Independent Financial Advisers and Wealth Managers since 1999

Welcome to your January 2019 quarterly newsletter.

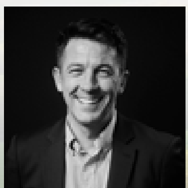
I would like to wish all our clients a very happy new year as we all welcome in 2019 and Financial Advice Centre's 20th year. The last year came with challenges for us all particularly in the financial world around Brexit and the impact on markets of other geopolitical events. At Financial Advice Centre, we finished off 2018 with a few highlights of which we are particularly proud.

In November, we kicked off an inaugural event series which received unanimous praise from attendees for its informative and insightful content. In December, we heard we had been awarded Shoppers Choice IFA by the Financial Times Adviser for Worcester. This is a prestigious and coveted award given following mystery shopper research into all IFAs across Worcester. Finally, it was a distinct personal pleasure to hear how the contributions we made to our chosen end of year charities, New Hope Children's Charity and Maggs Day Centre, were tangibly put to work over the Christmas period.

It was this final highlight that helped us decide that we want to deepen our commitment to local charities in this our 20th year. We will soon be announcing our commitment to raising more funds for other local charities throughout the year. So please look out for further announcements.

I very much look forward to seeing and speaking to many of you in 2019 and hope you will continue to value the information we send to you. We will be asking you for feedback later in the year as to how helpful and useful you find these types of communications from us. For now, you will find your regular updates and some interesting tips on end of year tax planning in the content included.

Good luck for a great start to 2019 from all of us at Financial Advice Centre.



Piers Mepsted,
Managing Director

In this Issue

For questions and advice get in contact today...

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Market Overview | part 1

Geopolitical Issues

The impact of events in the final quarter of 2018 reinforced just how much geopolitical issues have come to matter to investment markets in recent years. At the start of October trade tensions between the world's two largest trading nations, China and the United States, came to a head.

In addition, were further setbacks in the UK's Brexit negotiations; Italian budgetary plans raising eyebrows across the world; and the pace of US Federal Reserve's interest rate rises showing little sign of slowing. We detail these as a reference point for you below.

In previous months, markets, particularly in the US, had been relatively resilient throughout bouts of concerning news. But this combination sent equity markets into negative territory.

Brexit Uncertainty

The two and half years since the EU Referendum have not been as smooth as many may have imagined and events of the last three months of 2018 encapsulated the to-ing and fro-ing that has hampered the UK since Article 50 was triggered. The positive feeling generated by the news that Theresa May had managed to negotiate a deal with the EU was very short lived. With almost any potential outcome still a possibility, we can only hope that the first three months of 2019 bring us some certainty one way or the other. It has been far too long since the UK and European stock markets have not had this cloud of ambiguity hovering over them.

Market Overview | part 2

European Economic Concerns

Across the Channel, the Italian budget caused concerns and a very abrupt end of the honeymoon period for Emmanuel Macron. What started in November as the French public's outrage over the latest tax increases on diesel and petrol, became much more than that over the following weeks. What the protestors now seem to be calling for is complete political transformation to change the status quo of the last 30 years.

It is difficult to see just where things can go from here. The demonstrations continue but that there has been a noticeable decline in the number of protestors. The French Government recorded 282,000 people attending the first major protest on November 17th, falling to less than 40,000 by the so-called 'seventh act' at the end of December.

US Politics

In the US, the mid-term elections in November saw the Democrats take control of the House of Representatives and the Republicans retaining control of the Senate. The votes within both houses were close enough that we must consider that neither party was given a clear mandate to govern the country.

As a result, it is unlikely that Congress will be able to enact much change over the next two years. The first issue arising from this situation has already come to the fore, with Congress failing to agree to the President's demands to fund the proposed wall at the Mexican border. This led to a partial shutdown of the US Government over the festive period that continues.

The existence of a similar standoff can be seen between Donald Trump and the Federal Reserve. December saw the fourth interest rate hike for the year. However, expectations for further rate increases in 2019 were reduced to two. This is a notable drop from previous expectations earlier in the quarter, which were as high as four.

Market Overview | part 3

Our Outlook

It is a well-worn adage that stock markets hate uncertainty, and the last three months of 2018 offered further proof of this. In reaching the close of business for the year, we were left questioning whether the near 10-year bull market was in its final throes. But while there are many commentators almost insistent that a recession must be on the horizon, it is useful to look at everything in context and take a balanced view.

In fact, the positive news in the last few days of the year suggest investors would be able to celebrate the coming of the New Year with at least a partial smile on their face. Donald Trump and President Xi shared a “long and very good” telephone call and progress on a lasting trade deal was “moving along very well”.

There is still a way to go, with negotiators due for face-to-face talks early in the New Year. However, between the optimistic tone that emerged following the Presidents’ meeting at the G20 in early December, and these further positive messages, there is hope that this herald’s the end of trade tensions between the nations.

The Italian Senate approved a proposed reduced budget deficit proposition with little opposition, and the lower house of Parliament passed the revised proposals ahead of the end-of-year deadline.

The fortunes of Emerging Markets over the quarter were heavily linked to events in the US, both on the trade front and in terms of rising interest rates. While earlier in 2018 there were scare stories from Turkey and Argentina, there were fewer major shocks over the last three months to drive down the sector any further than developed markets. In fact, the steadier performance of the region throughout November and December highlighted that there are still attractive investment opportunities to be found.

In conversation with the investments specialists we deal with, there is a feeling that the issues hampering markets at present are not insurmountable. There is no shying away from the fact that global growth is slowing down, but no one single issue is seemingly large enough to bring all markets to a grinding halt.

Markets and Investments

Outlook	Asset Class	Reasoning
↔	UK Equities	We are edging ever closer to the March 29th deadline for Brexit, with very little certainty over any aspect of the agreement, or indeed whether there will be an agreement at all. The next three months should bring some clarity and lessen one of the key uncertainties clouding UK markets.
↔	US Equities	Stalemate in Congress is likely to lead to little in the way of significant policy change in the coming months. Interest rate decisions remain an important factor, and will have a significant impact on both equity and fixed income markets. Hope of a resolution to the ongoing trade dispute with China brings reason for positivity.
↓	European Equities	Alongside the obvious Brexit uncertainty, the big question for 2019 is how the economy will react to the European Central Bank's decision to end the quantitative easing programme started in 2015. Key economic data has been mixed and political issues still give cause for apprehension over just how 2019 will pan out.
↑	Asian Equities	As with US markets, the potential for a resolution to the trade war creates scope for optimism within the region. As it stands, the recent contraction in key manufacturing data is attributed to the trade war. The last days of 2018 also saw Chinese government officials sign off an aggressive stimulus package for 2019 to help to boost the economy, but the impact of this may take time to be seen.
↑	Emerging Market Equities	Fluctuations in the value of the US dollar, particularly caused by interest rate decisions, will continue to affect the fortunes of the area due to its reliance on foreign investment. Valuations here are some of the most attractive across global markets, although the region continues to present a higher degree of risk and volatility for investors.
↑	UK Gilts	The Brexit outcome and the potential impact on the value of Sterling continues to dissuade foreign investors from delving into the Gilt market. Prices have, however, been robust due to the sectors' position as a safe-haven against the volatility of equity markets, which has been particularly prevalent in the past three months and shows little sign of disappearing any time soon.
↑	UK Corporate Bonds	UK companies have been taking advantage of the low interest rate environment to issue record-breaking levels of corporate debt over the past few years. Credit spreads, the additional yield on offer for holding corporate debt over government debt, continue to rise and many companies are now facing pressure to reduce their debt pile after years of overextending themselves. This environment could well lead to attractive investment opportunities.
↔	Cash	Despite low levels of return, cash continues to form an important part of a portfolio in a volatile market environment, both to help reduce overall portfolio volatility and to provide investors with the ability to deploy funds quickly as attractive investments materialise.

Your Adviser Discusses

It is Not To Late to Take Advantage of Year End Tax Allowances

The ups and downs of the investment market over the last 12 months may not have filled investors with a huge amount of optimism.

However, viewed through a longer term lens, following a selected investment strategy remains the most effective way to employ your funds in order to keep pace with or exceed the rate of inflation over time.

Keeping abreast of other aspects to investment and tax incentives present additional opportunities and can be taken advantage of where possible and which present no risk. Tax incentives are a specific area where your Financial Adviser will add value, without a downside.

We would always encourage you to plan early to use up your tax allowances but you do have up until midnight on 5th April 2019 to use up some of the following:

PENSION ANNUAL ALLOWANCE

All UK taxpayers have an annual pension allowance from the day they are born up to the age of 75 for contributing into a pension and receiving tax relief. If you have not utilised your allowance for the current tax it's not to late, please feel free to contact us to discuss.

ISA ALLOWANCE

We all have an annual allowance of £20,000 we can put into an ISA. This allowance cannot be carried forward into the next tax year, so if you have not utilised, please get in touch to ensure it is completed by 6th April.

CAPITAL GAINS TAX (CGT) ALLOWANCE

The current capital gains tax allowance is £11,700 per annum for 2018/19 and is often overlooked. So if you have any investments outside of ISAs, Pensions or a tax-efficient product, you may want to consider crystalising some of the gains on these in order to make use of this allowance. As with ISAs, CGT cannot be carried forward and must be used in each tax year.

In addition to the above allowances, there are some other exciting tax incentives promoted by HMRC you can also take advantage of to help to reduce your tax bill.

Despite press headlines and the leak of offshore tax avoidance records linked to prominent individuals – the 'Paradise Papers'- there are several government-endorsed allowances, reliefs and exemptions promoted by HMRC. The government offers these reliefs to encourage investment in specific sectors and are designed to be beneficial to the investor and the UK economy.

We recently held a seminar with an investment company specialising in these incentives and list some of the associated products briefly below for you.

VENTURE CAPITAL TRUSTS (VCTS)

A VCT is a listed company in which you invest. Upon investment, you will receive a tax rebate of up to 30% of your investment from HMRC up to the level of income tax you paid in that tax year. The maximum you can invest in any one year is £200,000 and you must hold that investment for at least five years in order to benefit from the Income Tax relief. Dividends paid from a VCT are tax-free.

ENTERPRISE INVESTMENT SCHEME (EIS)

The EIS is designed to help smaller, higher-risk companies raise finance by offering tax relief on new shares in those companies that qualify. For the investor, it's a tax-efficient way to invest in small companies – up to £1,000,000 per year with Income Tax relief of 30% (again, restricted to a maximum of the value of income tax you pay). The minimum holding period is three years. EIS's have other tax advantages - they are exempt from CGT, you can obtain loss relief against other investments if your EIS makes a loss, and you can defer CGT on other investments if you invest the gain in an EIS.

What makes it even more attractive is the 'carry back' facility where investments can be applied to the preceding tax year i.e. the investment is treated as if it is made in the previous tax-year and you get relief on the previous years' Income Tax.

BUSINESS RELIEF (BR)

BR has been an established part of inheritance tax (IHT) legislation for over 40 years. It is a benefit to some small business owners but is also used as an IHT planning tool for other investors. BR planning can be used:

- if you do not want to give away large sums of money before death
- you want to give the inheritance you plan to leave behind the chance to grow
- you want the money you invest to become inheritance tax exempt quickly

Once you have set up an investment and it qualifies under BR rules, you can be confident these funds can be passed onto your beneficiaries free from 40% Inheritance Tax upon death.

This is a very brief overview of some of the tax planning options available. To find out more please get in touch to discuss your alternatives and help you plan for a tax-efficient future.

The last word

FT ADVISER
Shoppers' Choice Winner 2018

Financial Advice Centre wins Mystery Shopper Award for Worcester

In December, we were proud to have been announced as the FT Adviser Shoppers' Choice award winner for Worcester in 2018.

Each week the mystery shopper seeks advice from independent advisers in a different city across the UK. The aim is to find out whether advisers are delivering the goods when it comes to the all-important initial telephone contact between client and adviser.

The purpose is not to expose poor selling practices, but to show constructively any weaknesses in the advice process.

Financial Advice Centre was selected from all other IFAs in Worcester as the Shoppers Choice:

"The adviser was helpful, knowledgeable and provided clear explanations in plain English with plenty of information about the options available."

Click here to read the full review.

The last word

working with BLACKFINCH

Inaugural client event success

On November 28 2018 we held our first joint seminar with Blackfinch Investments at Worcester County Cricket Club.

Clients were invited to hear from investment specialists Blackfinch about the effects of Brexit on current and potential future markets as well as a range of tax incentives and investment opportunities.

The feedback from the event was very good with comments such as:

- *"Expertise was excellent"*
- *"Useful and helpful ideas"*
- *"Very interesting and relevant"*
- *"Very informative"*

Congratulations to **Martine Jones** for winning the top raffle prize of a day at the cricket and a corporate box, donated by Blackfinch.

We will be looking to hold additional briefing events throughout 2019 to provide our clients with helpful and informative information.

From left to right: **Gareth Deacon** Blackfinch, **Jerry Price** Blackfinch, **Alex Sumner** Blackfinch, **Sarah Wakefield** Blackfinch, **Matt Rawnsley** CEO, WCCC **Piers Mepsted** FAC, **Adam Smith** FAC

The last word

New arrivals

We are very excited to announce two new arrivals in January to the Financial Advice Centre family.

Dean Edmunds welcomed his second child Esme Edmunds, born 5th January.

Adam Smith welcomed his second daughter Hattie Robyn Smith, born 8th January.

All babies were born healthy and mums and babies are doing well.

About Financial Advice Centre Limited

Since inception in 1999, Financial Advice Centre Limited has grown to become a leading firm providing progressive thinking, independent financial advice and wealth management.

Our team of Independent Financial Advisers have deep technical expertise across a range of areas including wealth management, inheritance tax planning, bespoke investment strategies and public sector pensions. We offer financial advice of the highest standard as seen through our proven pedigree of successfully managed pension and investment funds.

We are active Advisers with a unique charging structure and holistic perspective that focusses on building long term relationships and consistently adding value to our clients investment propositions. Our aim is to provide a service that is both forward-thinking and objective to help clients achieve their financial objectives.

Our clients choose to work with us because we demystify the increasingly complicated financial environment and consistently deliver results in a way that's easy to understand.

financial advice centre

independent face to face advice

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