

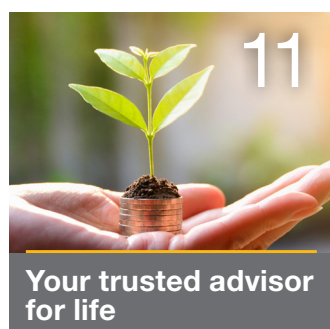


Summer 2021

Financial Planning Matters

Smart decisions. Lasting value.

Contents



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Introduction

Phil Smithyes, Managing Director

A warm welcome to the Summer 2021 edition of Financial Planning Matters and I hope that you and your families continue to stay safe and well.

It has been heartening to see a number of my colleagues gradually return to the office on a phased basis, albeit it has felt somewhat surreal to meet face-to-face with some of them for the first time in over 15 months. Even more bizarre is that we have a couple of members of our team who I have yet to meet in person, despite them having joined us nearly a year ago.

I owe a huge debt of gratitude to our Financial Planning team here at Crowe, who have done an outstanding job in carrying on in delivering 'business as usual' from their back bedrooms and kitchen tables since going into 'lockdown' last March. They have shown great resilience and determination in adapting to the enforced changes to their working day and have pulled together in the face of adversity in maintaining the highest possible standards of client service.

In January, we welcomed Chay Fox to our business who has taken on the role of Operations Director. Chay has over 30 years' experience in Financial Services performing senior roles at two of the UK's leading and largest IFA's in Tilney and Ashcourt Rowan, together

with more recently The Private Office (TPO). Chay will be providing more of an insight about his role in our Financial Planning Winter Edition later this year.

From a business perspective we have fared reasonably well when compared to other sectors of the economy and our commitment to genuinely independent 'whole of market' advice has seen us attract clients from a number of competitors who have joined some of the larger 'consolidator' firms in the market.

At Crowe we have a firm commitment to offer our clients the best solutions from the whole of market so that our advice to you is not compromised and I would like to thank you for your continued custom and support of business.



The top five benefits of International Bonds – are you missing an opportunity?

Zoe Hitchcock, Paraplanning Manager



What are international bonds?

While you may be aware of the tax benefits offered by an Individual Savings Account (ISA) or pension plan, you may be less familiar with international bonds.

Like pensions and ISAs, international bonds are effectively 'wrappers' into which you place your money, for example, investment funds or cash.

They are technically single premium life assurance contracts and therefore will usually have a minor element of life cover attaching. However, the life cover provision is not the main attraction of international bonds.

Offering the prospect to choose when you pay tax and possibly how much you pay, plus the potential for Inheritance Tax (IHT) mitigation and further planning opportunities for ex-pats, international bonds can be an attractive addition to your wider investment portfolio.

The top five benefits of these lesser known investments

1. Enjoy tax deferred growth*

While your investments- remain inside the international bond wrapper, they will not be subject to Income Tax or Capital Gains Tax (CGT).

This is referred to as 'gross roll up' and provides the potential for an international bond to grow faster than an onshore UK bond thanks to the compounding effect of the tax deferment.

There is no UK Corporation Tax on gains and you can switch between different funds within the international bond without giving rise to taxable gains.

* a small amount of withholding tax may apply



2. Withdraw up to 5% per year tax free – or let this allowance rollover

You can take up to 5% of the original investment each policy year without attracting an immediate tax liability and if you choose not to take the 5% allowance in any one year, it can be carried forward on a cumulative basis for future years.

For example, if you made an original investment of £200,000, you could withdraw £10,000 per year for 20 years and would not need to pay tax at the time of taking. If you decided not to take any withdrawals for the first five years then you would have a cumulative allowance of £60,000 in year six.

The allowance is treated as the return of your original investment and continues until such a time that the original investment has been fully drawn.

Withdrawals over the 5% allowance will be liable to tax, however, there are two different ways you can partially encash your investment and, with the correct advice, legitimately manage the tax you pay.

3. Choose when you pay tax and potentially how much

Gains arising from disposal of the bond are liable to Income tax at your marginal rate. However, if you are currently a higher-rate taxpayer but expect to become a basic-rate taxpayer in the future (for example, when you enter into retirement), you can delay cashing in your bond assets until retirement and possibly pay half the tax due on any gains.

Be sure to ask your financial or tax adviser about how top-slicing relief works to reduce the tax payable on the gain.

Furthermore, you can offset gains against any unused personal allowance, the starting rate of 0% and the personal savings rate, if applicable.

4. Give some or all of it away – but only when you want to!

This might not sound like a benefit, but if you were looking at different options for investing, for example for your children or grandchildren, the international bond presents an opportunity to meet this objective and unlike a junior ISA, you have control over when your child can have access to the money.

The way this works is that the bond is divided into equal segments. For your £200,000 investment, you could have, for example, 20 segments of £10,000 each. If you then chose to gift £100,000 to your child, you could assign 10 segments of the bond to them without having to cash in any investments and without incurring a tax charge at that point.

If your child is a non-tax payer, there could be no tax to pay when money is withdrawn. Your child could also benefit from any unused 5% withdrawals carried over on the segments assigned.

5. Keep control - put it into Trust

If you do decide to gift some or all of your international bond to your child (or somebody else), you have the option of putting it into Trust. This will enable you to keep control over when the money can be accessed.

Trusts can also be used for other tax planning opportunities such as Inheritance Tax (IHT) planning. A Discounted Gift trust or a Loan Trust are both excellent ways of minimising IHT whilst still retaining some access to your investment. Watch out for our upcoming articles which explain how these products work.

Be aware

Generally, international bonds are not subject to the Financial Services Compensation Scheme protection and other schemes may not be as developed as in the UK.

You should make sure that you are comfortable with the level of risk the underlying investment is taking and remember that the value of this investment is not guaranteed and on encashment you may not get back the full amount invested.

International bonds are long term investments and cashing in early may incur a penalty.

There are many other benefits associated with international bonds, especially if you have been living abroad but the rules are quite complex and you should consult a specialist tax advisor.

There are also a number of risk considerations that you should be aware of before embarking on any investment. It is therefore very important to always obtain professional advice prior to making any investment to ensure that it is appropriate to your circumstances.



Cryptocurrency – why is it making the headlines?

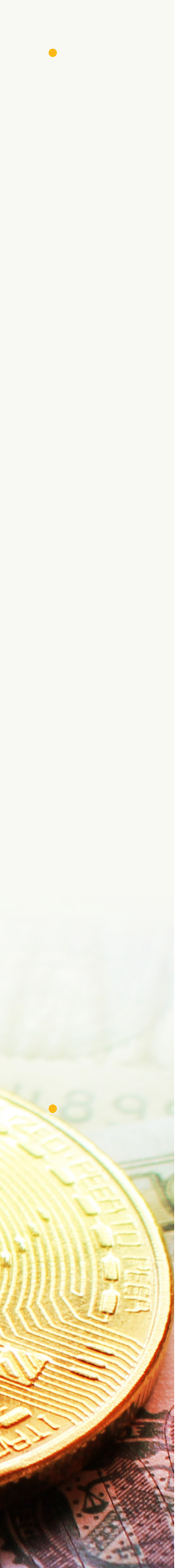
Aiden Watts, Brewin Dolphin

Cryptocurrencies have surged over the past year on a wave of speculative excitement, spurred by famous backers like business mogul Elon Musk, Twitter CEO Jack Dorsey, and even football superstar Lionel Messi. That gave the small but growing crowd of bull investors a feeling of inevitability that cryptocurrencies would mature into a significant asset class in their own right. These crypto investors even speculated that Bitcoin might even fulfil its initial vision and become a legitimate alternative currency.

But the same momentum that drove prices higher is now sending them relentlessly lower. Bitcoin's price plunged by nearly 30% to almost \$30,000 (£21,000) in May, as illustrated in the graph below, after Chinese regulators announced that they were banning banks and payment firms from using

cryptocurrencies. Other digital coins were also hit by heavy selling, with Ethereum, one of the best performing cryptocurrencies in the past month, losing a quarter of its value before moderating to losses a little over 20%.





The sell-off started earlier in May after the Tesla founder, Elon Musk, who was largely seen as an outspoken cryptocurrency enthusiast, reversed course on accepting Bitcoin as payment for the company's electric cars on environmental grounds, also sharpening worries about the long-term future of the asset class.

Bitcoin 'mining' is a method of generating new coins in which powerful computers are used to solve complex mathematical formulas or puzzles. As cryptocurrencies are built on a decentralized network these must be mined in order to function. The puzzles are sufficiently hard to prevent hackers and other nefarious actors from taking control of the network, and the faster that miners can submit random numbers into the bitcoin algorithm, the more likely they are to unlock the coins. This all demands very powerful machines running at full tilt. Also, as the prices of cryptocurrencies increase, so does the amount of energy consumed as miners mine coins with the price rise, attracting more users to join the Bitcoin network. To put it into perspective, Bitcoin currently consumes around half as much electricity as the UK.

To academics who for years have been measuring cryptocurrency's energy intensity, Musk has simply pointed out an established truth, albeit in his typical eccentric manner. The intensive use of fossil fuels when mining coins has so far largely been ignored by governments, environmental charities, and by the banks and exchanges that facilitate the vast cryptocurrency industry.

Some supporters of bitcoin and other cryptocurrencies believe that they could eventually replace fiat (government-issued) currencies thanks to the growing popularity of digital payments, and in this sense, it could be viewed as a good long-term investment. In addition, some investors believe it can provide a hedge against inflation, and analysts at JP Morgan have even likened it to haven assets such as gold.

However, sceptics of cryptocurrencies claim that they have no intrinsic value and say it poses a risk for investors, who are not protected by regulators or financial protection schemes if the asset implodes. In addition, investors should note that by buying into cryptocurrency, they could be exposing themselves to fraud, since cryptocurrencies like Bitcoin have been previously linked to money laundering and black-market dealings. For these reasons, as well as the known concerns about the environmental impact of the energy-intensive mining process, we are not looking to take a position in cryptocurrencies. Instead, we will only research and invest into companies and funds within regulated markets that we feel have strong fundamentals and long-term growth prospects.

Risk Disclaimer: The value of investments can fall and you may get back less than you invested. Neither simulated nor actual past performance are reliable indicators of future performance. Investment values may increase or decrease as a result of currency fluctuations. Information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness. Information is provided only as an example and is not a recommendation to pursue a particular strategy. We will only be bound by specific investment restrictions which have been requested by you and agreed by us. Opinions expressed in this publication are not necessarily the views held throughout Brewin Dolphin Ltd

Your trusted advisor for life

Using a case study of Paul and Susan Wells and their family, over the forthcoming editions of our Financial Planning Matters, we will take you on a journey of their lives highlighting their key stages, the financial issues that arise at each stage and how Crowe Financial Planning are able to support them through careful planning and advice.



Stage 1: Building a foundation

by Aron Gunningham, Consultant

Life events



Paul and Susan met when they were both working at the same law firm at age 23 and 25 respectively.



They got married when Paul was 25 and Susan was 27.



They purchased their first home together. The house was worth £75,000 (mortgage of £70,000).



They had two children, Louise and David.



Paul took an extended career break to look after the children.

Key financial planning considerations

- Budgeting income and outgoings.
- Saving for a house deposit.
- Borrowing to purchase a home.
- Joining an employer's pension scheme (auto-enrolment).
- Protecting income and debt for dependants.

How do we build a foundation for Paul and Susan?

Paul and Susan are building their career and are looking to start a family. Getting into the savings habit as early as possible is a good discipline to get used to. Under the Auto-Enrolment legislation, they will be offered the chance to join their company pension scheme and they should almost certainly take it. Their employer will pay in money on their behalf and they will benefit from income tax relief on their personal contributions. One thing that is important to bear in mind: thanks to compound interest, money invested early can grow significantly over the years and decades, so contributing to a pension early could have a big impact on their future. A contribution made in their 20s is likely to be invested for 40 years plus.

Any extra savings Paul and Susan wish to put aside can be placed in flexible and tax-efficient Individual Savings Accounts (ISAs). They save regularly or with lump sums and can invest up

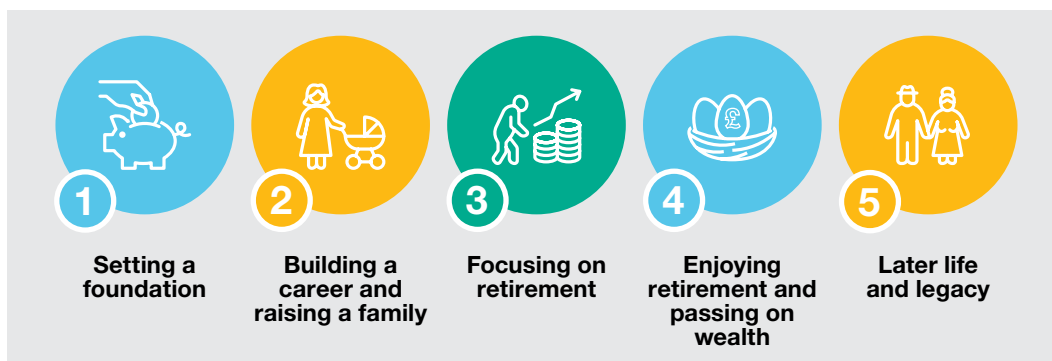
to £20,000 each tax year into an ISA. They can invest into cash or stocks and shares ISAs with tax free access to the funds should they need them.

At this stage of their lives, Paul and Susan have a specific goal of saving for a house and therefore the Lifetime ISA would be appropriate. A Lifetime ISA is a variant of ISA which has an annual limit of £4,000 and the government will add a 25% bonus to the savings, effectively offering them a 'free' £1,000. The Lifetime ISA can be used towards the purchase of Paul and Susan's first home or saved until they reach 60 and used for their retirement planning.

Finally, protecting Paul and Susan and their children is the cornerstone of the financial advice process. Paul and Susan will have commitments such as a mortgage, young family or have future plans and essential costs to maintain. Ensuring that these obligations can be met in unfortunate circumstances is vital and will also provide peace of mind, whether that be recovering from an illness or adjusting their lifestyle to the loss of a loved one and having the time to plan their future.

While Paul and Susan remain young and in good health they are insurable and the premiums are relatively inexpensive. Purchasing insurances later in life may prove expensive and any medical ailments or conditions could make them uninsurable at a time when they most need the cover.





Crowe Financial Planning can advise Paul and Susan on a wide range of protection products through the whole of the market to find the most suitable plans for their current circumstances (the following list is not exhaustive).

- Life Assurance
- Permanent Health Insurance
- Critical Illness
- Family Income Benefit
- Income Protection

What help did they require?

Paul and Susan needed a strategy to help accumulate their wealth in real terms (taking account of inflation), achieve their future goals in a tax efficient manner, and protect their family in the event of unforeseen circumstances.

How did Crowe Financial Planning help them?

We provided advice and recommended an affordable financial planning strategy which helped them put in place a sustainable savings plan, as well as protecting their family from financial struggles that may occur. This was supported with cashflow planning which projected the growth of their assets over time and matched that with a target income goal in retirement.

What does this mean for the client?

Financial Planning is about understanding dreams and life goals, knowing the resources they have available, and what Paul and Susan need to generate to help achieve them. The sooner Paul and Susan start getting a financial and personal plan, the better the chance they will have to get to where they want to be in 10, 20 or 40 years' time. It's the old adage – it's easier to achieve something that you are aiming for than to drift without having any goals.

After speaking with Crowe Financial Planning, Paul and Susan have peace of mind that they are set up with a financial plan to carry them through the accumulation phases of their lives, and to be protected and secure in the event of any unforeseen circumstances.

To read further key stages of Paul and Susan's journey, visit our webpage:
Your trusted advisor for life.



Personal Finance Portal

Giving you access to your finances 24/7

Jayne Tilbrook, Senior Database
and Systems Manager

Welcome to the Personal Finance Portal (PFP) – the revolutionary app that gives you access to view all your finances in one place 24/7 on any mobile or web device. PFP enables you to view your advised fund information and financial portfolio at the click of a button. So, whether you're looking for an up to-date valuation of your portfolio or want to assess how you're progressing against your goals, PFP has it covered.



**A convenient way
to view finances
online 24/7**



**Always
up-to-date
and easy to
use**



**Peace of
mind that it's
completely secure**



**Accessible
document storage
wherever and
whenever you
need to access it**



**The option
to see all of
your advised
finances in
one place**



**Opportunity to set
up alerts within
the Personal
Finance Portal**

21st century services

We recognise that advances in technology mean our clients are increasingly choosing to interact with us across multiple channels, face to face, on the telephone and online.

That's why we have introduced our new Personal Finance Portal, a revolutionary app that enables you to see your financial picture at a time and place to suit you.

Peace of mind of bank-level security

Everything is completely encrypted, meaning that you can communicate with us using the inbuilt messaging service safely and securely.

A convenient way to view finances at the click of a button

Accessible online 24/7 across desktops, laptops and mobile devices including a progressive web app, Personal Finance Portal gives you access to your information in an easy to use, online format.

Accessible document storage that's second to none

Your Personal Finance Portal allows you to house all your documents, in a single online document vault that's completely secure and fully backed up. It's far more secure than keeping paper copies in your filing cabinet or in a computer file which can be hacked.

Always up-to-date and easy to use

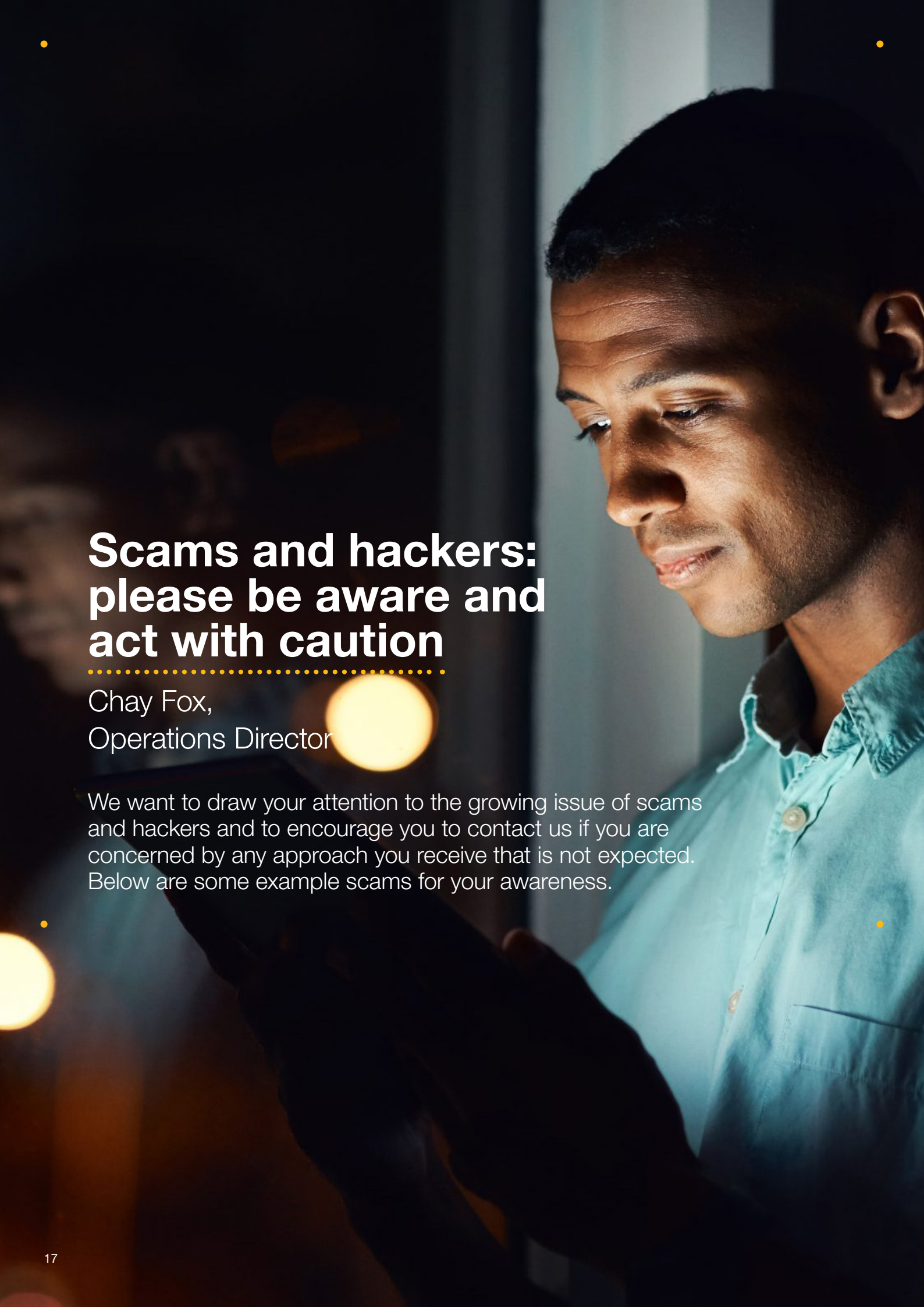
Information is displayed in a visually engaging way that's easy to understand. Because your Personal Finance Portal is cloud-based, getting up-to-date valuations becomes a breeze so you can always see how your investments are performing.

Personal Finance Portal additional benefits

With the additional benefits, you'll be able to pre-set savings goals and set alerts to let you know whether you're on track or need to address a shortfall. Plus, there is a progressive web app available from any mobile device, simply add the link below into your mobile browser and click the "Get the app" button and follow the instructions.

Register for your PFP account today by visiting: <https://crowefp.mypfp.co.uk>

Contact jayne.tilbrook@crowe.co.uk with any queries.



Scams and hackers: please be aware and act with caution

Chay Fox,
Operations Director

We want to draw your attention to the growing issue of scams and hackers and to encourage you to contact us if you are concerned by any approach you receive that is not expected. Below are some example scams for your awareness.

Impersonating

We have been made aware that clients of other firms have been contacted by individuals claiming to be from the Financial Conduct Authority (FCA) or law enforcement. Clients are told that an Investment Manager or firm is under investigation and they are specifically asked not to speak to their Investment Manager, family or friends as this would be considered 'tipping off'. The fraudsters are advising clients to encash their portfolio and move the money to the client's bank account, at which time a scam investment recommendation is made.

Instagram

In 2019, an investor, lured-in by posts on Instagram, signed up to GS3 Trades, a supposed Foreign Exchange (FX) trader, and was added to a WhatsApp group where multiple investors had direct contact with a Gurvin Singh Dyal. His initial investment was £1,000, rising to his life savings of £17,000.

The investor, 24, was aware that forex trading comes with risks but he was assured by Gurvin that GS3 Trades was regulated by the Financial Conduct Authority (FCA).

The value of the investment continued to grow until it peaked at almost £30,000. But on Christmas Eve 2019, everything changed. The investment made a sharp fall and by Boxing Day, the investor's £17,000 investment and any growth he'd seen was reduced to £48.

However, GS3 Trades was not regulated by the FCA. Gurvin didn't have a licence to trade and in the end, total investments in excess of £3.8 million from people like this young, easily influenced investor, were lost.

Before his Instagram profile disappeared, Gurvin had been a social media influencer with 125,000 Instagram followers. His online persona was almost entirely focused on affluence; pictures of his gold Maserati, designer clothes and jewellery.

However, when Gurvin was eventually tracked down, he was in fact, at his home in Ilford in East London where he lives in a modest house with his parents.

NatWest Bank

Earlier this year NatWest mobile app users were targeted by being directed to a warning screen advising them to beware of cryptocurrency scams.

The bank said it had received a "record number" of reports about such scams between January and March 2021. The alert warns account holders to make sure they have direct control of any digital wallet that is set up to handle transactions and to be aware of promises of big profits.

One common scam involves fake celebrity endorsement. Typically, potential investors are prompted to fill in an online contact form and then encouraged over the phone to set up a cryptocurrency wallet. Unknown to them the scammer installs remote access software on their device, granting them access to it as well.

The victim is then persuaded over time to invest ever larger amounts – until the criminal empties the wallet.

Client Listening Programme 2021

Phil Smithyes, Managing Director

Crowe Financial Planning UK Ltd undertakes a Client Listening Programme every other year to seek feedback from our clients on a number of aspects relating to our overall service proposition and advice.

Rather than select specific clients where feedback might be favourable, we randomly select 50% of our clients who weren't surveyed in the previous programme and we plan to undertake our next Client Listening Programme during the autumn months. In our last survey held in 2019 we had an extremely high response rate of 39% highlighting the high level of engagement between client and advisor.

This provides us with a meaningful sample of clients' views on our services and identifies areas in which we can further improve the service we provide. Our vision is for Crowe Financial Planning UK Ltd to be recognised as 'the UK's premier independent financial advisory firm' and as a valued client, your feedback on our service is critical.

We are far from complacent and will continually strive to enhance our service proposition and to deliver better outcomes for our clients. I would like to thank in advance those of you who take the time to complete our survey and to all our clients for your continued support.

The results of the 2021 survey will be published in our Winter Financial Planning Matters edition.



Tribute to Stuart

Phil Smithyes, Managing Director

I can still scarcely believe that on the 26 January 2021 we sadly lost our colleague Stuart Elder after a short and sudden illness.

Stuart had been part of the Crowe family for over 13 years and was a much respected and trusted colleague, as well as a good friend to all that knew him. Stuart was a Chartered Financial Planner and our designated Pension Transfer Specialist (PTS) and his knowledge, experience and approachability will be sorely missed by us all.

Stuart's family have taken comfort from the tributes paid by his colleagues and from the numerous messages of condolence and support received from his clients.

As a team, we are looking forward to when we can finally all get together and provide a fitting send off to Stuart and it is our intention to introduce the 'Stuart Elder Client Service Award' each year for the member of the team that has demonstrated outstanding client service and support as nominated by their colleagues.

However, I do feel the biggest tribute we can pay Stuart is to continue to look after his clients in the same professional manner that Stuart did so well and that will be our aim.

Rest in peace Stuart, you are sorely missed my friend.





Start the conversation

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About Us

Crowe UK is a leading audit, tax, advisory and risk firm with a national presence to complement our international reach. We are an independent member of Crowe Global, one of the top 10 accounting networks in the world. With exceptional knowledge of the business environment, our professionals share one commitment, to deliver excellence.

We are trusted by thousands of clients for our specialist advice, our ability to make smart decisions and our readiness to provide lasting value. Our broad technical expertise and deep market knowledge means we are well placed to offer insight and pragmatic advice to businesses of all sizes, professional practices, non profit organisations, pension funds and private clients.

We work with our clients to build something valuable, substantial and enduring. Our aim is to become trusted advisors to all the organisations and individuals with whom we work. Close working relationships are at the heart of our effective service delivery.

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