



Cornwall Finance & Investment Services Ltd.  
Independent Financial Advisers

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# New Investment Horizons.

Dear One and All,

With all that has happened in the last year, we thought it right to change the title of our newsletter.

Welcome to  
New Investment Horizons  
in this edition we will:-

- Give our understanding of current economic situations, opportunities and threats to markets and investments from across the World.
- Consider the recent budget and detail the main tax reliefs available in the 2017/18 tax year.
- Offer our views on the mortgage and property markets
- Provide some statistics we hope you find of interest.



The Financial Conduct Authority does not regulate Taxation Advice, Trust Advice, Will Writing and some forms of mortgages.



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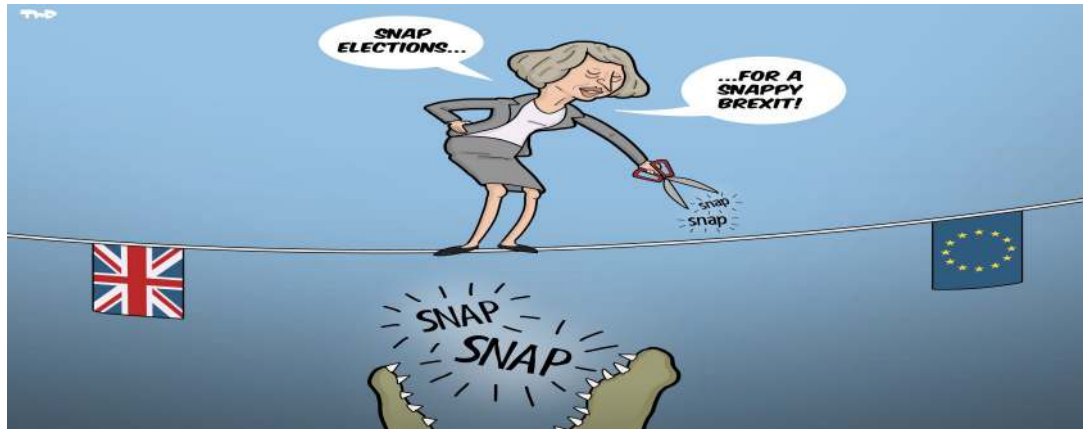
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## “It’s the Economy Stupid” President Clinton



Bertrand Russell once said “The stupid are cocksure while the intelligent are full of doubt,” he said this of the populist wave of the 1930s, (Hitler et al). If Britain’s current crop of agornised liberal elite think of any of the Brexiters as cocksure, the name Daniel Hannan, Secretary-General of the Alliance of European Conservatives and Reformists (AECR), an advocate of localism and a Eurosceptic, would surely top their list.

When asked how will Trump’s presidency unfold, Mr Hannan said. “The US (constitution), you could argue, was precisely designed to contain the ambitions of a Caligulan leader. The (US) founders had someone very like him in mind.” “Other than their foreign policy, Presidential powers are delineated powers . . . Put it like this, if he were to behave unconstitutionally, or if he were to show utter unfitness in office, there is a majority for impeachment in both chambers. If there’s one thing that will exert any restraint, it will be that.” Asked how 21st Century populism will go “The populists always fail in their own terms,” Hannan begins. When asked. So Brexit will fail?” he replied, “Let me be more specific, the protectionists always fail. They always end up delivering the sharpest fall in living standards to the people who are their biggest supporters.”

We are delighted with the rise in values of our client’s holdings over the last 12 months. Clients with Risk Profiles over Level 6 (out of 10) have achieved returns over 20% on their portfolios. Whilst the news media are shrill with the current political risks the World economy and all the companies and traders in it, have been patiently beavering away, finding opportunities and creating new technologies, or processes and repairing the damage done in the Great Recession of 2009.

The good news is that we feel that this happy situation will continue, although at a slower pace this year. We do not anticipate World War 3 anytime soon, indeed we see America’s more muscular diplomacy as a positive influence on the World.

We see the UK June General Election as being won by the conservatives, unless there is a landslide by a coalition of the SNP & English Liberal Democrats, both campaigning on a “Remainist” or soft-BREXIT platforms (stranger things have happened in the last year).












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## World Asset Allocation Review

-  **UK** - The BREXIT fuse is lit. Britain's economy continues to thrive, thanks largely to the weaker pound. UK Equities following their 2016/17 rally are at fair value. Inflation is our primary concern for 2017.
-  **USA** - The Trump Dream for America is to spend, spend, spend and cut taxes, how he is going to achieve this is far from clear. The economic fundamentals of the USA are very strong and this has pushed back the chance of recession for at least 2 years, President Trump has a strong economic team. We remain cautiously optimistic, however the recent gains have been so strong that the only way may be down for US Equities, this year.
-  **ASIA** - The likelihood of a Sino/USA trade war has diminished, China is grappling with its issues of corruption and pollution. North Korea is a thorn that must be grasped by the Chinese leadership and the threat of a local conflict on that sorry peninsula could effect the region badly, however, for long term or higher risk investors, holdings in Asia/China remain essential.
-  **EUROPE** - Europe was one of the best sectors for 2016, we are still keen on the region and the results of election will be positive for trade.
-  **JAPAN** - Greater corporate governance is repairing the reputation Japanese company shares, but after the long rally we remain cautious for this year. The demographics of Japan still go against them, too few young people.
-  **GLOBAL EMERGING MARKETS (GEM)** - GEM economies have not disappointed our optimism and long term recommendation of them. 2016 was an excellent year for this sector and the recovery is set to continue in 2017.
-  **COMMODITIES** - The greater capacity for producing raw materials, the greater efficiency of production will suppress commodity prices. However as global economic output increases under President Trump, we anticipate all commodity prices to increase.
-  **COMMERCIAL PROPERTY FUNDS** - The UK Property Funds have experienced a revival since the shock of BREXIT, the expansion of the economy has increased demand for property and the rental payments demanded. We see commercial property as an excellent diversifier against the volatility of stock markets.
-  **FIXED INTEREST MARKETS** We held concerns for possible capital losses in Bond funds should interest rate rises. A 1% rise in US interest rates may cause a 10% capital loss in the value of bond funds. However this fear has receded as all major interest rates are likely to remain steady until 2018 .





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March's budget saw Mr Hammond announce that the UK is in good form. The UK is in far better fiscal shape than we were in, in 2009 /10 the for every £5 spent by the Government £1 had to be borrowed. In 2016/17 for every £15 spent only £1 has to be borrowed. However the OBR said "balancing the books and achieving an overall surplus remains out of reach". The UK is still expected to feel the effects of the 2009 Financial Crisis and Great Recession into 2021-22. Mr Hammond has made HMG money tight and for example the array of skills initiatives, would be funded ONLY by the increases in tax revenues announced in his Budget. So no new tax raised no new spending. The Chancellor said: "As we prepare for our future outside the EU, we cannot rest on our past achievements" In other words austerity continues, tax will increase and anti-tax avoidance measures will be enforced and expand during this Parliament. He predicts new anti-tax avoidance measures will raise an extra £820m by 2021.

### Your 2017 / 2018 ALLOWANCES

#### Income Tax

Utilize your Tax Free income - Personal Allowance £11,500.00. If you can pay yourself in Dividends - £2,000 tax free dividend allowance will be introduced. Dividends above this level will be taxed at 7.5%.

#### Pension Tax Relief

Obtain tax relief on contributions of up to £32,000.00 (£40,000.00 gross) in this tax year. Carry forward tax relief from previous years. The maximum single pension contribution 2016/17 including carry forward (2013/14/15/16/17) is £160,000.00 £32,000.00 tax relief.

Capital Gains Tax Utilize your Tax Free Gains - Personal Allowance £11,300.00.

#### Inheritance Tax

Utilize your Combined Threshold of £650,000.00 (Husband and Wife £325,000.00 Nil Rate Band each)

New £100,000.00 Property additional allowance comes in force April 2018. Savings Accounts & New Lifetime ISA (LISA) Invest up to £20,000.00 in ISAs this is a 31.23% increase in this allowance. These are technically available from April 2017, but no good and fair products are currently available

Venture Capital Trust (VCT) & Enterprise Investment Scheme VCT Income Tax relief is 30% on a maximum investment of £200,000.00 per tax year. EIS Tax relief of 30% can be claimed on investments up to £1,000,000.

All the above is contingent upon a Conservative election victory.

**It is important that the young learn about tax. This summer teach your children about tax, eat a third of their ice cream!**



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# Mortgage Update

## Lowest 2 year fixed rate %

60% Loan-to-value ~  
1.23%

75% Loan-to-value ~  
1.28%

## Lowest 5 year fixed rate %

60% Loan-to-value ~  
1.75%

75% Loan-to-value ~  
1.95%

We believe that houses can be the greatest of investments, but only, if you are seeking to live in it, as in retirement you live rent free. UK Average House Price £197,044.00.

There are many pros of purchasing a home with the government's help to buy equity loan:

- You may be able to buy your first home a lot sooner than you might of originally thought.
- You only need a 5% deposit to get started.
- Due to the government loaning you 20% of the property value, as part of your deposit, you only need a 75% mortgage. This therefore gives you access to cheaper mortgage interest rates.
- The governments 20% stake is interest free for the first 5 years. After the 5 years is up you will get a competitive loan rate.

But all that glitters is not gold, there are a few cons to such a scheme (the government always like to make their bit!):

- You are limited to a certain few lenders who have help to buy mortgage products available
- There is the risk of ending up in negative equity
- You are limited to choosing a new build property
- Fees and other terms relating to help to buy could change (the scheme has not been around for long in the grand scheme of things).
- When you sell the property, you repay the government 20% of the resale value. So if the property has gone up in value, then you get 80% of the increase in value and the government gets their 20% increase. We still feel this is fair.

**UK Residential Property prices are due to fall this year 1-5% so haggle hard is your buying your home this year.**





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We welcome reviews on our Service, click on [www.vouchedfor.co.uk](http://www.vouchedfor.co.uk)  
We are currently rated as excellent, for all of you who have vouched for us so far, thank you, your assistance is greatly appreciated, your high opinion of our service is most important to us.



There has been much recent speculation in the financial press over the possible rise of the Robo-Adviser. We at Cornwall Finance & Investment Services believe that the best way to advise human beings through complex financial decisions is by a human adviser.

## Wall of Numbers

**£1,072,000,000,000**    **£246,560,000,000**

Value of all UK Property  
owned by the over 65's

Potential available for Equity  
Release in the UK

**20.72%**

**£54,950**  
Total of your  
Tax Allow-  
ances for  
2017/18 Use  
them!

**246%**  
Year on year  
Increase in the  
number of Trans-  
ferring from  
Defined Benefit  
Pensions Schemes

**81%**

Regret a  
financial  
decision they  
have made in  
the past with-  
out seeking  
Independent  
Advice.

1 year return  
for an average  
Client Portfolio  
Risk Profile 6

**2.30%** 2017 In-  
flation (CPI) and  
Rising!

**3.00%** Expected  
World Economic  
Growth in 2017

**01637 831184** Is the telephone number of **Fistral Wills**  
our recommended Wills and Estate Planning Service, speak to **Nigel**  
**Eustice** for a no obligation discussion of your requirements.



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