



## 2017: NEW HORIZONS

At Whitechurch we always recommend looking ahead and planning for the immediate and long-term future. It is never too early to plan, and here are our top tips on what to consider before the end of this tax year (5 April 2017); but also for planning ahead in the new tax year, and beyond.

### Individual Savings Account (ISA)

This is one of the most tax efficient investment options in the UK. The maximum amount you can currently deposit into an ISA is £15,240 and there will be a new limit in the next tax year (2017-18). This is projected to be £20,000. There are different types of ISA with varying features and restrictions to consider. So, it is important to do some research to make sure you don't pay any more tax than you need to on your savings and investments.

### Capital Gains Tax (CGT)

Have you used your annual allowance? It is important to understand which of your investments may be chargeable to CGT, or where you can maximise income. We recommend speaking to an adviser to stay abreast of any potential tax charges.

### Inheritance Tax (IHT)

IHT is levied on a transfer of assets – mostly applied to an individual's estate on death but can also apply to the transfer of assets during life. Many people do not appreciate that their estate may be subject to IHT. But with careful planning it is possible to reduce or remove any liability altogether.

### Income Tax

Couples could consider holding assets in the lower taxpayer's name and pay tax at their marginal rate rather than at the other's higher rate. However, one important consideration is that the partner who holds the asset will be the legal owner of that particular asset.

### Pension

This is one of the most significant investments you can make and you will need to take your personal circumstances into consideration. With changing regulation, you will need to avoid penalties by adhering to current restrictions and limitations. You should also take advantage of the right options available to you – as you grow your pension and, eventually, draw an income from it – in retirement. There is a lot to consider!

### Make a Will

This is to ensure that your wishes are fulfilled. A well-structured Will can also be used to reduce the amount of Inheritance Tax on the value of any assets you leave behind.

We have a series of guides with more insight on these subjects. You can view these on our website [www.whitechurchfc.co.uk](http://www.whitechurchfc.co.uk) or request copies to be sent to you in the post. You can also contact us for a no-obligation chat about your financial plans.

- ✎ Fill in and return the Information Request form
- @ Email us at [wfc@whitechurch.co.uk](mailto:wfc@whitechurch.co.uk)
- ☎ Call us on 0117 916 6194

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# The Income Conundrum 2017

By Ben Willis, Head of Research



The big problem facing income investors today is whether they can keep generating real returns. What we mean by real returns is the amount of income return from savings or investments in excess of inflation.

Inflation measures the price rise of goods and services within the economy over a period of time. As such, the primary objective of income investing is to generate a return in excess of inflation.

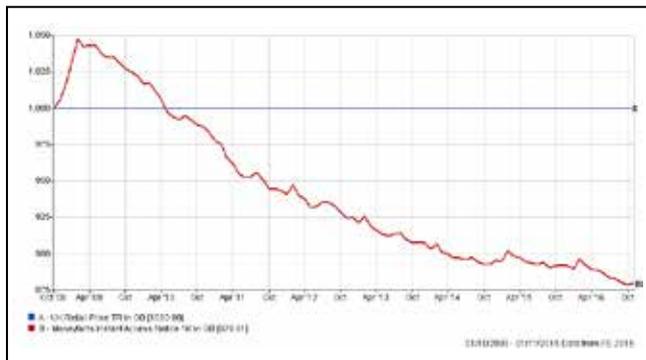
If you can achieve this then you will be receiving a 'real return' on your income. If your income returns did not beat inflation, your income loses its 'purchasing power'. In other words, the price of goods and services are rising faster than the income you receive making them more expensive and less affordable over time.

In recent years, inflation has been kept at low levels but it has slowly crept back up in recent months, with core inflation in excess of 1%. Historically, this is ridiculously low, but in the relationship with current interest rates – the UK base interest rate is a mere 0.25% – it is significant.

## The Cash Shortfall

Cash has been no haven for income seekers for some time now and we have now been in an eight year cycle of low interest rates. The chart below shows how inflation over the last eight years has seen the real value of £1,000 erode to £879 if you had held cash in an instant access account.

Moneyfacts Instant Access account vs. UK Retail Price Index from 31.10.08 to 31.10.16



## Alternative sources of income

### Bonds

Once it was realised that cash wasn't working anymore, many income seekers moved up the risk spectrum and turned to bond markets (i.e. Corporate and Government Bonds). Since 2008, income seekers could have virtually invested anywhere within bond markets and received inflation beating returns.

However, demand has seen bond prices rise and this means bond yields fall, and so the income on offer when buying new bonds has become less attractive over time. Inflation is also the enemy of bonds as the income they provide can lose value, like cash, if inflation creeps up.

### Equity Income (Shares)

For investors prepared to accept volatility associated with stockmarkets then equity income investing is an excellent way of generating an income. Dividend producing shares allow investors to receive an attractive, growing income and still provide the potential for long-term capital growth.

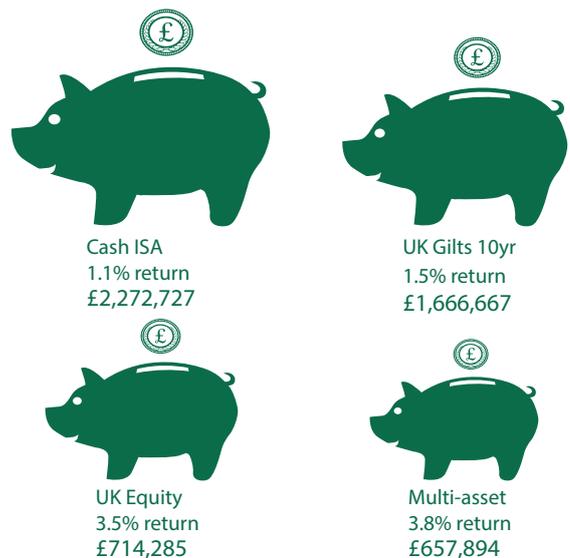
### Commercial Property Funds

UK bricks and mortar property funds offer attractive income streams for investors. However, illiquidity is the big risk for those investing in this asset class and many will remember several high profile open-ended funds shut their doors following the vote to Brexit in June 2016.

## The Whitechurch Way

The most prudent way to produce a healthy and diverse level of income is to select opportunities across a number of income producing asset classes. Such a balanced mix of assets can provide a sustainable level of income – as illustrated below – whilst providing diversification to combat any swings in market values in the short term.

Here's an illustration of how much you would need to save, to produce a £25,000 income in a year



Sources: Cash ISA - Moneyfacts; UK Gilt and UK Equity yields - FT.com; Multi-asset portfolio yield - Whitechurch Securities - as at October 2016.

Please get in touch if you would like to discuss any investment matters. You can:

- Fill in and return the enclosed Information Request form
- Email us at [wfc@whitechurch.co.uk](mailto:wfc@whitechurch.co.uk)
- Call us on 0117 916 6194

Building well diversified portfolios to boost income is a core objective for our award winning investment team. The article below is an example portfolio we constructed for The Daily Telegraph to demonstrate how readers could boost income.

NB: This is for illustrative purposes only. Whitechurch portfolios are actively managed and the portfolio does not necessarily reflect funds we would hold at the current time.

# The Daily Telegraph

SATURDAY 3 SEPTEMBER 2016

## YOUR MONEY

# A pair of portfolios for retirement income

Choosing the right funds for 'income drawdown' is vital. *Philip Scott* reports

Once you have retired, securing a decent income for the rest of your life should be your top financial priority. But it is often easier said than done. Typically the newly retired take one of two routes: they either swap their nest-egg for an annuity, which provides a guaranteed income for life, or they leave their savings invested and draw an income from them.

Unsurprisingly, given that annuity rates have been falling for years, the latter option is currently the more popular of the two. (Some pensioners opt to use a mixture of both.)

But leaving your pension pot invested to generate an income – which is called “income drawdown” – comes with risk: your money remains at the mercy of the markets and if your investment returns fail to keep up with the pace and size of your withdrawals, you could see your capital severely eroded.

**‘Leaving your pension pot invested means your money remains at the mercy of the markets’**

As a result, this strategy usually works best for those who already have a separate, secure income stream in place, perhaps from the state pension, a company scheme or, indeed, an annuity.

Choosing the right components for your retirement income portfolio is not straightforward. We asked two financial advisers to put together two options: one designed for high sustainable income, the other for a balance between income and capital growth. Both are based on a £100,000 pension pot.

### Income

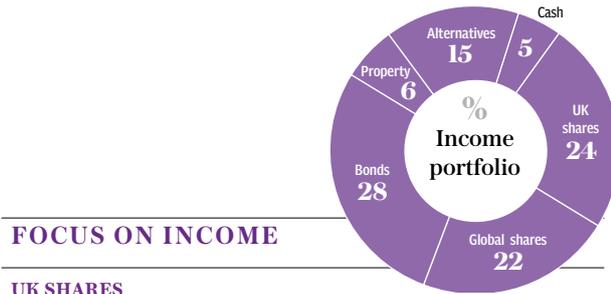
Gavin Haynes, of Whitechurch Securities, the wealth manager, has put together a sample portfolio designed for investors whose main priority is income. As it stands, the portfolio has the potential to generate an overall yield of around 4pc, or just over £4,000 a year.

However, Mr Haynes would also like to see the capital value at least keep pace with inflation over the medium to long term.

### Shares

With interest rates likely to remain in the doldrums for some time yet, dividend-paying stocks look attractive. As a result, nearly half of this portfolio is spread across funds that invest in UK and global stock markets and focus on dividend-producing shares.

For British exposure he has the Vanguard FTSE UK Equity Income Index fund, a “tracker” that echoes the performance of UK blue-chip stocks that pay dividends, and two actively managed funds: Woodford Equity Income, run by the experienced stockpicker Neil Woodford, and Schroder Income Maximiser, which aims to deliver a higher-than-average yield, currently 6.9pc.



## FOCUS ON INCOME

### UK SHARES

Schroder Income Maximiser	6.9%	8%
Vanguard FTSE UK Equity Income Index	4.6%	8%
Woodford Equity Income	3.4%	8%

### GLOBAL SHARES

Artemis Global Income	3.3%	8%
First State Global Listed Infrastructure	2.5%	6%
Newton Global Income	2.9%	8%

### BONDS

Henderson Strategic Bond	4.2%	8%
Invesco Perpetual Monthly Income Plus	5.6%	7%
Jupiter Strategic Bond	4.9%	8%
Royal London Short Duration Global High Yield Bond	6%	5%

### PROPERTY

F&C Commercial Property investment trust	4.9%	6%
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### ALTERNATIVES

Aviva Multi Strategy Target Income	4.6%	7.5%
Newton Real Return	2.2%	7.5%

### CASH

	0.1%	5%
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For his international holdings, Mr Haynes picked Newton Global Income and First State Global Listed Infrastructure, because the infrastructure sector has a reputation of being defensive while still able to deliver a steady income stream.

### Bonds

These are fixed-term IOUs issued by governments or companies that want to raise cash and traditionally have been the asset of choice for those who need a steady, reliable income stream. But yields from UK government bonds, or gilts, have been far from inspiring in recent years and following the recent cut in Bank Rate, a 10-year gilt now offers a paltry 0.5pc.

Mr Haynes, like many of his peers, prefers “strategic bond” funds, which can invest in different types of bond from around the world. His

two favoured plays are the Henderson and Jupiter Strategic Bond funds, with respective yields of 4.2pc and 4.9pc.

### Alternative investments

Many conventional or “open-ended” commercial property funds are enduring a tough time in the wake of the Brexit vote as they seek to sell off assets in order to raise cash for investors who want to withdraw their money.

But property investment trusts have no such problem since they are listed on the stock market and trade like any other share. In light of this, Mr Haynes included the F&C Commercial Property trust, which offers a 5pc yield.

Given the “high level of uncertainty across traditional asset classes”, he also included Aviva Multi-Strategy Income and Newton Real Return, which aim to generate a positive return irrespective of market movements.

# Insight on Investment Markets

## Sheltering from a 'VILE' investment climate in 2017

By Gavin Haynes, Managing Director



Against a backdrop dominated by Brexit and 'Trumponomics' we believe that we are in for a 'VILE' investment climate in 2017. This is not as alarming as it sounds. It is an acronym for a year where we expect Volatile Inflation and Low Expansion.

Inflation is typically an indicator of economic and political instability, and the ongoing Brexit negotiations and the advent of 'Trumponomics' will provide elevated levels of uncertainty in 2017. The weak Pound will start to have an inflationary effect at home, whilst the rebound in commodity prices is likely to cause inflationary spikes across the globe.

At the same time, we expect economic growth both at home and globally to remain at low levels. Economic growth in developed economies has been at low levels for a longer period than most people alive today can remember. Economies will remain heavily reliant on policies from central banks and Governments to support growth. Whilst we expect to see a focus on 'Pro-Growth' policies we do not expect that they will result in a significant short-term increase in global growth in 2017.

However, we do believe that fundamental changes in the political backdrop will alter the economic outlook and how an investment portfolio needs to be positioned going forward. If you are positioning your portfolio based on past performance you could be in for a tough time!

### Key investment strategies for taking shelter in 2017

**End of the bull market for bonds** – Gilts have been a great place to be invested in over most time periods. But inflation is the enemy of the bond market and signs of inflation emerging towards the end of 2016 have led investors to predict the end of a 30-year bull market for fixed interest. This seems somewhat premature, but it will be important to manage bond exposure carefully in 2017; add inflation protection and minimise interest rate risk.

#### A thirst for income –

We do not envisage an economic climate strong enough to support higher interest rates. With inflation eroding miserly returns from saving accounts and bond markets exposed to inflationary risk we maintain our favour for dividend producing shares at home and overseas.

**Managing currency risk** – A weakening pound has been a driving force for investments since the EU referendum. It is a thankless task predicting currencies but it is important to manage the risks if holding funds investing overseas.

**Re-emergence of value investing** – High quality global leading businesses that can grow profits in a harsh economic backdrop have been the big winners over the past decade. However, with optimism over higher economic growth and a return of inflation there are signs that undervalued cyclical stocks could be returning to favour.

**A return to stock-picking** – 2016 has been a good year to invest in index tracking funds. However, the tailwinds that have boosted large companies in 2016 may not drive indices higher in 2017. We believe contrarian stock-pickers have good opportunities to outperform in 2017.

**A barbell approach** – In an environment where we expect markets to be driven by short-term political news-flow, having no strong view is probably the right view for 2017. Rather than trying to make big calls on unpredictable factors, our focus is to take a 'barbell approach' and diversify risks across portfolios, assessing which assets are priced to offer the best risk adjusted returns on a longer-term view.



This article is a summary of the Whitechurch Investment Team views for 2017. You can see the full article on our website [www.whitechurchfc.co.uk](http://www.whitechurchfc.co.uk) or contact us to request a copy, or discuss any investment matters:

✉ Fill in and return the enclosed Information Request form

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# Your Choice of Service

Mark Stone, Financial Planning Director

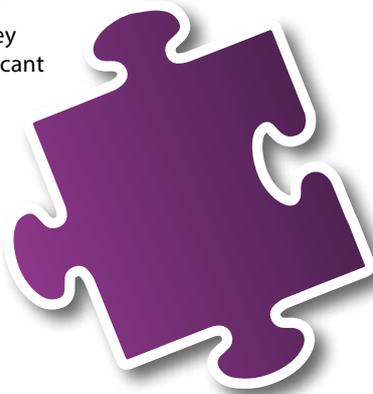


At Whitechurch, we recognise that clients require different levels of support, at different stages in their lives. This is why we offer a range of services, named – the **Aspire**, **Focus**, **Streamlined** and **Transactional Services**. These core services are summarised below.

Across the board, our wealth management expertise and implementation includes:

- Cash-flow/Lifestyle Financial Planning
- Retirement, Pensions and Annuities
- Tax Mitigation
- Life Assurance
- Income Protection
- Critical Illness Cover
- Investment Management Services

The **Aspire Service** is designed for individuals who require a comprehensive financial planning service. They may have accumulated significant personal or business wealth; and consequently, may have more complex, financial and tax circumstances. Aspire provides a comprehensive and fully integrated financial planning and wealth management service ideally for assets in excess of £250,000.



The **Streamlined Service** offers straightforward advice and implementation, particularly suited to those just starting out on their savings and investment journey. They may find the cost of good value face to face advice is unaffordable or find it difficult to access ongoing professional advice when they need it. Our Streamlined service may be suitable for clients with assets between £25,000 and £100,000.



The **Focus Service** provides professional advice for clients with relatively straightforward and uncomplicated tax and personal circumstances. It is structured to meet the needs of those looking for advice in just one or two areas rather than full financial planning. Focus is ideal for clients with personal wealth of (typically) between £100,000 and £250,000.



The **Transactional Service** is suitable for clients whose financial service needs are very much ad hoc and who are unlikely to require or benefit from an ongoing service. Transactional is ideal for clients seeking advice on a “one off” basis.



If you would like to receive more information about our services, or to discuss your financial plans or current type of service you can:

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To do so, please complete the Referral slip and return it to us in the Pre-paid envelope - both enclosed with this magazine.

As long as your friend/relative is not already a client of ours we will get in touch with them for a no obligation meeting. If they conduct business with us during the next twelve months we will send you Marks & Spencer vouchers to the value of £100 – as a thank you. There are no limits to the number of recommendations you can make.



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together with other information for administration, marketing and to make money laundering checks. We may disclose your information to our service providers and agents for these purposes. We may keep your information for a reasonable period to contact you about our services. We may share your information within the group of companies. They, or we, may contact you to let you know about any goods, services or promotions, which may be of interest to you. By responding to this magazine you consent to our processing your sensitive personal data for the above purposes. If you do not wish to receive such information from us please contact us by post, telephone or e-mail. Remember, this will preclude you from receiving any of our special offers or promotions. You have a right to ask for a copy of your information and to correct any inaccuracies. To make sure we follow your instructions correctly and to improve our service to you through training of our staff, we may record telephone calls. When you give us information about another person you confirm that they have appointed you to act for them, to consent to the processing of their personal data, including sensitive personal data and to the transfer of their information and to receive on their behalf any data protection notice.

# Whitechurch In The Press

Whitechurch Securities has an enviable reputation with financial services journalists of all the quality newspapers and specialist journals; who regularly contact the Investment Team for information on financial markets, products and services. Extracts below are just a few recent comments showing the relationship and rapport we have built with the national press over the years.

Daily Mail - This is Money  
10th November 2016

As markets reeled after Donald Trump's election success, Managing Director, Gavin Haynes, is one of the investment experts asked to share his thoughts on the Trump effect. He outlines the market 'winners' as US Infrastructure, Commodities and Pharmaceuticals; but cautions, "if Trump pursues his protectionist trade agenda then large US multinationals are likely to come off worse than domestically focused companies."

The Sunday Times  
23rd October 2016

On the subject of shifting investments from cash into stocks & shares, Gavin Haynes, Managing Director of Whitechurch Securities says: "Compared with cash, the need to ride out short term volatility is the price you pay for a potentially higher rate of return over the medium to long term."

Daily Mail - This is Money  
18th October 2016

In this article on top fund and trust ideas for income investors, Gavin Haynes, Whitechurch Managing Director, picks the Artemis Global Income fund. "I believe it makes sense to diversify equity income exposure overseas. Over 90 per cent of stocks that yield in excess of 3 per cent in the MSCI World index are based outside the UK and this fund has an impressive performance record with 40 per cent of the portfolio invested in Europe."

Whitechurch Securities Limited is authorised and regulated by the Financial Conduct Authority.

Money Observer  
3rd October 2016

Head of Research, Ben Willis constructs a portfolio for an Active Balanced strategy to achieve a potential income of £1,000 a month. He cautions, however, against restricting a portfolio to only monthly-income paying funds. "There is not a plethora of these funds, so investors run the risk of buying a substandard fund just because of its income frequency," he says.

The Daily Telegraph  
16th September 2016

In a Beginner's Guide featuring top investment trusts for growth and income, Ben Willis proposes; for Income, the City of London trust - solid trust providing core UK exposure - and Lowland - exceptional performance in the near and long term. For Growth there is Monks - new management team with long-term track record and Scottish Mortgage - Britain's largest investment trust at £4.5bn, which has delivered excellent long-term returns.

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Award winning  
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Portfolio Management  
Service



Models on Platform



## Improving our communications to you

We are committed to helping our clients improve their financial future for themselves and their families. This applies to the service we provide and the information and insight that we share.

### OUR MISSION

- ▶ To share relevant and timely information; in a manner that is efficient, flexible, prudent and conservational.
- ▶ To keep you informed about changing services, investment markets, legislation and financial planning.
- ▶ To keep you informed with specific details about your own account.

### YOUR ACTION

We need your help to do this but all you need to do is ensure that we have your correct email address.

To do this, please complete and return the Information Request slip in the pre-paid envelope (both enclosed) or sign up via the **gold** button at the top of our website pages - [www.whitechurchFC.co.uk](http://www.whitechurchFC.co.uk)



### OUR PROMISE

We will not share your email address with any other organisation.

Whitechurch Securities Limited operates, and is a controller, under the UK Data Protection Act 1998.

## Whitechurch in the community

We are passionate about supporting people in the communities around us, particularly those faced with critical challenges to their health and well-being.

We do this by donating five percent of our profits to charities, nominated by staff each year; and by taking part in numerous fundraising activities – from bike rides to cake bakes; fun runs to long hikes.

We also try to help promote the charities by sharing information about their vital services. The spotlight for this quarter is a highly commendable local charity Jessie May.

Jessie May is a 'Children's Hospice at Home' service caring for terminally ill children. It was established in 1994 by Chris and Philippa Purrington following the death of their baby daughter, Jessica May, from a genetic condition, when she was only 4½ months old.

After the initial hospital admission Jessica was cared for by her family, at home, but there wasn't really any support available to them. Her parents were determined to do what they could to enable other children and their families to have support in their own homes and the choice to die at home when that time comes.

Since it was founded Jessie May has supported over 275 children and their families. The trust is almost entirely reliant on voluntary funding and no charge is made to families using their services.

We are proud to be able to support Jessie May in providing such a crucial service to so many families.

You can find out more about Whitechurch In The Community and links to the charities we support please visit the About Us section of our website - [www.whitechurchfc.co.uk](http://www.whitechurchfc.co.uk)

