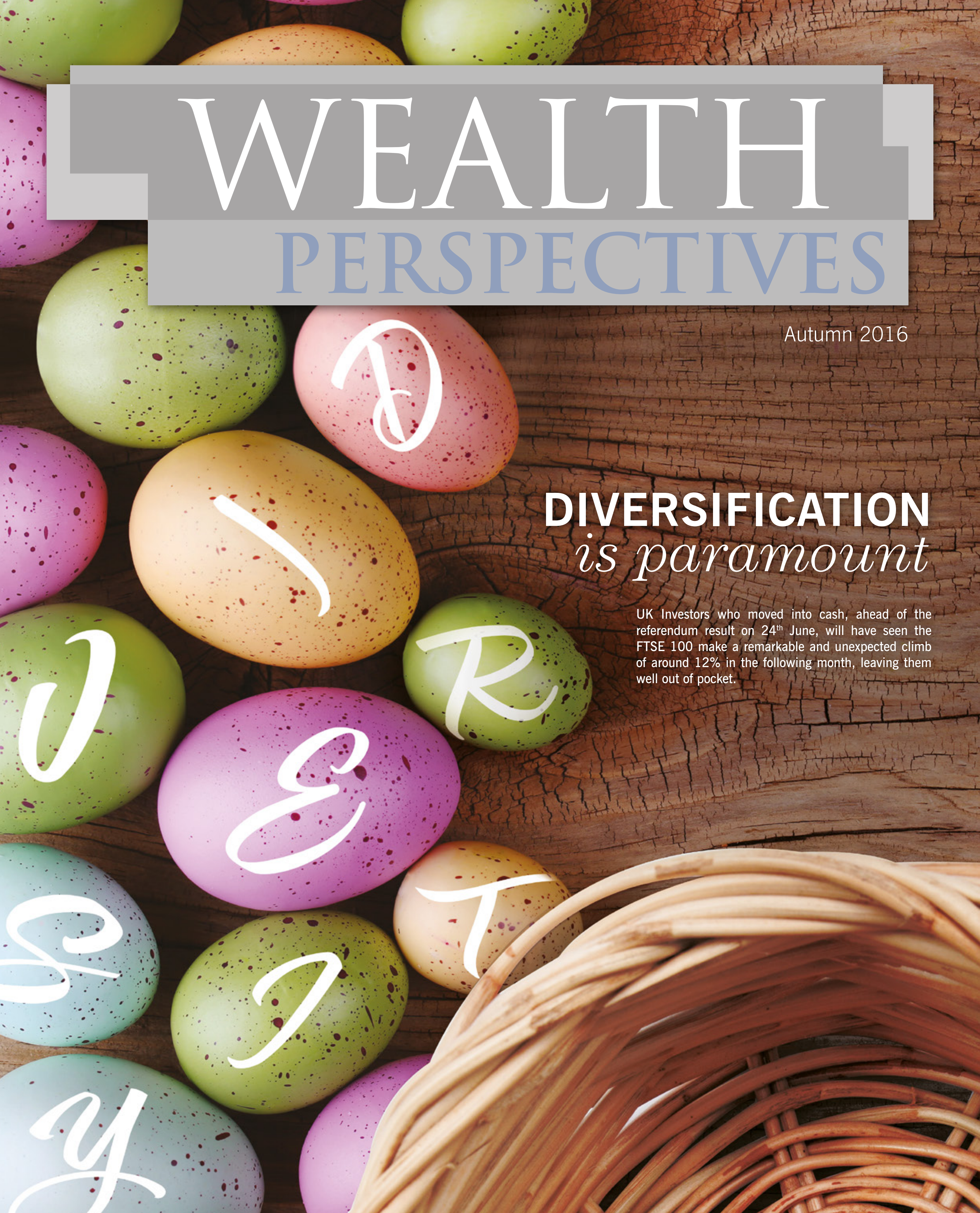
WEALTH PERSPECTIVES

Autumn 2016



DIVERSIFICATION *is paramount*

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TAYLOR BURKE PARTNERSHIP

CAERUS Capital Group

WELCOME TO THE LATEST EDITION of WEALTH PERSPECTIVES

in which we focus on the issues that affect your finances.

The Wider Picture
What have Sakshi Malik, Pusarla Sindhu and Kirani James in common? You may recognise that they represented their countries in Rio, and that each won a medal, and that theirs were the only medals won for their respective countries.

Market Commentary
The FTSE World index nudged up by 1.2% during the month of August. Usually, the news flow becomes more subdued in the summer months, but, in the UK and US, politics has maintained its interest.

Diversification is paramount
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Are you about to draw your pension benefits?
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The new single-tier State pension
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Inheritance tax: The silent tax collector
The government’s receipts from inheritance tax have been rising much faster than the yield from other taxes.

Understanding risk
The UK has experienced its fair share of political upheaval over the year to date.

Plus:-

- **The Autumn Statement**
- **A business loss you may not have considered**
- **Auto-enrolment: The fines continue to grow**
- **When the unexpected happens**

If you wish to discuss your finances or any of the issues raised in this edition, please do get in touch.

Best wishes

Colin Burke,
Sandra Taylor

Partners: Colin Burke & Sandra Taylor
Taylor Burke Partnership

Colin Burke

Sandra Taylor

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THE CAERUS SENTIMENT DASHBOARD

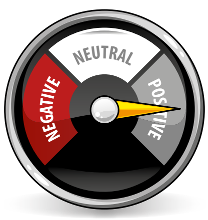
The CAERUS Sentiment Dashboard provides, in a single view, current attitudes to the main asset classes.

Cash

Government Bonds

Other Bonds

Property

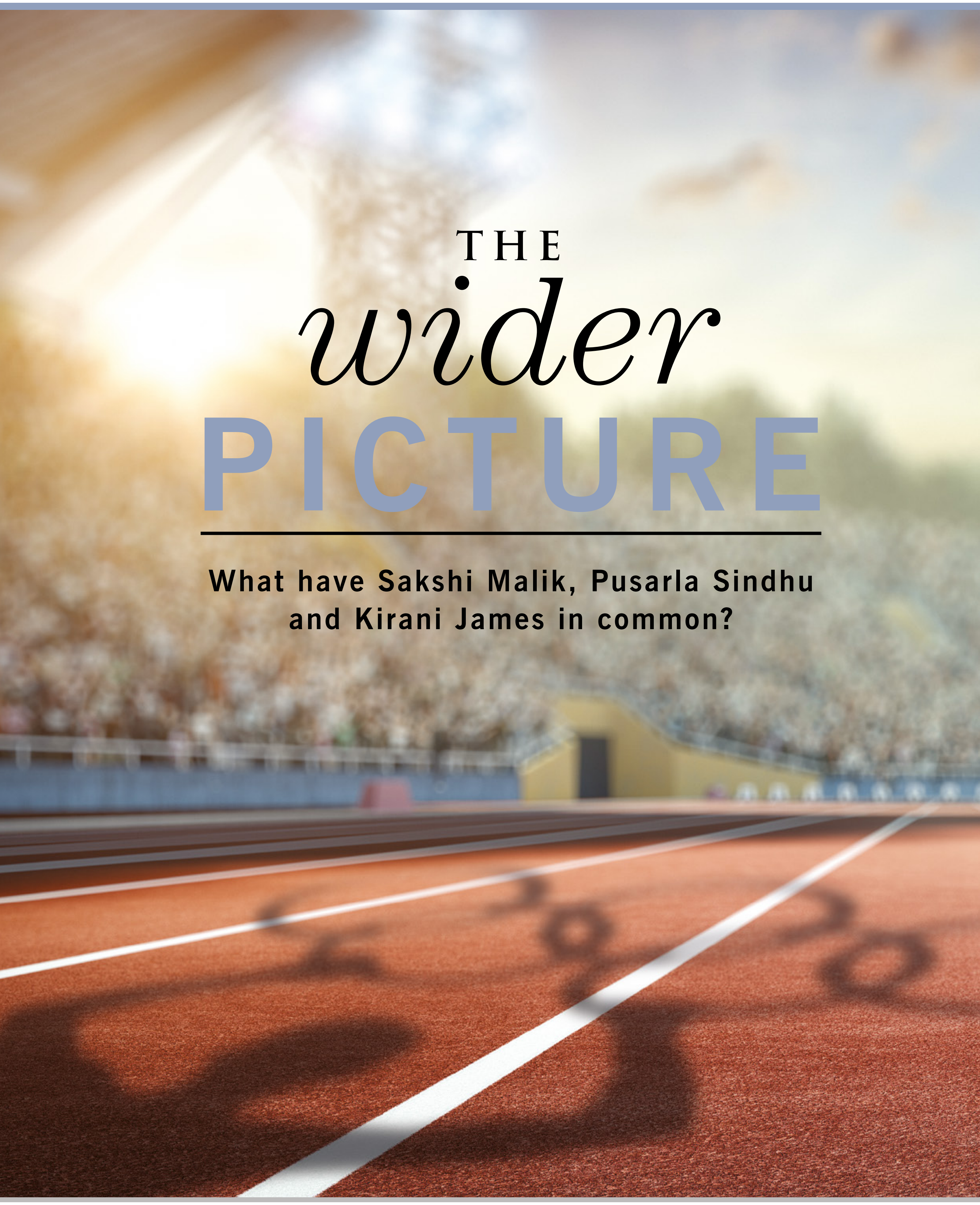


UK

Developed Markets ex-UK

Emerging Markets

Please note, this information is for indicative purposes only.



THE *wider* PICTURE

What have Sakshi Malik, Pusarla Sindhu and Kirani James in common?

TAYLOR BURKE PARTNERSHIP

You may recognise that they represented their countries in Rio, and that each won a medal, and that theirs were the only medals won for their respective countries.

(Sakshi Malik, Bronze, Freestyle Wrestling; Pusarla Sindhu, Silver, Badminton; Kirani James, Silver, 400m sprint.)

Sakshi and Pusarla represented India; Kirani represented Grenada. The significance of those two nations is that India has the greatest population (1,326 million) and Grenada the smallest (107,000) of all the medal-winning countries represented at the Olympic Games. So, based solely on medal winners per head of population, it could be said that India was the least successful and Grenada the most successful at producing Olympic Medal winners. Statistically accurate, but, on its own, this fact reveals just one tiny pixel of the brilliantly colourful event that was the 2016 Olympiad.

The full picture was breathtakingly beautiful, a multinational canvas literally covered in personal bests, world records, the tears of success and of oh-so-nearly successes, and, of course, all accompanied by an astounding list of statistics quoted by the many excellent commentaries and reports in the media.

The medal tables provide the 'hard facts'. Achieving a top three 'place' is how we judge the performance of the individual athletes, but it is the team which achieves the overall ranking against the other nations.

This year, ignoring the 'colour' of the medals, Team GB achieved even greater success than in front of its home crowd in 2012. In total medal terms, Team GB achieved third place with 67, with China just ahead in second place and the USA the clear winner. In Gold medal terms, however, Team GB was in second place with 26, one above China, with the USA well ahead with 46. Whichever way we look at those numbers, the result was truly outstanding for the team, for the British Olympic Association, and for all those who made the huge commitment to support the individual athletes in their quest for Olympic success.

In our world (certainly less high-profile than that of all the disciplines that make up the Olympics, but for our Clients, much more significant) the performances of individual fund and fund managers are relevant, but it is the overall performance of our 'team' – the CAERUS Select Portfolios – which makes the difference.

Our Discretionary Portfolio Manager selects the individual funds, those that have delivered the best performance within their individual asset classes, which comprise the Portfolios. Unlike the Olympic Games, our 'team' has to perform constantly, not just every four years. Funds are regularly reviewed to ensure they are performing to the benchmark so that the overall results are the best that can be achieved. It's the team result that counts for you – and thereby, for CAERUS.

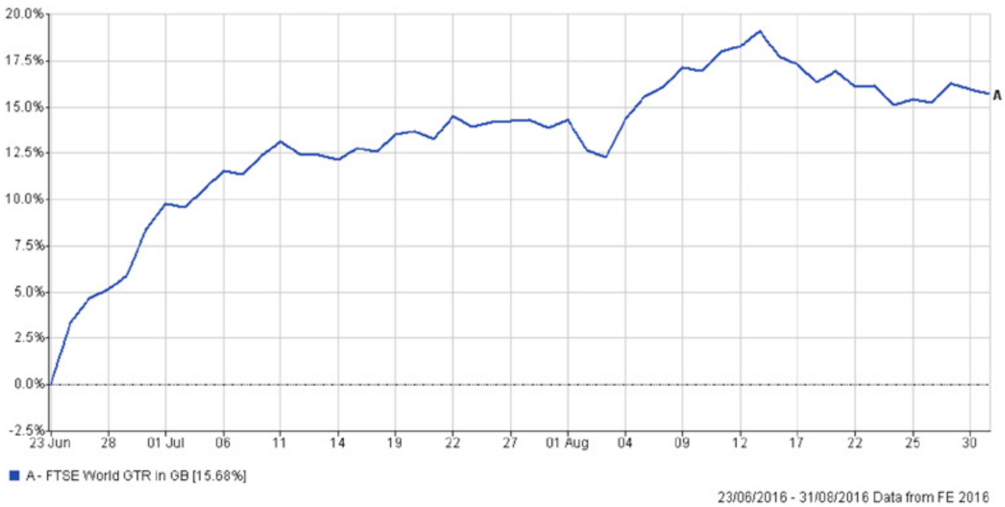
CAERUS Capital Group

Keith Carby
Chairman and CEO
CAERUS Capital Group

market COMMENTARY

The FTSE World index nudged up by 1.2% during the month of August. Usually, the news flow becomes more subdued in the summer months, but, in the UK and US, politics has maintained its interest.

Although the UK has not yet invoked Article 50 and, hence, set the timetable rolling to leave the EU, there has been much discussion about the possible outcomes for both the UK and Europe, as yet to be determined. In the US, the Presidential election in November is fast approaching. Will Trump be an unexpected winner?



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United Kingdom

The FTSE All Share enjoyed another positive month with a gain of 1.9%. It appears that the worst immediate fears post the result in late June have not turned to reality. This certainly appears to be the case with the stock market. The FTSE All Share is up over 15% post June 23rd. Consumers continue to spend, perhaps a result of the low savings rates since the Bank of England lowered the base rate to 0.25%, the first change in rates since 2009. Although some forward-looking surveys of the economy do suggest a slowdown in activity, at the moment, there is little hard evidence that this is occurring. And, with the fall in sterling post the vote, overseas tourists are now finding the UK a more attractive destination along with "staycation" Brits.

United States

Likewise, the United States rose by 1.5% in August resulting in a gain of over 21% for the year to date. The economy continues to generate new jobs (1.3 million year to date) and the unemployment rate is below 5%, combined with some modest wage growth of 2.6%. Of perhaps more interest for the stock markets, however, was the meeting of central bankers at Jackson Hole, Wyoming. In particular, the speech by Janet Yellen of the Federal Reserve was much anticipated. She hinted that if new job figures continue to increase and inflation picks up, then yes, the "Fed" will be inclined to increase rates in the future, but she gave no specific idea of when. Perhaps her caution was justified, given the economy just grew at 1.1% in the second quarter of 2016.

Japan

Despite a lacklustre economy, Japan's unemployment rate fell to a 21 year low of just 3%. Offsetting this good news was the fact that the economy grew at just 0.2% to the end of June and that the inflation target remains at 2%. Earlier in the month, another stimulus package was announced of $276bn. It includes spending on infrastructure projects and reconstruction of regions affected by the earthquake in 2011.

Emerging Markets

Year to date, the Emerging Markets have risen nearly 30%, outpacing Developed Markets. One of the leading Emerging Markets, Brazil, has just hosted the Olympics and the Paralympics. Since the beginning of 2016, the mood towards Emerging Markets has significantly changed. From being the dull laggard, performance is now up sharply, and EM funds are enjoying strong inflows. China, which is perhaps the mainstay of the sector, saw its factory activity expand at the fastest pace for nearly two years. And Brazil is again hitting the headlines, with the impeachment hearing of its President, Dilma Rousseff, and her subsequent removal from office.

Europe

Similar to the UK, there appear to be, at the moment, no serious effects from the June Brexit vote. Eurozone economic activity was as its highest level for seven months in August. The Purchasing Managers survey (PMI) is an indicator of activity in both manufacturing and services. A PMI score of over 50 indicates growth of economic activity, whilst below 50 indicates the economy is contracting. The August score in Europe was 53.3, up from 53.2 in July. However, inflation remains weak at just 0.2%.

All figures sourced from FE Analytics and in sterling.

Parmenion
It's your future.

Simon Brett
Chief Investment Officer
Parmenion Investment Managers

* All performance data quoted in this article is derived from FE Analytics


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DIVERSIFICATION
—*is paramount*—

Human evolution has made us instinctively averse to uncertainty and this is especially true in the financial markets, according to Prof Andrew Lo of MIT's Sloan School of Management.

Dr Lo has said that our natural reaction to physical risk – what has been described as 'fight or flight' – may save our lives, but that the same reaction to financial markets tends to make us short-term Investors and so miss out on the benefits of long-term Investing.

UK Investors who moved into cash, ahead of the referendum result on 24th June, will have seen the FTSE 100 make a remarkable and unexpected climb of around 12% in the following month, leaving them well out of pocket. From a historical perspective, we can see the dangers of moving out of the markets when the outlook has seemed bleak. Investors who moved into cash in March 2003 or March 2009 risked missing out on a double-digit rise in the FTSE 100 within the following few months.

Is there a safe haven?

For some Investors, the solution will be to leave their money in cash but, as we have seen, this has dangers, as markets can move upwards very quickly. Inflation will also reduce the buying power of capital over time. Many Investors have been lured by the so called 'safe haven' of gold, as the price certainly spiked following the referendum. But gold has its risks, too, and its value, just prior to the referendum, was around 15% less than three years previously and it produces no income.

The best solution for Investors

The answer to the ups and downs of stock markets is to invest for the long term and to diversify. Investing for the long term means not panicking and not bailing out when the markets fall. And diversifying means spreading Investments – not putting all the Investment eggs in one basket.

Diversification will help protect Investments from the full impact of the volatility of the markets. Whats more, with a lower value of the pound against other currencies, overseas Investments should produce better results, in sterling terms.

Investments should not just consist of equities – share-based Investments. Lower risk portfolios may have a quarter or more of the portfolio made up of fixed interest Investments. It is often the case that when shares fall, as they did immediately after the recent referendum, bonds – especially government bonds like gilts – rise in value. It doesn't always happen like that, although bonds tend to be less volatile than shares.

Most people's instinctive reaction to any kind of danger is often flight. But that could often be an expensive mistake.

ARE YOU ABOUT TO *draw your* PENSION BENEFITS?

One of the reasons George Osborne gave for the introduction of his radical pension flexibility reforms in March 2014 was that "the annuities market is currently not working in the best interests of all consumers".

Yet the annuity rates of spring 2014 now look a bargain; by mid-June 2016, typical rates were around 15% lower than when the Chancellor spoke. Rates have fallen further as a result of the Brexit vote, driving down bond yields.

Competition in the annuity market has also been disappearing. In the last few months the UK's largest insurance company has ended Advised annuity sales and two specialist annuity companies have completed a merger.

If you are at the stage of converting your pension fund into a retirement income, you may feel circumstances are conspiring against you. In fact, the new pension regime has given you more flexibility in how you can draw your benefits. This might not be immediately obvious because some pension providers do not offer full flexibility on their older pension arrangements. If you want to take advantage of more options than are available from your current provider, it is usually a reasonably straightforward matter to transfer to a new arrangement with greater flexibility.

Under the new pension flexibility, you can draw down part (or even the whole) of your pension fund as a lump sum, with 25% normally free of tax and the balance subject to income tax. Any undrawn portion remains invested and can be used to pay out more at a later date. Depending on your circumstances, you could use a series of payments to provide a stream of tax-efficient income. At a time when Investment markets are volatile, it can make sense to draw from your pension plan only what you need and to avoid making a large one-off sale and reinvestment, as would be the case with an outright annuity purchase.

The so-called drawdown approach is not right for everyone – you may want some guarantees built into your future income, which drawing funds straight from you pension fund cannot supply. The key point is to work out what net income you require from your pension fund and then take Advice on the ways in which this can be achieved. Sometimes a combination of methods may be appropriate. For instance, you may use part of your fund to buy an annuity, giving you a basic level of guaranteed income, and then you could invest the remainder in funds from which you draw regularly or as needs arise.

This is an area in which individual, expert Advice is essential. Choosing the wrong option could create large tax bills or leave you locked into a poor-value solution for the rest of your life. That can be a long time spent in regret; the average 65 year old has at least a one in four chance of reaching the age of 94.

The NEW SINGLE-TIER STATE PENSION

In the run up to the April launch, the government placed considerable emphasis on the amount of the new single-tier pension (£155.65 a week in 2016/17).

However, the House of Commons Work and Pensions Select Committee was highly critical of the £155 focus, when it examined the 'communication of the new State pension'. The Committee echoed a crucial point already made by pension professionals; in the early years of the new system 'the majority will not' receive the full amount.

There are three groups who stand to suffer most because they could end up receiving less under the single-tier system than they would have under the old regime, had it continued:-

1. If you have a National Insurance contribution/credit record of fewer than 10 years by the time you reach your State Pension Age (SPA), then you will receive nothing from the single-tier pension regime. The Department for Work and Pensions has recently announced that it will be writing to over 100,000 people affected by this 10-year rule.
2. If your old-regime pension entitlement relied upon your spouse's National Insurance contribution record, then this is no longer available to you. The basis of the single-tier pension is strictly personal, both in terms of contribution record and benefits – there are no widow(er)'s pensions, other than in limited transitional circumstances.
3. If you were a member of a contracted out final salary scheme between 1978/79 and 1987/88, you would have accrued Guaranteed Minimum Pension (GMP) in place of SERPS. Once the GMP started to be paid, inflation proofing was the government's responsibility under the old regime. In the single-tier world, that inflation protection has been withdrawn.

These cuts in pension benefits stem from deliberate government decisions made in dealing with the complexities of switching from the old to the new regime.

The best way to find out your single-tier pension entitlement is to obtain a projection from the Department for Work and Pensions website (www.gov.uk/check-state-pension), which will also tell you when you will reach your SPA – it may not be when you think! Once you have got the projection, your next step should be to talk to your Financial Adviser about your retirement options.

INHERITANCE TAX: *the silent* TAX COLLECTOR

The government's receipts from inheritance tax have been rising much faster than the yield from other taxes.

Inheritance tax (IHT) is a good example of one of the lower profile taxes that is quietly producing an increasing slice of revenue for the Exchequer. In 2016/17, IHT is projected to raise almost £5 billion, more than double what it produced in 2009/10. There are many reasons why the Treasury's IHT income is outpacing the growth in overall revenue, but the most significant is probably the freezing, since April 2009, of the nil rate band – broadly speaking, the amount of your estate (after any exemptions) not subject to tax at a flat rate of 40%.

Average UK house prices have risen by more than 30% so far, over the period that the nil rate band has been frozen, according to Nationwide. In Greater London, the increase exceeds 85%. It's true that the government is introducing a main residence nil rate band (RNRB) in April 2017, initially at £100,000, rising to £175,000 by April 2020, but this will be of little or no help to some people.

The RNRB has also been criticised by the chairman of the Treasury Select Committee, who said it failed to meet any of three requirements that "Tax rules should aim to be simple, fair and clear". While the RNRB is being phased in, the ordinary nil rate band will continue to be frozen, meaning its first increase above the 2009 figure of £325,000 will not occur until at least April 2021.

If you do not want the Exchequer to be a major – or even the largest – beneficiary of your estate, then the sooner you begin planning, the better. The starting point is making sure your wills are up to date – or putting in place a will if you are currently relying on the vagaries of intestacy law. Once the structure of your will is settled, there are no simple rules of thumb for the next stage, other than to take expert Advice. Estate planning requires a clear, holistic approach and needs to be integrated with other aspects of your personal financial planning.

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice.

Understanding RISK

The UK has experienced its fair share of political upheaval over the year to date.

We have had the decision to leave the EU that has been a core part of our economic and political lives, in one form or another, for 43 years; a change of Prime Minister in mid-term and a vote of no confidence in the leader of the main opposition party.

No one wishes to lose money on their Investments, but most people are aware that for additional gain there is almost always increased risk. The primary goal of a strategic asset allocation is to create an overall asset mix that will provide the optimal balance between expected risk and return, for a long-term Investment horizon[1]. That is why understanding your 'Attitude to Risk' and capacity to absorb loss is key to your Investment planning.

The process of establishing your Attitude to Risk will start with you completing a risk questionnaire. Such a questionnaire is usually only a starting point for more discussion of the nature of Investment risk and your attitude to it. The extent to which you are prepared to take on Investment risk could range from being exceedingly cautious, through being prepared to consider a moderate degree of risk, to being adventurous in your approach.

But it is also important to consider what is called your 'capacity for loss' – how much risk you can afford to take. This is the degree to which your personal circumstances and opinions will impact the specific Investment recommendations.

For instance, an Investor may be willing to buy very risky Investments but may have limited resources and a very short-term goal – for example to build up enough capital to pay for their children's school fees starting in four years' time. Their need to avoid risk because of their short time scale and modest means should outweigh their willingness to buy risky Investments.

If you are having second thoughts about the basis of your Investment approach, it is time to review your Attitude to Risk with your Financial Adviser.

[1]Risk report provided by best Practice IFA Group Ltd

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the AUTUMN STATEMENT

Before the referendum…

George Osborne warned that a 'Leave' vote would be followed by an emergency Budget with £30 billion of tax increases and spending cuts, but after the referendum, Mr Osborne abandoned not only his Budget plans but also his target to end fresh government borrowing by 2020.

Philip Hammond, who has been appointed Chancellor, will be facing at least some of the issues that prompted Mr Osborne's original warning: the economy may be slowing and government finances will almost certainly be worsening as a result.

In such circumstances, it is possible that the new Chancellor will introduce the pension tax reforms, which were on Mr Osborne's March agenda. It would be a quick way to raise some extra revenue.

The value of tax reliefs depends on your individual circumstances. Tax laws can change.
The Financial Conduct Authority does not regulate tax advice.

A BUSINESS LOSS YOU MAY NOT HAVE CONSIDERED

Do you run a business as a partnership or company along with other shareholder-directors?

If so, have you considered what would happen if one of your fellow business owners was struck by a serious illness or died? You could find yourself having to accept a new – and unknown – partner/shareholder or even having to sell up at the worst moment.

The key to avoiding such a situation is to have available sufficient cash and the correct structure of agreement to buy out your colleague's business interest, in advance of the need. If you already have one in place, make sure it is regularly reviewed, as values change.

AUTO-ENROLMENT *the fines continue* TO GROW

The latest report from the Pensions Regulator shows that as automatic enrolment spreads through smaller employers, warnings and fines for 'non-compliance' are soaring. In the second quarter of 2016, the Regulator issued nearly 3,400 compliance notices, more than 850 fixed penalty notices of £400 apiece, and nearly 38 escalating penalty notices (which can be as high as £10,000 a day).

Make sure you are prepared for your employer responsibilities or you could be adding to those numbers in the future.

WHEN THE *unexpected happens*

The unexpected sometimes happens. On a personal level, how ready are you and your family for the unexpected?

The major objectives for many Clients are, typically, building up (or maintaining) wealth, tax efficiently; medium-term investing to see their children get a good education and providing for their income needs after they cease full-time paid employment or self-employment.

The problem with all of these, is they are based on the assumption that we have the necessary time available to achieve our plans and dreams. But life can be unpredictable, as we rediscover daily. We need to make sure that our plans will have a good chance of success, even if time is not always on our side.

The most obvious thief of our time is death itself and sometimes it happens when least expected. Life insurance can provide a financial cushion for those left behind if the worst happens, and the cost is much lower than you might expect.

Often overlooked is the loss of income that can occur when someone suffers from a long-term illness or disability. When this happens, unless planning has already taken place, wealth creation in all its forms goes on hold. An income protection policy could provide a tax-free income, increasing by the RPI if you have been unable to work through disability. The cover would continue until you went back to work, died or reached your planned retirement age.

Contact us to check your protection cover, now.

LEADING *Indicators*

United Kingdom Stock Markets	3 months	6 months	1 year
FTSE 100[1]	12.72%	16.57%	15.35%
FTSE 250[1]	6.33%	11.58%	8.78%
FTSE All Share[1]	11.48%	15.67%	14.06%

Source: Financial Express Analytics 22nd August 2016

American Stock Markets	3 months	6 months	1 year
NASDAQ 100[1]	10.56%	14.38%	16.05%
S&P 500[1]	6.93%	13.43%	13.22%

Source: Financial Express Analytics 22nd August 2016

European Stock Markets	3 months	6 months	1 year
CAC 40[1]	2.05%	5.34%	-1.56%
DAX[1]	5.54%	9.35%	4.38%
DJ Euro Stoxx[1]	1.06%	4.12%	-5.21%

Source: Financial Express Analytics 22nd August 2016

Other Stock Markets	3 months	6 months	1 year
Hang Seng[1]	17.96%	21.74%	6.85%
MSCI Emerging Markets[1]	12.73%	16.64%	12.70%
Nikkei[1]	-0.83%	3.02%	-14.60%

Source: Financial Express Analytics 22nd August 2016

Gilts	3 months	6 months	1 year
FTSE British Government 10 – 15 years[1]	9.48%	9.04%	14.01%

Source: Financial Express Analytics 22nd August 2016

Property	3 months	6 months	1 year
Halifax Property Index[1]	1.17%	1.02%	7.72%
IPD UK All Property[1]	0.72%	1.71%	7.98%

Source: Financial Express Analytics 22nd August 2016

Savings	3 months	6 months	1 year
Moneyfacts Instant Access[1,2]	0.14%	0.30%	0.63%
Moneyfacts 90 days notice[1,3]	0.19%	0.38%	0.76%

Source: Financial Express Analytics 22nd August 2016

Inflation	3 months	6 months	1 year
UK Consumer Price Index	0.20%	0.80%	0.30%

Source: Financial Express Analytics 22nd August 2016

Interest Rates	3 months	6 months	1 year
Bank of England	0.12%	0.24%	0.49%

Source: Financial Express Analytics 22nd August 2016

Notes

1 Gross return bid-bid, annualised.

2 Moneyfacts Average of instant access accounts, £10,000 invested, total return, gross.

3 Moneyfacts Average of 90 day notice accounts, £10,000 invested, total return, gross.

TAYLOR BURKE PARTNERSHIP

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