £46,350 to £50,000 in April 2019. This means that in 2019-20, there will be nearly 1million fewer higher rate taxpayers than in 2015-16.
- After that, the two rates will rise in line with inflation
- National Living Wage increasing by 4.9%, from £7.83 to £8.21 an hour, from April 2019
- All first-time buyers purchasing shared equity homes of up to £500,000 will be eligible for first-time buyers' Stamp Duty relief.
- The economy has grown every year since 2010, and is projected to continue growing in each year of the forecast. The unemployment rate is at its lowest for over forty years, there are over 3.3 million more people in work since 2010 and the OBR forecasts 800,000 more jobs by 2022.
- Despite ongoing speculation, pension reliefs and allowances remained untouched, largely due to lower borrowing forecasts.

Top 100 Adviser – Again!

Once again, we are proud to announce that the firm features within the New Model Adviser's "Top 100", now for 2018. This is a national review to identify the top one hundred independent financial advisers and is now in its seventh year.

The survey reflects firms which are able to demonstrate the following: a clear strategy for growing the business; demonstrable succession planning; evidence of ethical practices and investment preferences; a contribution to the profession through sharing best practice and holding roles with professional bodies; a commitment to client education; and a high level of qualifications among staff.

Mr Philip Milton commented "We are once again delighted to be included within the New Model Adviser's Top 100 of Independent Financial Advisers nationally. 2018 has been a wonderful year for the firm for both achievements and awards and is a testament to all of the hard work that goes on behind the scenes by our wonderful staff and which culminates in the excellent service delivered to our valued clients. I would also like to thank our many loyal clients who have supported the Firm over the last thirty-three years and I hope for many years to come!"

Intergenerational Project

As many of you will know, we are now in the process of writing to all of our discretionary investment clients concerning how further we might be able to assist them with their longer-term financial planning options and decisions. This can actually extend beyond their lifetimes as we seek to ensure that they have everything in place to not only protect their own interests and wealth but also that of their future beneficiaries.

This is an important part of a financial plan if you have beneficiaries for whom you want to continue to provide, or if you want to put arrangements in place to secure the wealth of future generations.

We believe that intergenerational planning is not just about reducing the threat of Inheritance Tax; and that it should also help to ensure that the right amount of family wealth goes to the appropriate people at the right time, which is typically when it is most required and which might not always be upon death.

Simply bequeathing remaining wealth to family and friends within a Will may be adequate for some but for others it may simply be passing a likely tax bill and headache to the next generation. It would offer no protection in the event of family dispute, matrimonial breakdown, bankruptcy, fraud or a spendthrift relative. It may also be unhelpful to delay the gift to a relative/friend who may have a greater need for the cash during your lifetime instead, particularly when it might be surplus to your requirements.

We are delighted to have the skills and personnel to be able to offer all such financial and legal advice and to put this into practice, which includes the preparation of Trusts,

Letters of Wishes, Wills, Lasting Powers of Attorney and variance of Wills after death (to deliver a more tax-effective and appropriate outcome). We have huge levels of experience and expertise to advise upon these areas as opposed to you and Family/ friends needing to consult various external organisations, inevitably at significant extra expense, both financially and in terms of time. We are already the leading Firm in the area with this cohesive service (concentrating upon investment and financial management as an imperative element). Adding further to the range of services available, we also offer highly competent Taxation and Accountancy advice headed by a chartered accountant and which often goes hand in hand with financial advice solutions.

This extension of our professional service often results in clients asking us to contact their relatives and friends during their lifetimes to both avail our services to them now but also to ensure that those relatives at least know of the Firm and build trust in us so they might be more comfortable approaching us in the future. Meantime, they might appreciate guidance that is more specific to them, relating to mortgages, (work) pensions, savings, insurance and their own Wills for example.

The timing of our intergenerational project could well prove to be opportune – remembering that many of the children and grandchildren inheriting sums of money over the next twenty years or so will not have had a great deal of experience of dealing with such capital – start making sure you cement relationships with a trusted independent financial adviser now – even with a small sum perhaps as it is likely to repay the investment manifold into the future.

Please do let us know if this is something of interest to you or the names of individuals that you would like us to contact at this time, whether you have received your letter from us already or not. We are not aware of any other firms which offer this specific and honed service and at the Firm's expense!

Are your finances in a mess?

If the answer to this question is "yes" then take back control of your finances by visiting us for professional, independent advice to review your overall financial situation. This will encompass everything from cash in the bank, other emergency funds, income versus expenditure, longer-term investments, pensions, mortgage repayment plans, protection (not just against death but the statistically far greater likelihood of long-term illnesses), tax mitigation, school fees planning, Wills, estate planning and everything legal. Obviously, some of these may be more relevant (to you) than others and some may be irrelevant in your circumstances. Not only will you receive a breakdown of everything that you have currently and our views on those arrangements but also a plan regarding how best to meet your specific aims and objectives, both short and longer-term. There is absolutely no doubt that this will be one of the very best investments you ever make and a useful ongoing reference point.

Client Enquiries

NEW CLIENTS

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 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, 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 for a review of those investments, all with our compliments and within the cost of your current annual management fee. There is no extra charge. 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!

Discretionary Investments – 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. Alternatively, the income can be reinvested for you to enhance growth.

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 1 November 2018	Income per £30,000 invested
High Income Portfolio	4.03%	£1,209
Balanced Portfolio	3.94%	£1,182
Cap Growth Portfolio	3.71%	£1,113
ISA A	5.75%	£1,725
ISA B	4.17%	£1,251
ISA C	5.31%	£1,593
SIPP Pension D2	3.95%	£1,185
SIPP Pension E2	3.91%	£1,173
SIPP Pension D3	4.09%	£1,227
SIPP Pension E3	4.10%	£1,230
SIPP Pension D4	4.35%	£1,305
SIPP Pension E4	4.44%	£1,332

Average yields as at 1 November 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 DISCRETIONARY MANAGED ACCOUNTS

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 a professional charge 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 easy. 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 and there is no subscription charge at all! Regular monthly contributions could be another option that appeals. Of course, if you do not seek our advice, we would not be liable if you later determined that the investment strategy selected was not suitable for you. Please complete and return the form at the back of this newsletter to proceed and why not test the water with a smaller initial sum if you have never done this sort of thing before?

DISCRETIONARY MANAGED INVESTMENTS – THE MANY ADVANTAGES

As a reminder, here are just a few of the many advantages of entrusting your valued wealth into our highly sophisticated discretionary management services:

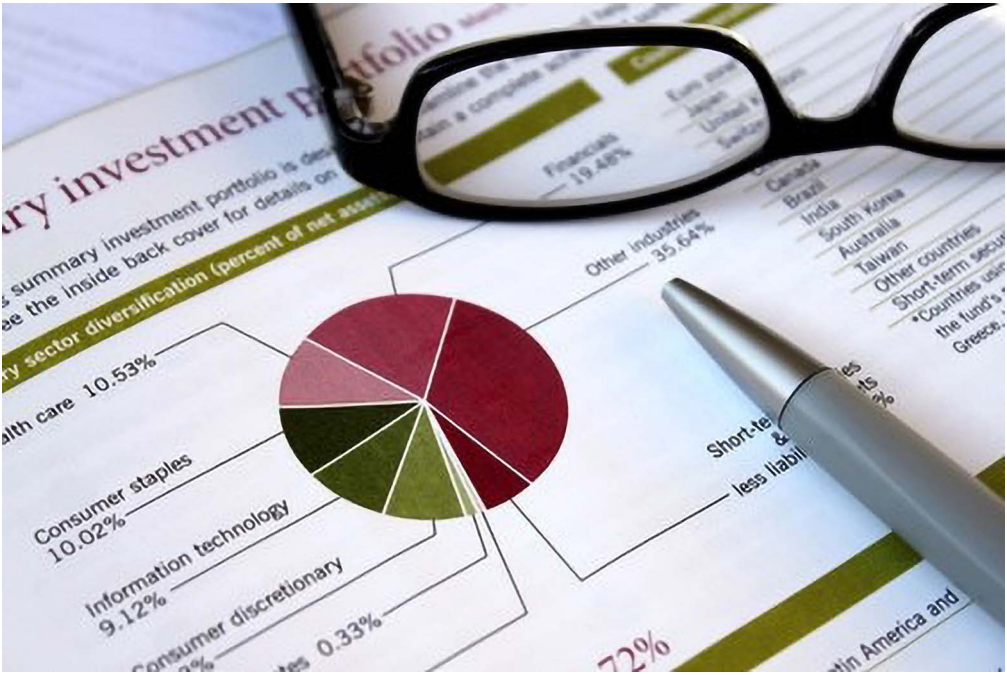
- A wide range of investment strategies, designed with optimum diversity in mind and with complementary strategies for couples where required. The strategies will often include small exposure to things that we would never recommend to you to hold individually but can be a useful component within a balanced overall strategy that we manage on your behalf.
- We are "value" investors and often, the type of investments falling into this category will offer a very attractive dividend yield. Consequently, the majority of our investment options provide an excellent income (for you to either withdraw or to reinvest to allow us to buy more shares on your behalf) which is on top of any growth achieved.
- As an independent firm, we have no constraints or limitations when it comes to investing clients' money. This means that we can invest in any and all Unit Trusts, OEICs, Investment Trusts (where we are one of very few firms to fully understand and use them, despite them often offering far better value than their open-ended cousins!), bonds, Gilts, shares and Exchange Traded Funds (ETFs) with the only objective of achieving the best possible outcome for clients. We can even hold cash where we consider it to be appropriate, typically short-term only.
- Philip Milton, our investment management team leader, has been responsible for the management of our discretionary funds since 1987 and has witnessed a wide range of market conditions, both favourable and less so over the years. This should provide investors with the peace of mind that their wealth is in the hands of a vastly experienced manager who also invests in exactly the same strategies himself

and on behalf of the Firm, reflecting his absolute confidence in what we offer. This is one of the longest pedigrees over the same funds in the industry today.

- Our sophisticated administration system ensures that strategies are rebalanced automatically at the time of our choosing as opposed to this being a regularly occurring event. This is true also for purchasing of shares for you which happens when we decide it is appropriate. Most investments elsewhere are committed to the stockmarket immediately which might not always be the best timing.
- Constructing, monitoring and then maintaining successfully a portfolio of investments takes considerable time and resources and demands a thorough understanding of market circumstances. Inevitably opportunities change over time and by managing your funds on a discretionary basis, we are in the best possible position to react to these changes without delay and in accordance with your best interests. Compare that to the more typical annual financial review elsewhere, by which time it may be too late to make any necessary alterations.
- We do not simply invest a client's money upon receipt for them individually. Instead, at any time of any day, our sophisticated administration system can be deployed to look across all of our Portfolio, ISA and Pension strategies for all investors and identify every investment that we need to bulk purchase and in what quantity. We shall then decide which of those 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 many other available investment options (with constraints on dealing frequency), we can trade at any time that the market is open, thereby providing optimum flexibility.
- We take action through our ongoing review and analysis of investment markets and conditions using the extensive resources available to us. Certainly, this does not mean regular change within a strategy but instead, constant overview. Indeed, as patient investment managers, we have held certain suitably attractive stock positions for many years, which also acts to lower transaction costs. Our management service addresses complex issues for you such as what type and range of investments to hold, domestically and internationally and to determine when changes may be sensible.
- Where we know of a need for a cash withdrawal in advance, we can purposefully and gradually accumulate the required sum through normal management of the account, rather than selling stock on one given day for example when conditions may not be favourable. This carries no extra charge. Typically, this will be a temporary measure but it can also be used to "manage down" an account over a longer period.
- 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 review of all funds under our management. This is to ensure that the investments continue to represent what clients need at the respective times.

- Income is available to you on either a regulated or variable monthly or quarterly basis or instead this can be reinvested on your behalf.
- Minimum investment thresholds are much lower than you will often find elsewhere. You may start an ISA with just £50pm or £1,000 and a Portfolio from just £10,000. There are no subscription charges, exit fees nor any minimum investment term.
- Discretionary managed accounts may be inherited by beneficiaries upon your death, thereby extending the investment term and avoiding the need for investments to be sold at what may prove to be an inopportune time. This is likely to be by far the lowest cost option (for continuing investment) for your beneficiaries.
- Whilst Philip J Milton & Company Plc is responsible for the management of your investments, all administration and reporting responsibilities are delegated to two carefully selected experts in that field which are independent of the Firm. The underlying assets we manage for clients are held either on separate Client Trust Bank accounts or in the nominee names of our administrators (our largest is Winterflood's, a subsidiary of leading merchant bank Close Brothers Plc). The assets still belong to clients, never forming part of Philip J Milton & Company Plc's assets, nor the assets of the administrators. This means that absolute protections apply.

As noted earlier, for a relatively small outlay, you are able to open one of our discretionary managed accounts to enjoy all of these wonderful benefits. We should be very happy to hear from you and guide you through the investment process.



LUMP-SUM PENSION CONTRIBUTION – A WORKED EXAMPLE

Client A is a self-employed electronics' electrician with projected taxable income of £55,000 for 2018/19. His wife does not work and they have two young children. Consequently, he will pay 40% Income Tax on the portion of his income exceeding £46,350. Although his wife does not work, due to his income (more than £50,000), the family loses a proportion of its Child Benefit entitlement. Instead of receiving £1,788 per annum, he will incur an extra £894 in tax, thereby halving the benefit to £894.

Therefore, our advice to Client A is to apply a lump-sum contribution towards a personal pension before the end of the tax year. By applying a sum of £8,000 to a pension, the Government automatically tops this up to £10,000 which can then be invested to accrue tax free income and growth. It will also reduce "net relevant earning" below £46,350 and therefore, no 40% Income Tax will be payable. This saves tax of a further £1,730 (on top of the £2,000 initial relief). Finally, by reducing Client A's income below £50,000 his family will quite rightly regain its full Child Benefit entitlement.

Therefore, the actual cost of the £10,000 gross pension investment is reduced to just £5,376. That's equivalent to 'tax relief' (on the gross sum) of a whopping 46.24%!

To protect his family, Client A has nominated his wife as the death beneficiary of the pension. If he dies before drawing benefits which he can do at any time from age fifty-five (and before age 75), she will inherit the pension and be able to withdraw income/capital from the fund completely tax free, with no death duties either.

I do hope that this clearly demonstrates why it is that we encourage all those eligible to pay as much as they can afford into pensions. It really is incredibly attractive for the vast majority of savers, even where Child Benefit and higher rate tax doesn't apply. Individuals may contribute into a pension up to age 75 and even if they have no earned income. And just imagine instead that he thought that paying-off lumps of his mortgage were the best strategy to adopt – and losing all those enhancements to the Family's financial well-being instead.

PENSION DRAWDOWN – THE FCA LATEST INDUSTRY UPDATE

"From the introduction of the pension freedoms in April 2015 to September 2017, over 1.5 million defined contribution pension pots have been accessed. Most (72%) consumers who accessed their pots did so before the age of 65. And over half (55%) of all pots accessed were fully withdrawn. These were mostly small pension pots (88% below £30,000), and nearly all (94%) those who fully withdrew had other sources of retirement income. Over half (52%) of the fully withdrawn pots were not spent but were transferred into other savings or investments.

Since the pension freedoms, we have seen substantial shifts away from annuities and towards taking drawdown without advice. Twice as many pots have been used for drawdown than to buy an annuity. A third (32%) of these were accessed without advice, compared to 5% before the freedoms.

For many, retirement income choices start with a decision to access tax-free cash rather than other questions. At that point, consumers face a range of complex decisions such as which provider to use, where to invest their remaining pot and how quickly to drawdown. They also need to think about how long they expect to live. We found many consumers who do not take advice struggle with these decisions, and many end-up in investments that may not be right for them, including in cash.

We saw that some providers were 'defaulting' consumers into cash or cash-like assets. Overall 33% of non-advised drawdown consumers are wholly holding cash. Holding funds in cash may be suited to consumers planning to drawdown their entire pot over a short period. However, it is highly unlikely to be suitable for someone planning to draw down their pot over a longer period. Our review estimated that over half of these consumers are likely to be losing out on income in retirement by holding cash."

The results here are worrying and may reflect the beginning of a trend. What is clear is that taking appropriately qualified and competent advice at this imperative life-stage is crucial.

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 a poor-value annuity. Additionally, the death benefits associated with some deferred occupational pensions are dreadful and offer very little protection for surviving family.

"INADEQUATE CONTRIBUTIONS"

Average contributions into private sector money purchase pension schemes during 2017 fell to 3.4%, Office for National Statistics (ONS) results have revealed. The recently released study from the ONS has found that contributions into these schemes fell from 4.2% in 2016 and have decreased significantly from 2012's level of 9.7%. On average, members contributed 1.3% and employers 2.1%.

It has long been known within the industry that many individuals are saving far too little for their retirement and it is increasingly unlikely that the State Pension and other benefits will come to the rescue. For the present and future generation of workers, the need to address this problem is an increasing priority.

Contribution levels will improve in April, when legislation comes into force that will require minimum contributions of 8% of earnings. However, whilst helpful, many in the industry believe this will be insufficient. Potentially, it will be necessary to push back retirement ages to coincide with State Pension age and/or increase the minimum contributions beyond 8%. Greater financial education within schools also seems to be an essential requirement.

However, it is not all doom and gloom. Membership of active occupational pension schemes has hit record figures, with 15.1 million saving for retirement in 2017. ONS found that membership to these schemes has increased by 1.6 million from 13.5 million in 2016 as the implementation of auto-enrolment takes effect.

Active membership of private sector defined contribution (DC) pension schemes also increased, up from 6.4million in 2016 to 7.7million in 2017. The number of occupational pension scheme members overall rose to a record 41.1million.

However, there are concerns surrounding the number of preserved (where the member has left or no longer contributes) pension pots, which has increased to 15.8 million from 15.4 million in 2016. The figure was only 6.7 million in 2000. Advice should be sought about how best to deal with these plans.

PENSION DEATH BENEFICIARY UPDATES

Over 750,000 people nearing retirement are at risk of leaving their pension to the wrong person when they die, according to research carried out by insurer Royal London, and those aged between 55 and 64 are the most vulnerable.

Data from the Office for National Statistics (ONS) for 2016 show that at least 1.3million people aged between 55 and 64 have divorced and remarried and a further 300,000 people in this age group have previously been married but are now cohabiting.

The firm believes that the problems arise when "people have told a pension scheme that they want any payments after their death to go to a first spouse but they subsequently divorce, remarry or form a new partnership".

When enrolling on to a pension scheme, members are asked to complete an 'expression of wishes' form detailing who they wish to receive any death benefits. However, Royal London reported that "these forms are often not updated to reflect people's changing personal circumstances such as divorce or remarriage meaning that an ex-partner could be in line to receive pension death benefits".

Over the course of our lives, many of us will be in a number of different relationships. The person we want to receive any pension benefits after we are gone is likely to change over time. If we have not told all of our past pension schemes about our new wishes and our new circumstances, there is a risk that the wrong person will stand to gain. It is important that people make sure that all of this information is kept up to date.

Holiday Lodges – BEWARE!

You will have read my scathing comments about the gross miss-selling of these things. However, here are a few other little bolt-ons for you to consider before you buy your 'dream investment'….

A client purchased a brand-new Lodge on the Tarka site on the Dual Carriageway between Barnstaple and Braunton, subject to a 'buy-back guarantee'. She completed the furnishing and equipping and it looked lovely. Last year she paid £140,000 and was offered a buy-back guarantee of £35,749.78. She admits she made a mistake in moving there and has now moved to a permanent home in Barnstaple. She put a 'for sale' sign in the window there and was asked to remove that by the owners. She cannot sell the Lodge and is offering it for £65,000 – or you can buy one from the firm for £140,000.

This was her last message to me, in some desperation: - "I have now reduced the price to £65,000, to be perfectly honest with you, l am just so fed up with Park Holidays' attitude, it appears once they have your money, they can treat you however they like. I really think before long l will have to take their offer of £35,000 and put it in your care, where, with hindsight l should have left it in the first place."

Well. She has informed me now that a private buyer of her 'Tarka Caravan' she is trying to sell has to find a penalty £500 every year on top of the maintenance fees which everyone else suffers. So yes, in year one that is a swingeing £5,995 and that's EVERY YEAR and that fee will rise too! So, if you kept your £140,000 and instead spent the income it would generate and the £5,995 maintenance fees you would avoid, how many weeks' holidays could you and your family have for £11,595 EVERY YEAR? And on top of that you must price-in the inevitable depreciation in the value of your lodge – the 'guaranteed buy-back' for this client after one year was only £35,749 so a capital loss of £105,251. Even if you wrote that off over ten years that loss is an extra £10,525.10 EVERY YEAR.

This individual (and many others) would be better advised in most cases investing it in a 'Balanced Portfolio' and enjoying the natural income it will generate in the region of £5,600pa and so you can spend that wherever you fancy, every year regardless and it should go up over the years and the capital look after itself too as well as being easily accessible to you.

Probate & Executorship Department

When a loved one dies, who is responsible for attending to all of the administration, sorting through the piles of paperwork, notifying all interested parties including announcements in local press, filing tax and estate returns with HM Revenue & Customs, swearing an oath and obtaining Probate? Thereafter, who will sell the assets and distribute the estate in accordance with the Last Will?

At Philip J Milton & Company Plc, as many of you know, we have our own Probate and Executorship Service which we established quietly in 2000, since which time we have administered estates to the combined value of over £68Million.

We have a very straightforward and fair charging structure based upon only the time we spend on a case. Did you know that many legal professionals charge not only time costed fees but also make a one-off additional percentage charge against the value of the estate, often adding thousands of pounds to final bills? In our view this is unfair and excessive. We also feel that we hold the upper hand (compared to the legal profession) because of our financial and tax expertise which means that we do not require help from other professionals when concluding estates. For those clients with investments under our discretionary management we are also able to advise beneficiaries of the options to inherit those investments themselves, which is usually their best option. And sadly too, we continue to hear about awful administrative issues with other executorship services where the needs and rights of beneficiaries seem to be almost irrelevant in some instances. We have been made aware only recently of two farming estates for example, quite simple cases in reality for the assets involved, where two years later matters have still not been resolved and in one, valuers only just having been appointed and an unrelated life policy in trust only recently being paid-out. I am reminded of a question once posed of me about time-costed fees, when the client thought this meant the fee would be more the longer the time which had elapsed, not the hours expended on the case! I now wonder how some legal firms actually do charge fees for estates! What have your experiences been?

Director Mrs Sandra Wonnacott, who has headed the department since 2008 explained "I am delighted and incredibly proud to be able to oversee a department which can provide a compassionate, professional and thorough service for our clients. They don't need to seek separate advice from solicitors, accountants and other financial advisers as we have all of those resources in house at a very competitive cost."

HERE ARE SEVERAL OF THE DEPARTMENT'S MANY TESTIMONIALS:

As a family we would like to thank you for the kind and compassionate way you dealt with us all. Nothing was too much trouble. This is very much appreciated. We were also pleasantly surprised by the very reasonable fee charged. RD December 2017

My daughter and I would like to thank everyone at Philip J Milton for the very kind and efficient way you have dealt with the estate. We are so glad to have put it in your hands and it has made life a lot easier at a very hard time. BF February 2018

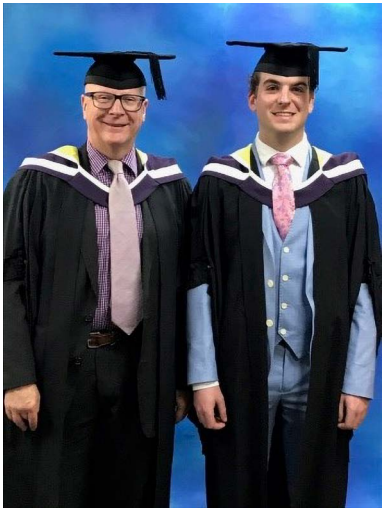
We would just like to say a very big thank you for all of your help guiding us through the last 15 months. We really appreciate having been kept informed at each stage. Dad thought highly of PJM & Co and we are so lucky that you were appointed as Executor to his Will too. AT October 2018

Chartered at twenty-three!

Our very own Felix Milton was delighted to finally attain Chartered status at the lofty age of just twenty-three! He actually passed all relevant examinations for the award some months ago, but was required to serve five years in the industry before finally receiving the highly prized Chartered title.

As regular readers of our newsletters will know, we actively encourage and sponsor all staff to progress their careers through further education and qualifications as we see this as one of the significant factors in being able to advise our clients in the most effective and professional way. This also led to the Firm attaining Corporate Chartered Financial Adviser status earlier this year. We shall look forward to further staff achievements in the future too!

For any readers who use other financial advisers as well, do you know what level of qualifications they have attained (to demonstrate their commitment to the industry and to supplying the very best advice to you)? To advise on most savings and investment plans, the basic financial advice qualifications demanded are relatively straightforward in our view and we have always sought to ensure that our advisers secure more advanced qualifications, with the ultimate objective of reaching Chartered level, the pinnacle for the advisory industry. We are proud to say that all of our client facing advisers have attained that title now!



Felix and Philip Milton (picture on left) recently attended the Personal Finance Society graduation ceremony at the Chartered Insurance Institute headquarters and graduated at the same time, despite earning their qualifications twenty-three years apart! They believe this to be a first for the Institute!

Philip Milton was one of the first 100 to qualify as a Chartered Financial Planner when the qualification was introduced but never attended the graduation ceremony until now. The Personal Finance Society had to access its archive and confirmed he qualified in 1994! He said "I was invited to attend at the time but simply the opportunity never arose and it slipped off the radar. In between times, I went on to achieve one of the first Fellowships of the Society too and when Felix started to do the higher level examinations and then qualified, to encourage him to graduate I said that I'd attend the same ceremony and make a weekend of it!"

At the time of writing, Felix has also been selected as one of the New Model Adviser's Top 35 Next Generation Advisers nationally! He is also the youngest!

Interest Rates & Inflation Watch

In August 2018 interest rates were increased by the Bank of England to the highest level since 2009. Indeed, this represented a 50% increase from 0.5% to 0.75%. Consequently, an average tracker mortgage of £150,000 will now cost an extra £20 per month, £240 annually.

After the last rate rise, in November the interest rates on half of savings accounts were unchanged. Of those that did see a rise, it was not always the full 0.25%.

The Retail Prices Index (RPI) measure of inflation stands at 3.3%. The Consumer Prices Index (CPI) stands at 2.4%. Consequently, it is highly probable that savings on deposit will continue to lose you money in real terms, which we suspect will sustain for some time to come, particularly with further rate rises unlikely now until 2019, barring any unforeseen change in market conditions and subject to the BREXIT outcome.

SAVINGS' HABIT

Is the UK falling out of love with saving? Well, figures from earlier in the year seem to suggest that yes, we are. The savings' ratio is the amount of our disposable income (after taxes) that we choose to save. That figure is now 4.1% (the third lowest since records began in 1963) whereas as recently as the 1990s it was as high as 14.7%.

So why the change? It could be the historically low interest rates which still haven't recovered since the financial crisis which are simply not enticing people to set money aside for a rainy day. It could be the continued ease with which borrowing is available to us. Or, it could be a shift in mentality with previous generations taking a more conservative view in making future provisions whereas younger generations perhaps are preferring to live for now. Does the average person save the amount required to buy something they want or need or do they instead borrow the money (by using a credit card or by agreeing a finance plan) which they try and repay later? Whatever the reason or combination of reasons, this is a very worrying development and may have awful consequences in the future.

Did you know that in 2017 a Financial Conduct Authority survey found that many millions of people would find it difficult to pay an unexpected bill of just £50 at the end of the month?

The only salvation countering this is auto-enrolment into pensions whereby millions are saving for their retirement for the very first time; very few have opted-out of these deductions from their pay.

OLD £5 AND £10 NOTES

Do you have any lurking in your purse, wallet or in the house somewhere? A child's piggy bank for example. Apparently, the amount still needing to be replaced by new polymer notes exceeds £1.8Billion. The legal tender status of the two old notes ceased in May 2017 and March 2018 but fear not, most banks and building societies allow their customers to pay the old notes into their bank accounts. Otherwise a local Post Office branch may be able to help and failing that, you may need to post the notes to Bank of England in London.

CASH IS FAR FROM KING!

If you are a client and have followed our advice over the years, hopefully this won't apply to you but for others holding too much cash, I have some sobering news. Savers missed out on a whopping £31.4bn of potential extra income (plus growth on top), despite cash deposits swelling to a new record by the end of 2017, according to latest research.

Research from stepstoinvesting.com said the interest earned on cash deposits by UK savers fell to its lowest level in at least 20 years. UK households had £1.32trn saved in cash, spread across

cash ISAs, savings accounts and current accounts. Despite these record high balances, savers earned a record low £4.6bn in interest, down almost a quarter from the £6bn earned in 2016. By contrast, in 2007, the last full year before the financial crisis, savers scooped £33.1bn in interest - over seven times higher than that earned in 2017!

This comes at the same time as the number of people using ISAs (both cash and stocks and shares) has fallen to the lowest level since 2000, but the amount saved increased year-on-year to almost £70bn, according to latest government figures.

The majority of this (72%) remains in cash ISAs. This is despite the paltry interest rates being offered by many banks and building societies, coupled with currently higher inflation. Despite the typical length of term when taken out, unbelievably, Junior ISAs are continuing to be largely invested in cash.

Despite stocks and shares' ISAs offering an ideal, straightforward and tax-efficient option for novice through to experienced investors (with monthly or lump-sum amounts) to participate in stockmarket linked returns, they remain in the shade when compared to users of cash ISAs. Cash ISA savers are not being adequately rewarded for their loyalty by deposit takers in our view. Indeed, even though interest rates increased marginally in August, many banks and building societies still have not increased rates for savers. We encourage all savers to seek professional financial advice to make more meaningful returns on their savings.

Keeping us 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. Our in-house seasonal newsletters are also available to you without charge. We simply require your address!

Charitable Work

DEVON COMMUNITY FUND (DCF) GRANT APPLICATION

Established in 1996, DCF is an organisation that uses its knowledge of local needs and the voluntary sector to manage high impact distribution of funds designed to achieve sustainable outcomes, awarding financial support on behalf of its Fund holders and donors, which enable local people to achieve inspiring change in their communities. The Foundation provides a flexible and personal way for individuals and organisations to invest in local projects, helping to ensure Devon's communities thrive. After learning about this excellent initiative, Philip J Milton & Company Plc was proud to create its own Fund within the DCF stable to enable it to consider applications from groups and organisations wishing to raise money to improve the lives and conditions within the local community.

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. The Charity provides an art studio, which doubles as a meeting space, where members meet regularly to paint and socialise every week, providing art equipment,

art education and general support for all its members, encouraging them to use creative talents which often even they were unaware they had!

We have been delighted to play a very small part in this wonderful ongoing venture and wish it every future success. If you know of a similar worthy local cause, please do refer them to www.devoncf.com for more information.

AMIGOS

A charity in Uganda which works alongside its African partners, to bring about entire communities which are self-supporting through education and training. We sponsor at least one student of Kira Farm in Uganda, a place where young people can enrol in a one-year programme focusing on three main areas: conservation farming, vocational training and holistic life skills.

Geoffrey Okot, age 19, is one of the students who benefitted from our sponsorship and we loved to receive monthly updates via email from him. He has graduated from Kira Farm with the dream and indeed the practical knowledge to set up his own carpentry business in his village. He wishes to employ and train local youths, as well as share his new understanding of farming techniques with the whole community.

Filder, age 20, is another student benefitting from our sponsorship and again we enjoyed receiving monthly updates from her. When she returned home she was excited about life and looking forward to what she could achieve putting her new skills into practice for her family and went on to set up a thriving salon, providing employment for three young women, and earning enough money to pay school fees for her younger siblings.

Patrick is our newest student to benefit from our sponsorship and we receive monthly updates on his progress. He is in the process of learning how to start-up and run a business. Patrick is really excited about his future and is looking forward to turning the skills he is learning in to a profit-making business venture.

TearFund

A Christian charity with global connections but we shave supported a partnership arrangement in Ethiopia with a vision to see 50million people released from material and spiritual poverty, working with six partners in Ethiopia. Each works with local churches and their communities, often using Self-Help Groups as a focus, to provide a diverse range of emergency relief and longer-term support services.

Meseret is a member of a SHG where 15-20 like-minded women come together each week to save small amounts of money. Under the guidance of Tearfund trained staff, SHG members can access pooled funds to take out loans to start businesses. Before joining a SHG, Meseret was in the clutches of poverty. Her husband Belay's labourer salary provided scraps of food and they slept on the floor with no possessions. Being in a SHG has seen Meseret go from strength to strength. Meseret used a loan to start selling charcoal and invested the profits to buy materials to make handicrafts. She's also set up a hairdressing venture and has plans to open a shop.

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 SANDRA WONNACOTT – DIRECTOR

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

I joined the Company in October 2002 as a receptionist and swiftly progressed to become PA to Philip by the end of that year. I continued to progress through the Company and was appointed a Director in January 2006. I oversee the General Administration Department and the Tax and Probate Department and hold the STEP Diploma in Administration of Estates. I also manage the day-to-day accounting for the Plc and HR Department and regulatory reporting.

Having grown up locally I have not wandered too far and am currently living in Bideford, having moved back from Tiverton early last year.

What element of your job do you enjoy the most?

I enjoy the variety that each day brings with no two days being the same. I like to do my utmost to help alleviate some of the burden for clients in their time of need, even in a small way.

What does a typical day at work involve?

I get to the Office very early and before the hub-bub of the day begins, to review the priorities for the day. Checking and responding to emails is a constant throughout the day – to both clients and staff. Correspondence is checked for staff and feedback provided where necessary. When our post is received, I go through the items for my departments and allocate or respond as required ensuring all correspondence that needs to be issued on the day is ready for dispatch. Following a brief break for lunch, I tend to concentrate on management tasks, such as completing and submitting the numerous regulatory returns to the FCA and internal updates for the Management Team; dealing with Personnel queries and completing the Company Accounts and book keeping duties. The end of the day is allocated to signing-off any correspondence to ensure it is completed to catch the daily post collection.

What are your interests outside of work?

My main priority is to spend as much time as possible relaxing with family and friends. I also enjoy walking, reading and travelling.

Favourite holiday destination and why?

I'm not sure I have a standout favourite. I have visited so many lovely destinations both in the UK and abroad but I know there are so many more wonderful areas that I've not yet managed to visit but I am working on it! I enjoy visiting New Zealand every few years and spend time with friends and family there and have another exciting trip arranged for early 2019.

Unsolicited Client Testimonials – Thank you!

"Thanks for the steadfast effort you gave, and patience shown. You did a fine job sir!" **MS Barnstaple April 2018**

"Thanks for the latest edition of Milton News. Though not an investor with your company, I always read your issues of Milton News with interest. This latest edition is a real gem; lots of factual details with explanation and clearly honest commentary too." **DB Barnstaple April 2018**

'Comparing these two figures leads me to say how grateful I am to you and your colleagues for the amount of growth achieved'. **BTL Bideford January 2018**

"Thank you. It's a pleasure to work with you and Philip J. Milton plc." **AS Cheshire Nov 18**

"It is now about 30 years since I first invested with the Company and in all that time we received a very high level of professionalism, helpfulness and kindness. Since Roy died I would like to thank you Simon, for everything you did and are still doing to help me with my finances. Finances 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**

"We would like to thank you and your team for all the effort that you have applied to this task and all the excellent advice that you have provided. We will certainly recommend you to any other contacts that we make that need these services". **AJB Bristol February 2018**

'Well done Phillip and all your great staff. I have had complete trust in you since the early days in Litchdon Street. Long may your success continue and hopefully you can make me wealthy along the way.' **MJ Braunton January 2018**

After Hours!

A FEW QUOTES TO MAKE YOU SMILE…

Ladies and gentlemen thank you for flying xyz airlines, we hope you enjoyed your flight as much as we enjoyed taking your money. Please remember to take all your belongings. Anything left behind will be distributed evenly among crew members...

They say that love is more important than money, but have you ever tried to pay your bills with a hug?

The hardest thing to find in life is happiness - money is only hard to find because it gets wasted trying to find happiness...

I am one step away from being rich, all I need now is money…

Christmas is the time when you buy presents with the money from next year…

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.