BLACKTOWER
magazine

Issue Nº 12: 2018

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Jonh C Westwood
Group Managing Director

Dear Reader,

Welcome once more to our Blacktower Magazine.

As ever we are surrounded by constant change and challenges – and now more than ever its appears appropriate to be well informed and seek to renew the advice you have received to ensure it remains in line with your current goals and aspirations.

Blacktower continue to work hard at ensuring we adapt and grow – providing our Advisers with the support they need to continue to provide a World Class advisory service.

Change and challenge have also seen Blacktower take some bold steps and move into new markets. As such I am delighted to see us moving into the USA to provide Advisory and Wealth Management solutions to the many expatriates who reside there.

Also new to the Blacktower Group is a standalone Insurance Brokerage fully licensed and regulated in Germany providing Insurance Solutions to the German Expat community.

I trust you will find our latest edition informative and useful and I would like to thank all those who have helped bring this edition together.

John Westwood

Introducing
Blacktower Financial Management (US) LLC

by Bradley Hamilton, Regional Manager US

2017 marks a new frontier for The Blacktower Group as we make our entry into the US market with wealth management and financial advice for UK and dual-nationals who are resident in the United States. If you are looking for proven professionalism and attention to detail to help you achieve your financial aspirations, consider Blacktower today.

With a British approach and a largely British staff, coupled with in-depth technical and practical understanding of financial planning considerations in the US, we believe we offer a unique service. However, you don't have to be British to enjoy the Blacktower advantage, we work with clients across the world and have offices in more than 15 locations. Make your money work for you with Blacktower's holistic service.

The Blacktower Benefit

Perhaps you are one of the 1.3m Brits residing in the United States, do you have assets on both sides of the pond and don't feel that your needs are fully catered for by any of the various mainstream US financial institutions? Or perhaps you are a pensioner settled in the states and own significant cross border assets.

The special relationship that exists between the UK and the US has always meant we have something of a "soft spot" for the American dream and so, it's no surprise that many nationals end up falling for the US when they visit. But the shift from UK financial services to a US equivalent can be something of a rude awakening.

At Blacktower we bring the intelligent management of UK and US retirement assets under one roof, offering a personalised and cohesive service that takes full account of all the relevant cross-border regulatory opportunities and restrictions.

For example, BFM (US) LLC can help you with the following aspects of cross-border financial planning:

- Transfer of UK pensions into offshore SIPPs.
- QROPS
- 401k rollovers
- IRAs
- Trading accounts
- Education plans
- Insurance

Whatever your financial needs and regardless of whether you are a single individual or a representative of a family unit we can cater for you to ensure you have a higher likelihood of achieving your retirement and financial planning goals. We provide unrivalled customer service and competitive fees from qualified advisers.

Latin America, Mexico & Caribbean

The Blacktower Group has a 30-year heritage but is also an innovative and forward-thinking firm. We have now added to our offering an impeccable group of IFAs working from bases in NYC and Florida. These locations enable our IFAs to easily service clients in Latin America, Mexico and the Caribbean, with representatives able to meet and liaise with clients living below the border. We believe that British expats in these regions have been neglected for too long by the expat IFA industry, with the majority historically focusing on Europe, Africa and the Middle East; Blacktower is ready to change this.

We know there are hundreds of thousands of Brits living in these areas, with many having performed lucrative work in industries such as finance, oil, gas and insurance. After so much hard we believe these expats should be rewarded and their money protected. Blacktower brings reliability and proven expertise to help ensure the best possible likelihood of achieving this end.

The Blacktower Team

The US operation is headed by Bradley Hamilton; a 36-year-old Brit with one of the highest proven track records in the industry. He has excelled managing both his own extensive book of business and large teams of advisers in the Middle East and USA.

Christopher Thornton, a 10-year veteran who has worked in Africa, NYC and Miami, will be leading the Florida region, basing himself out of Miami.

In addition, Blacktower has made it a priority to hire only the very best talent in the IFA and wealth management industry. Over the next 12-18 months the first clients of BFM (US) LLC will begin to enjoy the benefits of this approach.

Blacktower, Cross-Border Specialists Riding the Crest of Change

The US IFA industry is changing. At Blacktower we welcome this. We believe that pushing out the uneducated and the self-interested in favour of enhanced qualification and greater fiduciary responsibility can only be a good thing, both for the industry itself and the clients it services. At last, the US is ready for Blacktower. There are exciting times ahead.

The Offshore Advantage

by Brandon S Ure, Regional Manager Grand Cayman

What exactly does offshore investing entail and is it the right choice for your circumstances?

What is offshore investing? Why does it make sense to most investors? Is offshore investing right for you? Though these questions may seem straightforward, the answers are actually a little more intricate. Offshore investing is multifaceted and becoming comfortable with the processes will be crucial to helping you decide whether it is the right choice for you. With that in mind, this article aims to provide a clear picture of what offshore investing is and its benefits.

So, what is Offshore Investing?

One definition of offshore investing is as follows: "investing or holding assets in custody outside of the jurisdiction the beneficial owner currently resides." For example, if an individual or entity resides in the United Kingdom (UK) and has assets in a bank account in the Isle of Man, the individual or entity would be considered to have assets offshore. Another example is someone using a brokerage firm for investment purposes based in the Cayman Islands while residing in Canada. These are two straightforward examples of investing offshore. This brings us to the more complex question - "Why is this a good idea?"

The Benefits of Offshore Investing

An individual or entity could benefit in a number of ways from domiciling assets offshore. Mainly, moving assets offshore increases flexibility, diversification and personal protection.

For example, a professional British expatriate living abroad could benefit by moving their former retirement scheme offshore if their intention is to reside permanently outside of the UK. This would allow much more control over how the assets are invested. By using this structure, the retirement funds are open to significantly more investment options. In addition, this could provide an enhanced death benefit to the expatriate's spouse, which could be 50% higher than what the UK currently allows.

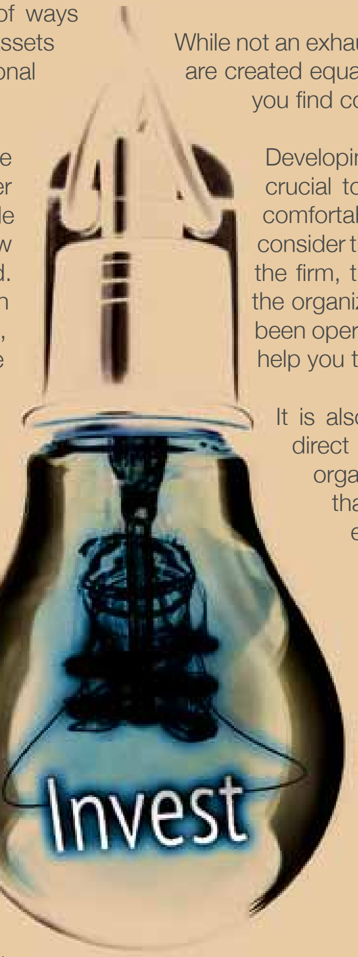
This is great news for UK expatriates, but what about everyone else? A great point to raise as most global expatriates would benefit from the diversification opportunities associated with moving assets offshore. For example, an American individual who has their entire life savings, property, business and investment portfolio within the United States (US) is vulnerable to US legislation. Moving retirement funds into an Offshore Individual Retirement Account (IRA) allows for diversification of retirement assets across international jurisdictions. This opens those retirement funds to many other investment options unavailable in a standard IRA.

When assets are in custody outside of the jurisdiction an individual resides in, there are immediate benefits. First, those assets are not subject to local litigation, as lawyers are required to seek representation in the jurisdiction where those assets are held. This is often very costly and complicated to implement. Second, many jurisdictions have taxation treaties with other territories, therefore providing significant tax efficiencies. Third, some jurisdictions offer Consumer Protection Acts, helping to protect their assets in the unfortunate event that the custodian becomes insolvent. Families of large wealth will often use multiple jurisdictions to prevent exposing their entire net worth to undesired sources. This type of diversification can help to protect against kidnapping, bribery or blackmail.

Is Offshore Investing Right for You?

Now that you understand the benefits of offshore investing, the next step is to research jurisdictions that could have relevance to you. This will play a large role in influencing how you proceed. Some areas to have in mind when considering the right jurisdiction for you include:

1. Tax treaties in place or beneficial taxation
2. Where you may be residing in the future or where you frequently vacation
3. The political and financial stability of the jurisdiction
4. Strength of the local infrastructure
5. The primary language spoken (ease of communication is essential)
6. Any Consumer Protection Acts in effect
7. Time zone differences between your primary residence and the jurisdiction domiciling your assets



While not an exhaustive list, this is a good start. Not all jurisdictions are created equal and through research, you will discover where you find comfort and where to avoid.

Developing a relationship with a trusted institution is crucial to your experience. It is vitally important to feel comfortable with the group you proceed with. Carefully consider the investment products that are available through the firm, the regulators they are observed by, the size of the organization and the length of time that the group has been operational. All of these are important factors and will help you to gain confidence in your decision.

It is also important that you are comfortable with the direct relationship you will have with the "face" of the organization. That person is the Financial Adviser that you partner with. A few things you may wish to enquire about: Does the Adviser have a specific focus that aligns with your needs? Are lines of communication open for you to source throughout the relationship? How much experience do you feel is enough for your needs? What type of expectations should be set in order for the relationship to succeed? This line of questioning will continue to evolve as the relationship develops and a level of comfort is met. At that point, you should have confidence in your decision to move assets offshore.

QNUPS
What's all the fuss about?

by Paul Rhodes, Associate Director

The acronym QNUPS stands for Qualifying Non-UK Pension Scheme, but what does that mean? And why would you care?

In a nutshell, a QNUPS is at a high level a pension scheme for UK and none UK residents that allows multiple assets to be placed within a very tax efficient structure.

For example:

Rather than renting your UK property, and paying tax on the income, and ultimately paying tax on the sale, the house, or even a whole portfolio of properties, can be moved into a QNUPS to mitigate income, capital gains, and inheritance tax.

The QNUPS also allows for other investments-for example shares, funds, income from properties, works of art, antiques, and even wine collections can be placed into this structure.

Why should you care?

Once the QNUPS is established it offers a whole host of benefits-

* Tax efficient - It allows tax free growth on investments held within the QNUPS

* Flexibility - it allows income to be taken as required

* Accessibility - No maximum age limit to take a QNUPS

No Maximum Limit on contributions- With a QNUPS, there is no maximum limit on how much can be transferred into the structure

Free from CGT- Capital gains tax is not applied, making it particularly attractive for property portfolios. This means that the capital growth of your asset will be passed on to your named beneficiary

Passing wealth down the generations- any eligible transfer to a QNUPS is free from Inheritance tax (IHT)
Gross payments -Another advantage of a QNUPS is that income is paid out gross. The accounting treatment will depend on where the member is resident, so if they are non-resident then UK income tax will not be payable.

* Globally available - not just for UK residents, QNUPS is widely available in many countries.

* Loans - A QNUPS can invest in residential property and make loans to its members (you) allowing the purchase of personal assets, rather than having the constraints of trying to borrow from a bank.

Accessible- This structure is not just for the very wealthy high net worth individuals, a QNUPS structure should be explored by anyone with current acceptable assets; as there is no minimum value to take a QNUPS (however, QNUPS providers might recommend a minimum amount)

Looking closer

The scheme was introduced by HMRC in February 2010 and is a regulated tax efficient pension scheme which allows investment of wealth overseas.

It allows a broader range of investments, including residential property, meaning potentially an individual could transfer their UK property (s) and therefore any subsequent rental income into a QNUPS.

Considering real world scenarios

Although this is ultimately for HMRC to determine, the following examples provide some guidance on what may be deemed acceptable as contributions to a QNUPS. In all these examples, the individuals standard of living is not affected.

Scenario 1

Mrs Adams is aged 55, she is non-UK resident. She has wealth of over $1 million and would like to make a lump sum contribution of $150,000 into her existing QNUPS. The QNUPS currently has a value of $250,000. The contribution will come from the proceeds of the sale of a rental property.

Scenario 2

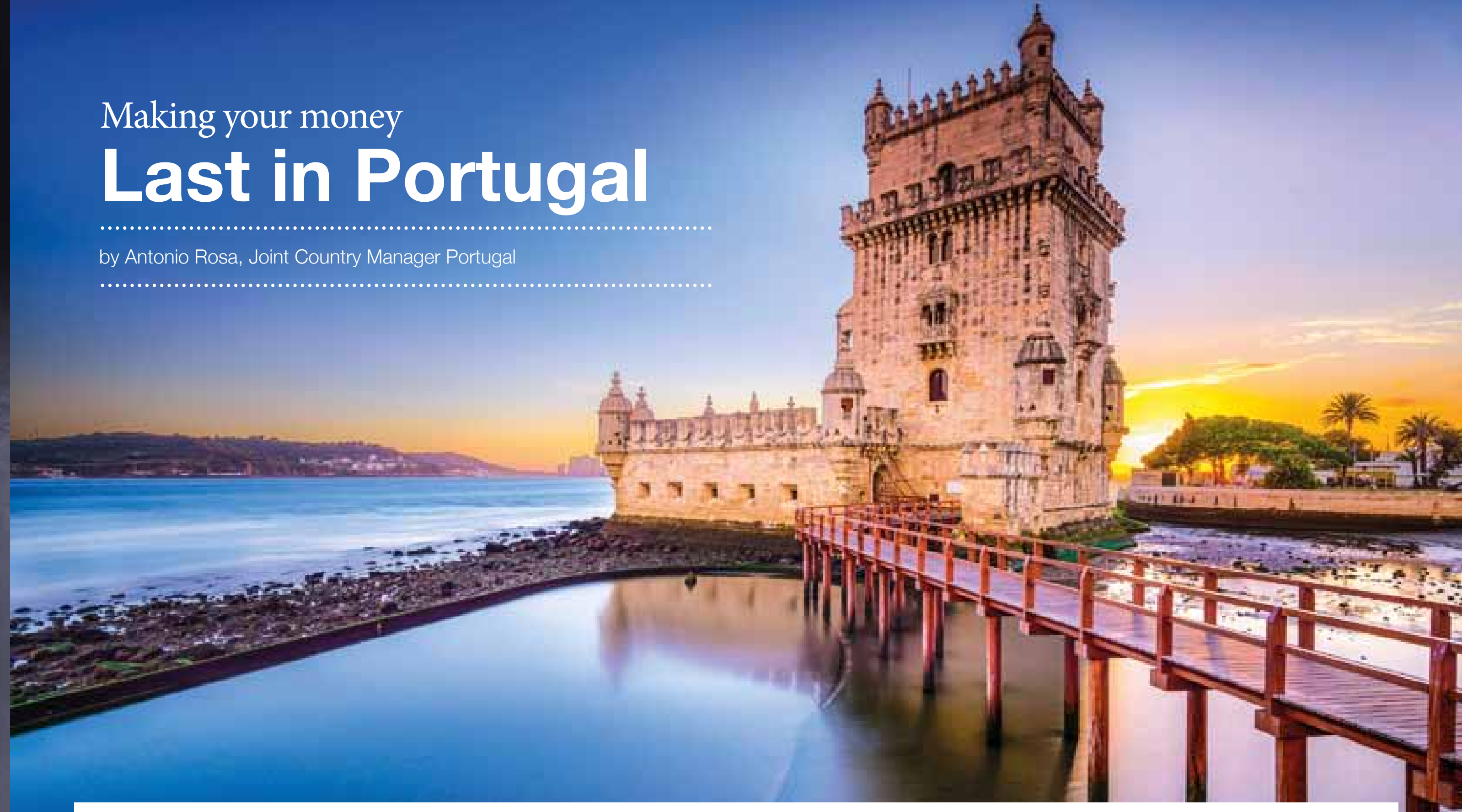
Mr Collins is aged 57, he is UK resident. His estate is worth £1 million. He recently inherited a sum of £200,000 from the estate of his deceased father. He wants to make a payment of his £200,000 inheritance into his existing QNUPS, currently worth £300,000.

Scenario 3

Mr Jones is aged 48, he is non-UK resident. He is employed overseas but there are no pensions provided in the country where he resides. His employer is happy to contribute to a pension scheme for him and suggests monthly contributions into a Guernsey QNUPS representing 15% of his salary each year.

In summary, a QNUPS is a HMRC initiative that is able accept a multitude of assets, it is available to both UK and Non-UK residents, it is not just for the wealthy, and is accepted in a multitude of countries, it, it can mitigate tax liability, and it allows for the gross roll up of contributions, and allows wealth to be passed generationally -without any inheritance tax charge.

While it is important any contributions made to a QNUPS are proportionate, taking into account both overall wealth and other existing pension rights, they are a highly flexible and tax efficient structure that can be used to supplement existing pension arrangements. UK residents and expats alike can, therefore, continue to make sufficient provision for their retirement through a QNUPS, while protecting the fund for the long-term benefit of themselves, and their family.



Making your money
Last in Portugal

by Antonio Rosa, Joint Country Manager Portugal

Portugal is one of the most attractive retirement destinations in the world. Expats from places as diverse as Britain, Scandinavia, Australia, the USA and China flock to the Portuguese strip of the Iberian Peninsula in order to make the most of their retirements and, of course, their retirement funds.

Portugal's many climatic, scenic, lifestyle and culinary appeals aside, one major reason for the country's popularity among expats is its affordability. Quite simply, you get lots for your Euros in Portugal, particularly as its real estate market has remained undervalued since the 2008 economic crash.

But, how cheap is cheap for expat life in Portugal?

Here, we consider the possibility of retiring on a budget of just €150,000 Euros and how this might be achieved. For some retirees this might be an economic necessity, while for others our article could reveal a useful regime of frugality. So let's see how it goes.

How Much For Your Daily Bread?

If you are a couple and looking for an unflashy but comfortable one-bed flat together with basic utilities, internet, telephone and a standard weekly supermarket food shop, you can expect to pay around €1,200 a month for the privilege, while also eating out a couple of nights a week and perhaps going to a concert, theatre or other entertainment once or twice a month.

Although by no means definitive and subject to variation depending on your location and other circumstances, consider the following as a guide to your basic monthly outgoings:

• Groceries – A modest appetite and tastes can be satisfied for around €250 Euros per month. This includes the costs of moderate drinking.

• Electricity and gas – Expect to pay around 0.17 Euros per KWH of energy and a combined €60 per month for gas and electricity.

• Water – Unless you own a swimming pool or a large garden water feature, expect to pay around €20 Euros per month for your water.

• Fuel – As long as your car's not a veritable tank and you don't drive hundreds of miles per month, you can get by reasonably. Fuel costs around €1.50 Euros per litre, but less for diesel. Overall motoring costs go down significantly if you ride a scooter.

• Internet and TV – A good dual internet-television package should cost around €35 per month.

Does it Make Sense to Buy Rather than Rent?

Although rents in Portugal are relatively low compared to both the UK and many other retirement destinations nearby, the depressed state of much of the Portuguese property market means it may make sense to buy. In many locations it's possible to buy a two-bedroom flat for under €90,000, often within a short journey of a major centre such as Lisbon. So if you have the capital, buying rather than renting may reduce your expenditure over the longer term and could eventually see you making a profit.

Making Your Money Last Longer in Portugal

Your lifestyle in one country is never directly transferable to another. This is why making small lifestyle adjustments could mean you are able to make your money last longer in Portugal than in the UK or elsewhere.

Eventually you will learn local secrets, but a good place to start in Portugal would be to eat less red meat in favour of more seafood. This is because Portuguese seafood is not only in abundance; it is also some of the best in the world and comes considerably cheaper than land-based protein alternatives. Other tips include drinking Portuguese wine, saying goodbye to bottled water in favour of the excellent tap water, using more public transport and/ or using a scooter over a car.

So is Living on €150,000 Possible?

Based on our calculations, as it currently stands it would be possible to make your hypothetical €150,000 last for ten years. However, living costs, taxes, pensions and more are all subject to change. If you are concerned that your savings might not work in the right way for you over the long term, it might pay to take wealth management advice regarding your pension planning and more.

Tax Liability in 2018

by Manuela Robinson, Joint Country Manager Portugal

Portugal's tax regime has long been recognised as one of the most favourable in the world, particularly for its many Non-Habitual Residents (NHRs).

However, last September, there was real concern that the NHR regime, as we have come to know and love it, might come to an end. This followed comments from Mário Centeno, the Portuguese Finance Minister, which seemed to indicate that the government was on the verge of diluting the numerous tax benefits available to expats under the NHR regime.

Most worrying perhaps was the speculation that the country would look to implement a 5-10% tax on foreign pension income. This of course sent shock waves through the expat community as pensions are the main source of cash flow for many NHRs.

However, come the end of November 2017 the Portuguese parliament approved the 2018 budget, all without any mention of tax changes for Non-Habitual Residents, meaning that qualifying expats can continue to draw income or lump sums without incurring tax liability for their first ten years as a resident in Portugal.

Furthermore, selected capital gains, interest and dividends can also be exempt, while any UK tax deducted can be reclaimed. The notable exceptions are rental income from the UK and UK government service pensions, which unfortunately still incur tax in the UK.

Other Expat Tax News for 2018

Although the retention of the existing NHR regime was the headline news for expats from the 2018 Portuguese budget, January 1, 2018 brought other aspects to consider. Although in reality there was very little change; most taxes just require some useful clarification.

For example, although **minimum and maximum income tax rates** remain unchanged, the budget saw the top rate tax bands raised from €80,000 to €80,641.

The New Year also heralded the end of the final remaining austerity measure: **solidarity tax**. Varying between 2.5% and 5%, it applied to all taxable income exceeding €80,000, but was abolished in the 2018 budget.

The so-called Portuguese wealth tax, which is officially known as **Adicional ao Imposto Municipal Sobre Imóveis (AIMI)**, remains the same as it did at the time of its introduction. Rates are as follows:

• 0.4% for properties owned by companies
• 0.7% for properties owned by individuals
• 1% for property valued in excess of €1 million

Furthermore, individuals and estates remain entitled to relief of €600,000 deducted from the value of Portuguese properties. For couples, this relief doubles to €1.2 million.

Worldwide bank interest and investment income continues to be subject to flat rate tax of 28% and 35% for locations currently listed by the Portuguese government as 'tax havens'. While Isle of Man, Jersey and Uruguay were removed from the list in 2017, they have since been reinstated.

Trusts and foundations will continue to be taxed in the same way they have been since 2015.

Deadlines Approaching for Owners of Property in Portugal

And for UK taxpayers who have investments and property in Portugal but are not classified as NHRs, now is the time to start considering your declaration of overseas assets under the HMRC "requirement to correct' rules (RTC).

The September 30 deadline is fast approaching and any taxpayer with unpaid offshore tax liabilities must disclose the assets for tax assessment. If you fail to correct, from October 1 there will be a minimum penalty of 100% tax owed, plus interest and charges. This could, HMRC warns, be significantly more, up to 200% depending on individual circumstances.

Optimise Your Finances

While the unique Portuguese wealth management landscape offers much that is beneficial for British expats, there are many cross-jurisdictional issues to consider to ensure optimum investment opportunities and to minimise tax liability.

Blacktower's specialist wealth managers, based in Lisbon and the Algarve but working right across the country, can help you protect and grow your wealth with confidence. We provide a bespoke service in respect of all aspects of tax planning, estate and inheritance planning, investment, wealth management, pensions and more. Contact us today for personalised advice.

Make the most of your money in Madeira

by John Westwood, Group Managing Director

The Portuguese archipelago of Madeira is a wonderful location for the British and European expat. It has an agreeable climate – temperatures usually range from a high of the mid 30's during the summer months to 13°C or so during winter nights and as an extra temptation for the rain sodden soul of the British expat, it is, but for the odd Atlantic weather system, pleasantly dry. Add into the mix first-rate private and state healthcare, renowned international schools, bilingual crèches, some English language university courses, wonderful food, including the Michelin-starred Cliff Bay Hotel, outstandingly quick transport links and an enviably slow pace of life - and you have a place about as close to paradise as humans can realistically hope for.

There is though, one significant problem for any expat who dreams of making the most of the many life opportunities afforded by Madeira: the country's bureaucracy and constantly evolving taxation system can be extremely complex and difficult to negotiate. This may even cause the kinds of anxieties and obstacles that can impair an expat's ability to enjoy life.

Fortunately, there are steps that expats can take to insulate themselves from having any niggling issues undermining their peace of mind when living in Madeira, or worse, even causing unnecessary financial drain and strain. Yes, Portugal and its autonomous regions, might have a relatively low cost of living, but failure to manage wealth prudently can quickly wipe out this positive aspect of life in Madeira.

Blacktower in Madeira

Blacktower has more than thirty years of wealth management experience, from its initial origins as a UK adviser to its emergence as a major and trusted player on the international wealth management scene. We have long had an office in the Algarve and Lisbon and have enjoyed such success there that we now serving Madeira and all of its principalities, from Calheta to Sao Vicente, with a dedicated Madeira office to follow in the near future.

British expats in Brexit limbo

We know that with talk of uncertainties around Brexit there is a strong sense of limbo for British expats at the moment, but as we like to say - there is no need to panic, particularly as the vast majority of the products and mechanisms utilised by Blacktower are based within the EU rather than Britain. We have also expanded to include an office in the Cayman Islands – giving us a gateway into the Caribbean, South and North American markets. We are truly an international operation and, ultimately, it is this outlook together with our network of expertise that benefit our clients and this will continue to be the case whatever happens with Brexit.

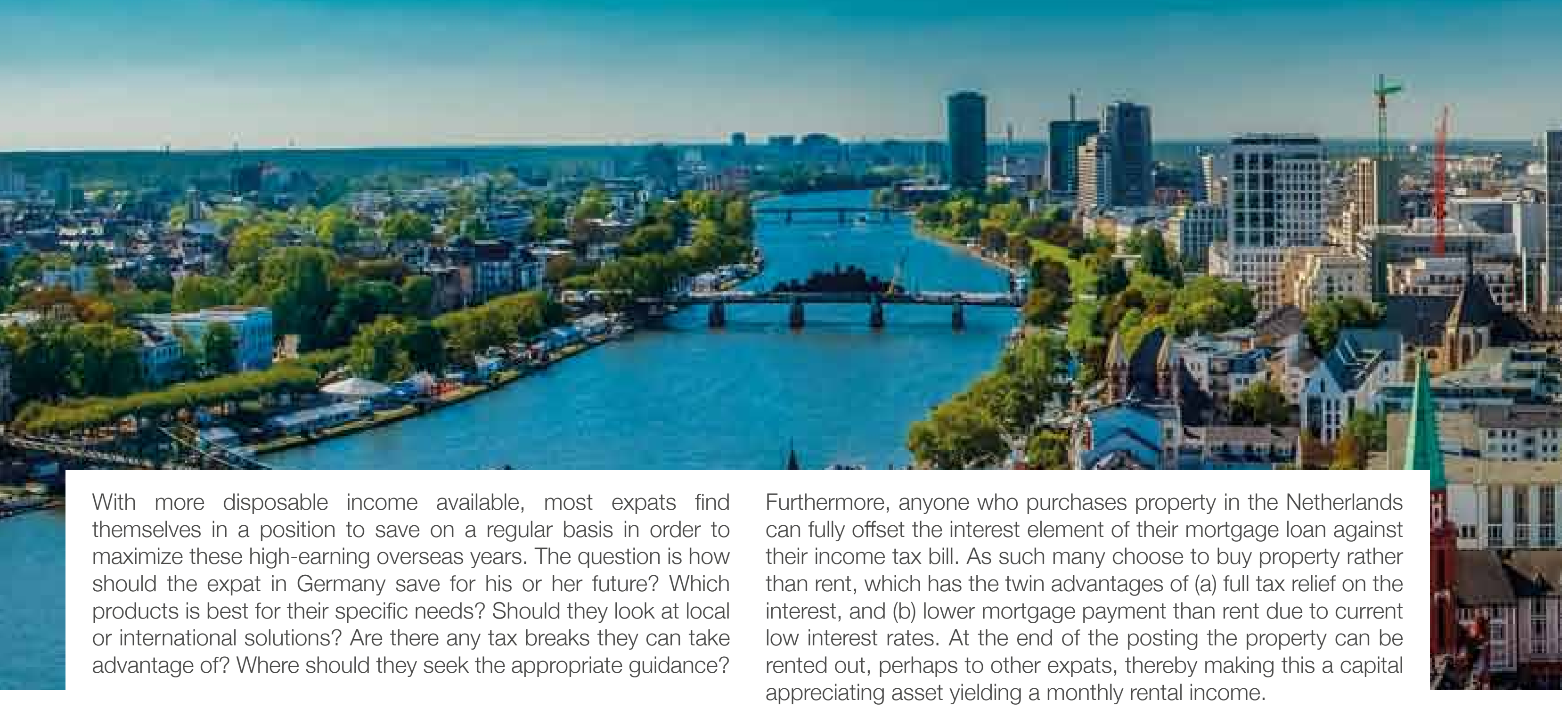
An international firm with local knowledge

Importantly, with our offices in Portugal and representatives on the ground in Madeira, we offer this global outlook coupled with local expertise. So, whether you require information on non-habitual resident tax rates, international pension transfers, including QROPS, QNUPS or SIPPs transfers or indeed any aspect of Portugal's financial and taxation systems, the Blacktower team can help you make the most of your finances on this small but beautiful island.

Blacktower Expat Solutions GmbH
A new approach to an existing market

by Paul Brown, Group Director

The Netherlands and Germany are not among the more popular places where people choose to retire. Rather here is where we typically find "working expats" who have relocated to progress their careers, often benefitting from a healthy pay increase and other expat benefits as compensation for the personal and family upheaval that comes with an overseas assignment.



With more disposable income available, most expats find themselves in a position to save on a regular basis in order to maximize these high-earning overseas years. The question is how should the expat in Germany save for his or her future? Which products is best for their specific needs? Should they look at local or international solutions? Are there any tax breaks they can take advantage of? Where should they seek the appropriate guidance?

NL vs Germany

Over the years, I have often looked across the border at Germany, a neighboring country several times the size of The Netherlands where I have been based since the early 1990's. A large country with more than four times the population of The Netherlands, yet Germany has somehow remained something of an enigma to me when it comes to providing expat solutions, despite the similarities between both countries. This has been on my mind since the UK referendum, particularly as the number of expats being relocated to Germany is increasing and this trend expected to continue both before and after the UK leaves the EU next March.

Now is therefore the time to position ourselves to be able to offer the savings, investment and insurance solutions the expat community in Germany will be looking for. However, although Blacktower Financial Management (International) Limited have had a presence in Germany for many years - and we still retain an office presence and personnel located in the prestigious business district of Frankfurt - much the same as other international intermediaries, BFMI Germany has been limited to providing advice on mainly pension transfers, due to having no compliant product available for what our research clearly shows working expats in Germany are predominantly looking for - regular saving solutions.
In the Netherlands it makes little difference if an expat has an international saving plan or a local scheme; both are classed as a "Box 3" asset and taxed accordingly each year. However, most of our clients are eligible for the "30% ruling", meaning they (a) pay less taxes on their income overall, and (b) are exempt from Box 3 taxation for the eight-year period of the ruling.

Furthermore, anyone who purchases property in the Netherlands can fully offset the interest element of their mortgage loan against their income tax bill. As such many choose to buy property rather than rent, which has the twin advantages of (a) full tax relief on the interest, and (b) lower mortgage payment than rent due to current low interest rates. At the end of the posting the property can be rented out, perhaps to other expats, thereby making this a capital appreciating asset yielding a monthly rental income.

Overall then, expats in The Netherlands have several easy avenues to claim back fiscal advantages from the Dutch system.

In Germany however, there are no such available advantages;

• An expat on the same wage takes home the same net pay as his German colleague.
• There are no "state sponsored" tax breaks specifically for German expats over and above what has been negotiated between employee and employer.
• There is no tax relief on mortgage interest, so the decision to purchase property doesn't come with any additional fiscal benefits.
• When deciding how best to save for the future, the expat has to be mindful of selecting the right type of solution to avoid excessive taxation on gains and eventual outcome, as well as the important issues of ongoing support and communication.

Our research has found that the expat in Germany faces a challenge to find a useful service that will guide them towards taking full advantage of the tax breaks and subsidies available to all working residents in Germany. While information is available online, we have noticed an absence of any specifically expat-focused service that is unambiguous, available in English and provide clear instruction on what the expat would need to do to take action.

Retirement Savings in Germany

The changing demographic situation in Germany, with the post-war baby boom generation now reaching pension age and the low birthrate of 1.5 children per woman, coupled with a longer life expectancy (81 years) mean that the generation contract can no longer offer full pension security.

There are too few workers paying for too many pensioners. By the year 2030 there will be only 2 workers paying for one pensioner, this cannot work under the current system.

Pension levels are falling all the time and the threat of old age poverty even for people who have spent their entire life working earning the average wage is a real one. Pension levels in 2018 are at 47.6% and the German government has pledged not to let the level fall below 46% by the year 2020 and 43% by the year 2030. Whether this is achievable remains to be seen.

The German government has realized that this problem will inevitably arise and came to the conclusion that the only way to save the average person from old age poverty is to encourage him to save privately. To do this a range of products have been developed with subsidies and tax benefits. These products are insurance based products, this was important as it reaches out to a wide proportion of the public (there are a lot of insurance brokers in Germany).

The German pension provision schemes are broken down in to a 3 layer model.

1. Base pension provisions
(State pension and Basisrente)
2. Capital covered additional provisions
(Riester Rente and occupational retirement provisions)
3. Capital investment products
(Capital life insurance and private pension plans)

Everybody living and working in Germany has the right of access to the different schemes.

A New Approach

Clearly there is much room for confusion and a need for a professional English-language intermediary service that will empower the German expat community to make informed decisions on local savings and insurance solutions – a **Local business** with a **local license** offering local solutions. But firstly, we needed to find a **local partner**, ideally someone with an expat mindset…

In Summer 2017 a colleague and I met with two ladies who ran a successful Expat Event in Munich earlier that year. We had a pleasant meeting and afterwards as I ate lunch at my desk while browsing their website I found Matthias Wolf.

Matthias is a German national who had been in the UK for many years before returning to Germany and working at senior levels in the insurance industry for German firms. Like me, he also recognized the need for more services for expats in English but despite his efforts was struggling to make the impact on the market that he wanted to as he did not have the full support of his locally-focused German IFA employer. Intrigued by his back story I called him that afternoon; it was immediately apparent we were on the same page and both recognised the opportunity. He flew to Netherlands shortly afterwards, where we brainstormed and formed a plan that has resulted in Blacktower Expat Solution GmbH being formed.

Blacktower Expat Solutions GmbH is now open for business, offering local products and solutions suitable for each client's circumstances and affordability. Being part of a "broker pool" we have access to all products available on the German market, however we have also formed direct links to several reputable insurance companies including the German subsidiaries of international insurers such as Canada Life, Standard Life and Swiss Life to name but a few. Assets are therefore accumulating with a robust and well-known international insurer, giving the client peace of mind that his or her future wealth and financial security is in safe hands.

We are excited by this new project, a unique approach to a mature market that we hope will provide access to efficient local solutions for far more people and change the way expats in Germany save and invest for the future.

Insurances in Germany

Compared to other countries the German insurance system is complicated, it is possible to insure yourself against almost any risk you can think of. The first question that most people have when arriving is which insurance types are actually relevant to me and which am I obliged to have? Health insurance is compulsory but will the state health care system suffice or is private health care better? The expat will probably be asked for personal liability insurance since most landlords will not let an apartment without one that covers damage to rental property. How does the expat choose the right product for the best price? What about insurance that cover me if I become sick and can no longer work to support my family? What about cover for my family? How should I shop around?

The most important types of Insurance

Health Insurance
(Krankenversicherung) It is compulsory to have health insurance whilst living and working in Germany. There is a dual system in place which means residents have a choice between private and state (Statutory) health insurance, provided certain criteria are met. There is also a compulsory nursing care insurance (Pflegepflichtversicherung).

Supplementary health Insurance
(Krankenzusatzversicherung) It is possible to upgrade your statutory health insurance with a range of supplementary insurances to design the cover to suit individual requirements

Personal liability insurance
(Private Haftpflichtversicherung) is a standard insurance in Germany and one you should definitely have (it is not expensive). It offers cover for the financial implications arising, should you or your family cause unintentional damage to a third party, either physical, material or financial. In Germany there is no general limit to how high a claim can be, meaning any caused damage can threaten your financial future.

Household contents insurance
(Hausratversicherung) covers the costs of replacing the inventory of your household. It offers cover in case of damage occurred through Fire, mains water, storms, hail, robbery through break ins, theft and vandalism. If you are renting a furnished apartment many landlords now insist on you having a "Hausratversicherung" before letting to you.

Occupational disability insurance
(Berufsunfähigkeitsversicherung) Until 5 year contribution have paid into the state pension scheme the expat has no cover should they no longer be able to work due to an accident or illness. For this reason private occupational disability insurance is one of the most important insurances to put in place when first arriving.

Legal aid insurance
(Rechtsschutzversicherung), **Termlife Insurance** - (Risikolebensversicherung) and **Vehicle insurance** – (KFZ-Versicherung) plus a number of other more niche products.

Malta
The Jewel of the Med

by Mark Hollingsworth, Regional Manager Malta

The uncertainties of Brexit have propelled the small island of Malta to a top destination for the British to relocate to. Retirees wishing somewhere with an easy going lifestyle, families seeking a better quality of life or the ambitious looking to carve out a new career in one of the many growth industries on the island. Whichever category you fall into, the favorable tax system, low cost of living and true Mediterranean climate rightly gives Malta a very high score in any relocation table.

The good news for British citizens who wish to move to Malta is that despite the decision of the UK to leave Europe, the favorable residency schemes will stay in place for some time and any alterations to the long and close relationship with the UK will take considerable time, potentially years. Malta is also a full member state of the EU and enjoys freedom of movement for its citizens/ residents throughout Europe.

Residency and Income Tax

There are various residence programmes available to people moving to Malta. Under several of these, for non-Maltese nationals, tax is only due on income earned there or remitted. However, where an individual holds a Permanent Residence Certificate they are taxable on their worldwide income, even if they have successfully applied for a residence programme. The normal income tax rates apply to Maltese-source income, with the highest tax rate being 35%. However if you work in the financial services industry, aviation and gaming, you may qualify for a flat rate of tax of 15% on your Maltese earnings.

Inheritance Tax

There is no inheritance or gift tax but Stamp Duty is chargeable on transfers of Maltese real estate at 5%. UK nationals who remain UK domiciled will still be liable to UK inheritance tax on their worldwide assets, unless a new domicile of choice outside of the UK has been established.

Pensions

The general rule under the double tax treaty between Malta and most countries is that pensions and annuities are taxable in the country of residence, with the exception of government pensions. Someone therefore receiving the UK State Pension can utilize their UK personal allowance for this pension. Any private pension would then be taxable in Malta, using their Malta personal allowance. In effect, you can benefit from using two personal allowances.

Investments

For expatriates, the key is to have any investments outside of Malta. If structured in the right way, any income, dividends and capital gains would not be taxable. If however any investment income was directly remitted then this may be taxable. The use of international portfolio bonds are a good example where investors can hold a varied range of investments under the one structure and not be worried about any tax implications whilst resident in Malta.

Conclusion

By structuring your finances properly, very little, if any tax may be due on your income and investments. The following example shows how this can be achieved using the 2017 tax rates:

Income Source	Amount	
UK State Pension	£8,000	This would be taxable in the UK but as it is below the UK personal allowance of £11,500 then not subject to UK income tax. Due to the double tax agreement between UK and Malta, no tax is due in Malta either.
Private Pension	£16,000	This would be taxable in Malta. The first EUR12,700 is free of income tax and based on the 2017 tax rates, the pension would only be subject to £700 tax.
Investment Income	£20,000 (4%)	Assuming a return of 4% on an investment portfolio of £500,000. So long as this is held overseas and not directly remitted then there is no tax to pay.
Total	**£44,000**	**Total tax bill of £700. Effective rate of tax only 1.5%.**

If the financial benefits are not enough, the quality of life cannot be questioned. With winter temperatures averaging 16C and summer months' 26-30C, vast range of local and international cuisine and driving on the left-hand side of the road are just examples of why more and more Brits are choosing Malta as their new home.

Platforms over Life Insurance Policies

What factors could influence a Financial Advisers recommendation?

by Luke Hunt – Associate Director

Over the past few years, there is no doubt that Platforms have made huge steps in the international financial planning market place for clients. With what used to be a predominantly insurance-based industry, questions are now being asked as to whether insurance based solutions can be seen as expensive or even outdated.

The key question is which is best?

There is no easy way to answer this in my opinion. My own personal recommendations are based on a clients individual needs, circumstances and objectives so the outcome varies from client to client.

In the article below, I will try to impartially breakdown the pros and cons for each. Needless to say, there are circumstances where one should definitely be recommended over the other and other times where it is slightly more of a grey area – This is when the options should be presented to a client so that they can make an informed decision on the best way forward.

What factors could influence a Financial Services company's recommendation?

Regulation

Firstly, most International firms work through an IMD license which allows them to recommend any Insurance based policy and assist with the underlying fund selection. To give a client the same solution via a platform, the company would need to be MiFiD registered as if not, they could help the clients setup up the solution but then would not be able to give any advice on the underlying investments.

Most clients do not want that level of responsibility and expect their adviser to help and guide them through the next 5-20 years of their investment timeline. Therefore if a company does not hold a MiFiD license, this could be a deciding factor in any recommendation.

Terms of business

Of course, a company must have terms of business in place with a provider before they are allowed to offer their policies to clients. This has become more prominent in the last few years as many of the life companies have forged closer relationships with the bigger Financial Services Companies in the market due to tighter regulation, especially in Europe. This has meant that some of the smaller companies have had their 'terms of business' or 'TOB' removed basically restricting their client solutions to Platform based policies only.

What factors could influence a Financial Advisers recommendation?

Commissions

Lets start off with the Elephant in the room which lets face it, is where most of the heated debate comes from.

The simple facts are that any insurance-based policy will pay the adviser a commission based on how the policy is structured in regard to the underlying charges. Currently there is no mandatory disclosure on commission levels, however change is very much on the horizon!

A platform is based on 'adviser agreed remuneration', which typically will be decided when completing any application documents but should always be disclosed in any letter of recommendation as well.

Surely a Platform based solution is better then?

No. Just because Insurance based solutions pay commissions over fees does not necessarily mean that they will pay more or be better for the client.

Ultimately, any recommendation should be based on the clients' objectives with policy charges being considered as part of the overall advice process. I've given an example below, with real figures of how an investment could potentially be structured.

Lets say a client is 40 years of age and has a 350,000 GBP UK pension that they are looking to move to an alternative solution, such as a QROPS. They do not envisage needing access to this fund until they retire at age 67. * I've only documented the annual management charge (AMC), as the annual fees do not make too much difference.

Life Insurance Company A

Allocation – 100% invested day 1
AMC – 0.813% for first ten years of the policy then falls to 0% (based on initial premium only)

Platform Company A

Allocation – 97% invested day 1 – 3% is the 'adviser agreed remuneration'
AMC – 0.4% for the life of the policy (based on policy value)

As you can see, the fact that the client has 100% invested immediately (rather than 97%) and only has to pay the AMC for the first ten years of the policy (rather than the full remaining term of the policy – 27 years plus) means the Life Insurance solution in this scenario would likely make more sense.

I have done some calculations via excel and assuming a flat 5% growth rate on both options up until the age of 67, the resulting fund value can be seen below:

Life Insurance Company A – 1,166,359 GBP
Platform Company A – 1,093,109 GBP

In this scenario, the Life Insurance policy would provide you with an additional 73,250 GBP in growth over the 27 years compared to the platform solution. Guess which one pays more to the brokerage? – The Life Insurance company

Now an adviser can charge more (or less) on either of the above solutions so it therefore comes down to what the client is happy with from a charges perspective. You also have to consider what the adviser is willing to accept as his "fee" for doing the work and what levels of service have been agreed for that charge. As we all know, the cheapest is not necessarily the best.

Regular Savings

I personally believe that this is where the clients key objectives become paramount in any recommendation.

It is no secret that you only have to use the Internet these days to find many derogatory forums relating to 'Regular Savings Plans' that have been 'sold' to clients. The truth is that many of these policies will have been mis-sold in less regulated markets but also, many will be due to the fact that the client did not fully understand what they were agreeing to in the first place.

The key points

When taking out any regular savings policy, there are certain key aspects that should always be considered when an adviser is sourcing the best solution.

Objectives – Short term (deposit for property), medium term (education fee planning) or long term (retirement planning)?

Access – Does the client need access to some/ all of their investment before the policy term ends and if so, has any timeframe/ amount been identified?

Premium – Is the chosen premium level sustainable for the term of the plan (where applicable)?

Commitment – Does the client just want to save some money when they can and then withdraw it when they want or do they genuinely need to save for a specific medium to longer-term goal?

For me, the last point is probably one of the most important to consider. We all have bought that rowing machine for our home with the best of intentions, used it a couple of times and then before we know it, it's gathering dust at the back of the garage.

Maybe not the best analogy but good Financial Planning can have exactly the same outcome unless people are driven to achieve their goals and know the commitment from their side from the outset. This is where I believe insurance-based solutions which are appropriately structured can still have a place in the regular savings market today as they offer a structured, contractual agreement whereby a client is rewarded for "sticking to the plan".

If you ever hear a Financial Advisor say "its like a two year saving account and you get your money out at the end" then walk away, similarly if you do not have a report or letter of recommendation that clearly outlines all the policy charges, your objectives and why this type of solution has been recommended then again, walk away. You are leaving yourself open to problems further down the line.

Are there any other key differences?

The main key difference, other than what has been touched on above is the potential 'tax planning' benefits which a Life Insurance bond, could offer you.

This is however, wholly dependent on where you reside and where you are domicile so it's very difficult for me to make generic statements on this subject within this article.

Any tax benefits would normally be outlined by your adviser in their letter of recommendation and if they are not, then ask them, as ultimately this is an area that most advisers can (or should) be able to guide you on.

Summary

I am hoping that this article has shown that there is never a 'one size fits all' solution and that clients should trust in the advice process from reputable Financial Service Companies.

I also would encourage people to conduct due diligence on their adviser and company before progressing with any recommendation if you are not 100% clear on the advice you have been given. The Internet is a wonderful thing at times and most, good quality advisers can provide real life client recommendations to put your mind at ease if you are unsure on what to do.

If you would like open, honest and transparent advice then please do not hesitate to get in touch with myself or one of my team. We would be more than happy to have a non-obligatory discussion with you to see if we can help.

*** Figures are provided for illustration purposes only and should not be construed as advice**

Brexit
proofing your wealth

by Quentin Sellar, International Financial Adviser

> "If you do not change,
> you can become extinct"

American Psychologist Spencer Johnson is probably best known for co-writing "The One Minute Manager" in 1981. In 1998, he wrote another book about coping with change called "Who moved my cheese". I won't tell the whole story here, but Johnson's message is instead of seeing change as the end of something, we must learn to see it as a beginning. He also said: "If you do not change you can become extinct".

In this article I want to focus on some simple actions that all British expatriates living in Spain should take to remove some of the risks associated with Brexit and ensure that their continued life in the sun will not become extinct.

So, what will change and how can you ensure that you have done everything possible to cope with these changes to start this new "Beginning" as smoothly and comfortably as possible?
Currently we can live in Spain and are entitled to all the services and benefits that are provided by "The Four Freedoms":

- Goods • Capital • Services • Persons

When the UK leaves the EU, we may lose these freedoms. I want to focus on two; "Capital and Persons" because there is action you can take that will remove all or at least most of the potential risks in those areas.

Freedom of Persons

The Office of National Statistics and the Instituto Nacional de Estadistica claim that in 2016 there were more than 296,000 British people officially registered as living in Spain and of this number, 108,433 are in receipt of a UK state pension.

The most important action to take is to ensure that you are fully compliant regarding your legal obligations as a resident in Spain. In simple terms, this means you need to pay your taxes in Spain and make a declaration of any assets held out with Spain (Modelo 720). If you are properly registered as a resident and comply with your obligations, then you should have no problems continuing to live here just as many non-EU citizens do currently.

Spain will classify you as a resident if:

- You live in Spain for more than 183 days per calendar year (temporary absences ignored)
- Your nucleus or base of economic interests is in Spain
- Your dependent spouse or children are resident in Spain

Advice Point One – Make sure your residency status is correct and you are compliant with your legal obligations so there is no reason for the Spanish authorities to deny your continued happiness in Spain

Freedom of Capital

This allows you to easily move money between the UK and Spain and vice versa without limitation.

However, in a recently well publicised letter to the chair of the Treasury Committee, Nicky Morgan, Phillip Hammond stated: "With respect to financial services, the Government is alive to the risk that the UK's withdrawal could in some cases create legal uncertainties as to the status of existing cross-border insurance, pension and other financial services contracts sold under passporting arrangements."

The term 'legal uncertainties' implies such arrangements could be rendered effectively illegal, potentially creating huge problems for policyholders and providers. So, what can you do? There are three areas where we can support you.

Savings and Investments

It is important to understand that the Spanish tax authorities don't recognise the typical UK tax effective savings and investment structures such as Bonds, ISA's and Premium Bonds. In Spain any growth or winnings in the case of Premium Bonds, is taxable annually. Trusts are also treated very differently and whilst as a UK resident were very tax effective, as a resident of Spain they can become extremely expensive to either the trustees or the beneficiaries.

We have solutions that are fully compliant in Spain and therefore provide a much more tax effective opportunity.

Pensions

For those of you that haven't yet started taking your occupational or personal pension then I would strongly recommend that you research your options as to whether you leave it in the UK or transfer it to a ROPS(Q), which is an Overseas Pension Scheme that is recognised qualifying by HMRC. This may not be suitable for everybody, but we can review your options and advise you on the best action to take.

By transferring your pension out of the UK, you immediately remove any future risk of UK pension legislation changes and any risk to being able to access your pension if the problems recognised by the UK Chancellor of the Exchequer happen.

Exchange Rate Risk

We have also seen some large fluctuations in the £: € exchange rate since the Brexit vote and it is very difficult to get a consistent view on the future position.

If you want to remove any future exchange rate risk, then we can create portfolios in Euros.

Summary

We are going through a great period of great uncertainty and whilst we are constantly reading and hearing comforting words from both Spanish and UK politicians, it is not clear how things will look when the UK eventually leaves the EU.

However, as you will have read in the above article there are some actions you can take now to mitigate future risk.

Quality insurance
top priority for expat employees

by Robert Mancera, General Manager & Director

When moving overseas, many workers see the provision of robust medical cover and *Life Insurance* as an essential part of their relocation package. If you don't have full cover, Blacktower's advisers can help you find the products most suited to you.

As an expat, choosing a robust life insurance policy, as well as medical insurance, can provide help to reassurance that you and your loved ones will be cared for should the worst happen. And recent research has highlighted just how valued such policies are.

A new survey from a leading well known provider has found that such policies are amongst the items expats expect most from their employer when they move to work overseas.

This provider questioned 150 senior human resource directors and 1,851 globally mobile employees. The international health insurer's research showed that expats are putting an increasing demand on their employers to provide them with more health and wellbeing benefits.

Over half of the HR directors noticed an increased demand for health and wellbeing benefits from their overseas workers since 2012, which was also reflected in the responses from the employees, with a quarter saying that they expected more from their employer in this area than they did five years ago. While the statistics show that some employers are changing to accommodate their workers, many more are not; only a third of HR directors said that they met this need by providing such improved benefits.

In particular, there was a requirement for flexible working hours and quality international private medical insurance (IPMI), and the desire for these looks like it will continue to rise. This is because a third of the HR directors responded that they anticipate the number of their employees working overseas will grow over the next five years, with most (80%) expecting their employees to travel to a European destination.

What's more, two-thirds of those receiving IPMI viewed the insurance as absolutely essential when moving overseas, saying that they would not have gone to live abroad without it, and nine out of ten believe that their employer has the responsibility of looking after their health while they're abroad.

Of course, you don't have to have moved overseas for work to understand the importance of quality medical insurance. All expats should have access to high-standard healthcare in their chosen destination, whether they've moved for business or for retirement. There are also other insurance products that, like IPMI, enable you and your loved ones to cover all your "what-if" scenarios. For instance, providing expat life insurance is one-way Blacktower helps our clients safeguard their future.

Quality Life insurance for expats

A good financial adviser aims to offer clients complete peace of mind in their financial dealings. One way in which we do this at Blacktower is by offering a special life assurance product to expats in Europe. For example, our Portuguese Private Wealth Portfolio is an effective expat life insurance policy that provides you and your family with a range of benefits.

Reduced tax liability, exclusion from Portuguese Stamp Duty, and no inheritance or gift tax to pay are just a few of the benefits of this fantastic Portuguese expat life insurance policy.

For employers in the UK, we also offer advice on purchasing group private medical insurance, as well as a multitude of other suitable products for businesses so that they can offer their employees the most robust protection and financial security.

The Golden Rules

of financial success for Yacht Crew

by Sandy Paterson, Regional Manager Mallorca

Picture a time in the distant future when you are ready to leave the high-life that is Yachting, hard to believe you would want to leave I know, but stay with me.

Your Yacht-free life is charted out in front of you and the choice of what to do now is all yours, or is it? Specialising in Financial Advice for Yacht Crew means I have come across many who are left financially "painted into a corner" due to lack of planning.

Back in the present, it's easy to fall into the high-life of a crew-member (junior or senior). World-wide travel in luxury, tax-free income, food and accommodation all paid and 3500 – 15000 Euros / Dollars a month burning a hole in your Helly-Hansen pockets. What's not to like?

But what of the future? Assuming you do not want to end up "painted into a corner" with the only way out being to jump overboard and swim ashore, what habits can you cultivate to make sure you really have choices later in life?

Golden Rules

Amazingly obvious in some cases, a little more difficult in others, together they will help you invest in yourself and your future. Let's face it nobody else is going to do it for you.

Establish your tax-residency

This is massively important. You would be amazed how many crew we come across who are unsure about where they are considered tax-resident or believe they are not tax-resident anywhere. The days of tax-exile status are long gone, worldwide, tax offices are collecting information on investments and bank accounts and sharing it with each other to make sure they get their tax dollar paid. Even traditionally secretive countries like Switzerland are sharing information automatically with tax offices.

Spending Money

Set yourself a monthly limit, once you have reached it, stay on-board where you cannot spend more. *Without this nothing else will work*.

Bank Accounts & Currency Brokers

Why pay huge fees and lose money on exchange rates every transaction by using your debit card or your bank to move money. Take a look at your bank statement for non-currency transactions and fees, some we have seen run into several hundred a month. We can think of better uses for this than bolstering the profit of the banks. If you earn your money in Euros, have a bank account In Euros. If you need other currencies open a multi-currency account. We can help you with a specially designed Seafarers Account offshore with £ $ and € and free movement between currencies.

When exchanging larger sums using a currency exchange broker will save money long-term. It's easy to set an account up and between the saving in fees and the better exchange rate will save considerable amounts of money.

Loans or Card Debt

If you have any loan or credit card debt (we are not talking of mortgages here) start with the highest rate debt (usually credit cards) check for 0% balance transfers on Credit Cards and use them. If you have cash in the bank use it to pay the debts off. Having 10000 euros in the bank earning 1-2% if you are lucky, whilst holding credit card debts at 22% does not make any sense, pay them off.

Emergency Cash

Now you can build up some emergency cash. Ideally 3-6 months' income in your Seafarers Account then leave it alone. Immediate access is the priority not interest rates. Set this aside as it is for emergencies only.

Personal Development & Yachting Education

Decide which courses will further your career and set aside the money. Don't forget personal development outside of Yachting. Invest In your education and the benefits will far outstrip the cost. Personal development gurus suggest 5% of income is spent on this, their financial interests aside, very worthwhile.

Property & Mortgages

Yacht Crew find it notoriously difficult to obtain mortgages, but this need not be the case.

If you already have a deposit saved, we can help with a mortgage whether for an investment property (or a portfolio of properties) or a base for when you are back home.

Medium to long-term savings

Ideally save 25% or more of your monthly income. Yes, it's a lot, but if you were shore-side you would be paying that much and more in tax so get saving now.

If you need to start saving, a flexible, non-contractual savings plan that allows you to save when you have income, stop when you do not and have access to the money when needed is vital. You need to be taking some investment decisions here for the medium to long term.

Cash in the bank is almost risk free but you will not make a decent return. A saying I like a lot to illustrate this is *"a ship is safe in the harbour, but that is not what ships are for"*.

Investments & Pensions

Do you have an old pension scheme languishing in the corner from your pre-yachting days? Or maybe you have a lump sum of money already saved or invested? Regulation and taxation changes all the time and it is important to keep ahead of the game, so maybe it is time for a "Full Financial Review" to make sure your current investments are tax efficient, or maybe it is time to consider investing your savings for a better long-term financial return.

Don't forget company pension schemes from the past, Final Salary, Occupation Pensions and so on. There are some major advantages to considering a transfer to a different structure.

Insurance, Insurance – so good they named it twice

Much maligned and somehow seems a bit "Old-School" but there is not much point building your financial future, saving and investing and buying property if an unexpected serious illness, medical necessity or premature death pulls it all down in ruins.

"If I had my way, I would write the word 'insure' upon the door of every cottage and upon the blotting book of every public man, because I am convinced, for sacrifices so small, families and estates can be protected against catastrophes which would otherwise smash them up forever".

Winston Churchill

Don't forget the freebies

Ask your boat owners what Medical Insurance, Pensions and any other benefits you may get onboard and consider asking for more!

The value of financial advice

Last but by no means least, and yes, I admit this is what we do, take professional, Independent Financial Advice. The difference can be dramatic. A recent survey by the International Longevity Centre in the UK entitled "The Value of Financial Advice" stated:

- "The 'affluent but advised' accumulated on average 17% more in liquid financial assets than the affluent and non-advised group, and or 16% more in pension wealth.
- The 'just getting by but advised' accumulated on average 39% more in liquid financial assets than the just getting by but non-advised group, and 21% more in pension wealth.

Food for thought don't you think?

VAM Driehaus Fund

Periods of uncertainty and volatility in financial markets are inevitable. This underscores the need for investors to stay focused in a long-term strategy with broad diversification, appropriate asset allocation and an active approach that can react accordingly to rising worldwide uncertainty.

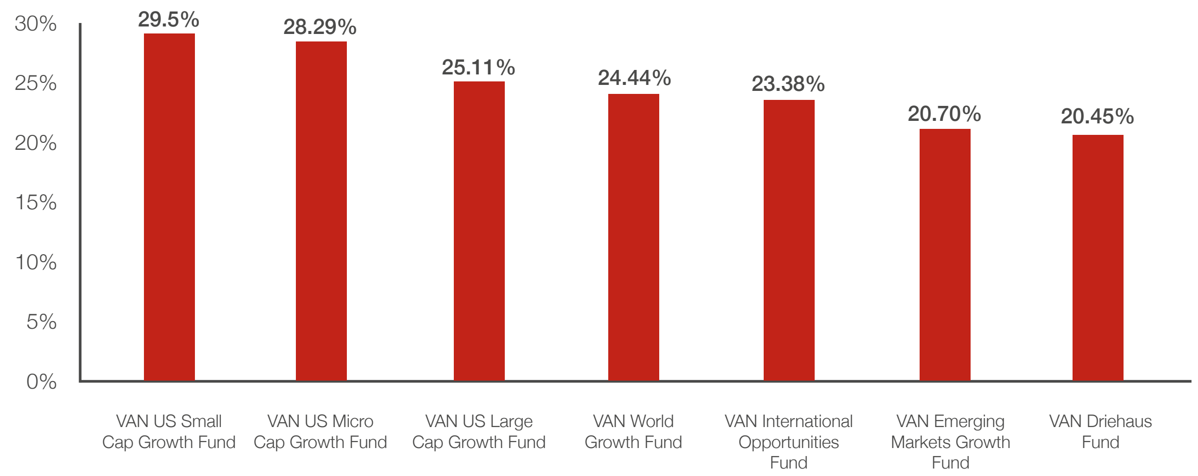
The VAM Driehaus Fund is a unique global equity fund which takes this long-term approach. Managed by Driehaus Capital Management LLC ("Driehaus"), a Chicago-based specialist institutional investment manager with over three decades of expertise and $9.0 billion in assets under management as at 30/09/2017, the Fund embodies a singular, time-tested earnings growth momentum investment style. This investment approach, developed more than 30 years ago by its renowned founder, Richard H Driehaus, pursues long-term capital appreciation, making investment decisions based on company fundamentals, thus generating returns over the medium to full investment cycle periods.

Driehaus also implements an active management approach which is designed to generate growth by investing in companies that have reached a significant positive turning point in their growth and earnings. Driehaus believes that markets tend to misprice the stocks of such companies and this tends to follow predictable and exploitable patterns.

The VAM Driehaus Fund, an actively managed UCITS V Fund domiciled in Luxembourg, allows for diversification across a range of different equity funds with a view to reducing volatility and risk for investors. It is a composite of the six actively managed funds managed by Driehaus. As a one-stop global equity solution, the Fund offers a diversified equity portfolio with over 500 stocks across more than 60 countries in a single investment.

Managed by a team of seven Driehaus portfolio managers and one risk professional, with a combined 90 years of Driehaus portfolio management and risk management experience, the VAM Driehaus Fund removes the need for investors to respond constantly to market volatility and asset allocations. Instead, a rigorous risk management process supports portfolio construction by quantifying exposures, sensitivities and potential outcomes to minimise unintended risks.

PERFORMANCE OF VAM DRIEHAUS FUND AND ITS SUB-FUNDS OVER THE LAST YEAR (31/10/2016 TO 31/10/2017)



Each of the underlying funds are characterised by high active share (the approach is benchmark-aware but not benchmark-constrained or managed to any index), higher levels of expected growth and high exposure to the risk factor medium-term momentum.

Driehaus believes that high active share is a prerequisite to outperformance since you must look different than the index to beat it. However, during shorter time periods, having a high active share exposes the portfolio to the potential for underperformance. This is one reason why fewer and fewer managers have been willing to hold high active share portfolios.

The VAM Driehaus Fund has delivered over 20% growth over the last year (31/10/2016 to 31/10/2017) alone, while being ideal as a well-diversified, actively managed core holding within a client's portfolio. As rising global volatility turns the case in active management's favour, the VAM Driehaus Fund provides investors with an active investment approach and broad diversification aimed at both wealth preservation and long-term appreciation.

Key characteristics of the VAM Driehaus Fund:

- Unique global equity fund, not managed to a specific index or benchmark
- Launched on 2nd July 2007 (USD)
- Time-tested earnings growth momentum management style
- High active share relative to respective benchmarks
- Fully liquid, daily dealing
- Available in USD, GBP and EUR
- Available through both regular and single premium investments via leading international life companies and investment platforms

For more information

on the VAM Driehaus Fund, please contact:
Steve Reddaway on stephen.reddaway@vam-funds.com

Tips for investing

by Christina Brady, Associate Director & Regional Manager Costa Blanca

There is no doubt that when it comes to the world of investing, there are three words that come to mind: overwhelming, intimidating and scary. The terminology used can be confusing and it's difficult to know who you can trust.

At the moment placing money that you need to generate income or growth in a savings account, is quite frankly just not an option. Just look at interest rates being offered in the UK and Europe on savings accounts, they are at an all-time low, and inflation is rising.

Here are some tips to take on-board when you are investing.

• Diversification is key, never put all your eggs in one basket, for investing this means never put all your money into just one fund or investment opportunity. Make sure your investments are spread over different sectors and regions, this helps manage your risk.

• Never invest in anything that you are told is a sure bet, with no risk and high returns. You risk losing everything as in the world of investing there is no such thing as a sure bet. If it sounds too good to be true then IT IS.

• Take care if you invest with a company that cold calls you, or sends you unsolicited emails or brochures via the post. Ask yourself why are they resorting to methods that all regulatory bodies frown on and in the case of cold calling are looking to ban.

• Liquidity is key so that you can react to market changes.

• Unless you are an experienced investor don't invest in Structured Notes, as with 99% of them a large percentage or all of your capital is at risk. You could end up with nothing when they mature.

• Use funds that match your own requirements and needs, for example if you need income look at income funds, if you primarily want growth look at accumulation funds. A good investment manager will pick funds to match your requirements.

• If possible use an investment adviser/firm that has a good track record. Longevity , experience and independence = peace of mind. New companies appear all the time but ask yourself how long are they likely to be around.

• Always have an annual financial health check. At least once a year you should receive a valuation of your investment from the Bond/Policy provider either directly or via your Financial Adviser - do NOT accept an email confirming a value.

• Make sure that all investment recommendations are given to you in writing and that you understand them, if you don't ask for clarification, if you still are unsure just walk away.

• Don't be talked into doing something by a smooth salesperson when your gut instinct says it isn't for you. You deserve good advice.

At Blacktower we believe in simplifying the complicated, we will make sure you understand exactly what we are recommending and why, we will be by your side both now and in the future.

Who needs a Financial Adviser

by Peter Button, International Financial Adviser

We often surprisingly hear potential clients say that they can get independent financial advice from a friend or a self-taught financial commentator. But no matter how well-meaning their intentions are, unless they are an independent qualified financial adviser, you cannot be sure that you are getting the best possible advice. So we will say it now: not everyone is qualified to provide financial advice.

To put it another way, you would not ask a friend to perform open-heart surgery on you. So why is it, when it comes to your finances, you avoid professional advice and go with what your friends say? While you may have a good idea of what will and won't work well, only a professional has the specialist knowledge to help you maximise your finances.

In defence of my profession, I would like to present some of the misconceptions people have about the role of a financial adviser.

1. Financial advisers don't know what my investment return will be.

It is a fact! We have no shame with the fact that we don't know what your future return will be. Many investors that seek financial advice arrive at our doorstep with a target return in mind for their investment. However, these return objectives are influenced by past experiences, historical fund performance or a random number that will fulfil personal expectations. After all, who doesn't want higher returns? We can refer to this return expectation as a desired return – a return target based on a want more than a need. Our role as financial advisers is to estimate the return you require to accomplish your objectives, taking into account your unique goals, time horizon, current asset base and risk tolerance, among other factors.

2. I only need an insurance policy from a financial adviser.

Your financial life is bigger than an insurance policy. Our first job is to get to know you. Financial planning is a holistic process that integrates your life's goals with financial solutions, in order to create a financial plan. Many clients want to know: How can I save for my children's education? Do I have enough money saved for retirement? What will happen to my children when I'm gone? How can I protect my income if I get disabled or retrenched? The goal of every financial adviser is to be the "Chief Financial Officer" of their client's entire financial life. This work extends to investment, estate, retirement and risk planning.

3. You only need a financial adviser if you have a lot of money.

You can benefit from working with a financial adviser because you have competing financial goals – not necessarily because you have a lot of money. You may be thinking about buying a house, starting a family, travelling the world or any number of other things. All of these goals are competing for a slice of your salary, so setting your priorities and adjusting your savings percentages with an adviser becomes a requirement. Financial planning is a continuous process of anticipating and adapting to changes in personal circumstances over the long-term.

4. Financial advisers charge me fees for advice that I can get for free.

It is probably safe to assume that people take financial advice from friends rather than a professional because of the costs associated with it. While your friend is unlikely to charge you, you could potentially be losing out on more than just the adviser's fee. To use another medical comparison, you can Google the symptoms of your illness online but that doesn't mean that medical consultation must be free when you finally go to the doctor. Advisers like any other professional need to be incentivised for the work that they do. A qualified financial adviser is an individual whose job it is to get the most out of your finances and the benefits are likely to far outweigh the costs.

The Future Is Already Here

by David Miller - Executive Director - Quilter Cheviot Investment Management

David Miller manages Nexus Global Solutions Portfolio for clients of Blacktower. This is an actively managed, global multi-asset class portfolio. In this article he comments on the positive impact of economic growth on investment markets, the impact of technology on financial markets and whether robots with artificial intelligence will ever replace humans.

QUILTER CHEVIOT
INVESTMENT MANAGEMENT

Aided by supportive central banks and technological change, the world's largest economies are in growth mode. US company results in recent months have been illuminating. Alphabet, formerly known as Google, and Amazon showed that monopolies are good for growth, but woe betide the competition. And with the prospect of tax cuts next year, confidence about Fortress America is on a rising trend.

Moving east from Silicon Valley, the Japanese renaissance continues. We have seen several recoveries since the 1989 peak that came to nothing but, North Korean missiles and earthquakes aside, this one seems to be built on firmer foundations. Corporate Japan has re-engineered itself so that 60% of earnings now come from overseas and innovation, if not home grown, has been bought in from abroad. Earnings growth is largely responsible for the market re-rating that we are now seeing, whilst in China, the politics seems to have been settled for at least the next five years.

Not wishing to spoil the party, the European Central Bank has extended quantitative easing, despite respectable growth and early signs of inflation. Overall, the world's three largest economies, America, China and Japan, together with the EU, which is the largest tariff-free trading area, are all moving ahead helped by supportive monetary and fiscal policies.

What next? Well, we might start to suffer from too much of a good thing at some stage during 2018, and see inflation driven higher by too much demand and not enough supply. If this happens, we will look back at 0.25% interest rate rises with wistful affection. For now, however, the present seems good enough.

The news flow about robotics and the way in which artificial intelligence is impinging on all parts of our lives has certainly moved from the technology geek section to the front pages this year. The latest iPhone has become a side show. It's what we do with the exponential increase in computer power that matters. These matters were highlighted at a recent conference in Frankfurt where the agenda focused specifically on how artificial intelligence already being used by investment managers. The AI-managed portfolios that already exist use a variety of models which are being refined as the results come in. Just like humans, machines have to be taught and as they grow up they start to behave in more imaginative ways. Some funds mirror what human investors do, but just a bit better, incrementally adding value. Track records are short and it is early days for most, but the results are encouraging, particularly when markets are stable.

Others are using access to gigabytes of information available on the internet to judge what is going on in the real world and then make investment decisions. For example if you can track trends on social media, removing fake news of course, or work out whether US supermarket car parks are, in aggregate, getting busier or not, then insights into economic activity and corporate profitability at a level of detail not captured by GDP numbers emerge.

Using big data 24 hours a day, 365 days a year to make investment decisions is an ideal activity for an intelligent machine. Are there things that machines can't do? Perhaps the most obvious area is the use of judgement at times of significant change. Whether to buy or sell when others are in panic-mode remains a human decision. There just aren't enough Brexit's to teach the machines how to react.

Twenty years ago, hedge funds were a very small part of the financial system, but gradually they have become part of an actively managed and diversified investment strategy. It may be early days, but I wouldn't be surprised if artificial intelligence driven funds followed a similar trajectory. The future is already here, it's just not evenly distributed.

Travelling from London to Germany for a day to talk about artificial intelligence seemed adventurous enough, and so I had no intention of straying more than a mile from Frankfurt airport during my brief visit. Reality does, however, have a habit of disturbing the best laid plans. For reasons I won't bore you with, my BA return ticket was cancelled and re-sold. Surely I could buy another ticket, even upgrade to business class, but no. Flights out of Frankfurt to anywhere I might want to go to were full because of a pharmaceuticals conference, and the same for the day after. The solution was to hire a delighted taxi driver to take me 200 kilometres to Stuttgart where, even though I didn't pass the purple hair, ripped jeans and nose stud dress code, I was rescued by a late night EasyJet flight back to Gatwick.

The upside was that I had a chance to see a bit of Germany, and I can report that the autobahns were full of trucks and that service stations late at night were completely chaotic as drivers from everywhere ran out of hours and had to stop. If this is a measure of economic growth, then the heart of the EU is beating fast. It also struck me that if a few drug reps could overwhelm Frankfurt's infrastructure, then transferring the City of London there because of Brexit would be a step too far.

Investors should remember that the value of investments, and the income from them, can go down as well as up. Investors may not recover what they invest. Past performance is no guarantee of future results.

Any mention of a specific security should not be interpreted as a solicitation to buy or sell a specific security.

How important is it to think about Inheritance Tax Planning when you make the move to France?

by Rosemary Sheppard, International Financial Adviser

Moving to and living in France is a wonderful adventure, but it is often overshadowed by the huge amount of bureaucracy and paperwork that you have to wade through, much of which can be very confusing and have several options available to you.

This can often mean that we neglect one of the most important things that we should plan for, even before making the move – Inheritance Tax (IHT) planning! A horrible and boring thought, I know, but if you don't put the right plans in place you and your heirs could face a nasty shock and a potential tax bill of 60%. Put simply, would you be happy that from a £10,000 inheritance the French taxman would take £6,000 of that, leaving only £4,000 to the person you intended to receive it?

Well, there is a perfectly good solution for this in France – Assurance Vie. Similar in make-up to a UK Equity ISA an Assurance Vie allows you to save your money in a tax efficient 'wrapper'.

What are the principles of an Assurance Vie and how can it help you with your tax planning?

- Your investment is allowed to grow tax free.
- Should you wish to withdraw funds only the part of the withdrawal that is subject to a 'gain' will be subject to tax and social charges, as the majority of your withdrawal is classed as return of capital.
- For higher rate taxpayers you can choose to be taxed at the lower rates attributed through the Assurance Vie regime (12.8% tax in years 1 – 8, plus 17.2% social charges. After year 8 if your net premiums are below €150,000 then you can benefit from a reduced rate of tax at 7.5%) or your nominal rate, so if you are a nil rate taxpayer than you will have no tax to pay.
- After your 8th year there is a tax-free withdrawal allowance of €4,600 per annum (€9,200 for a joint policy), after which additional withdrawals are taxed as above.
- You can nominate anyone to be a beneficiary of your Assurance Vie and unlike other aspects of inheritance they are entitled to receive the equivalent of €152,500 tax-free, with anything over this taxed at a rate of 20%. This means that anyone who is not a blood relative or spouse (step-children, non married partners or friends) will not be subject to the usual 60% Inheritance tax. (Different amounts apply if initial investment is made when you are over the age of 70).
- Savings can be kept in Sterling, or be made in Euro or US dollars and can be ported back to the UK should you return in the future.
- You can have a choice of investment options to suit your specific requirements and level of risk, which can be altered if or when your needs change.
- Assurance Vie policies are now exempt from Wealth Tax

However, this is only one aspect of your IHT planning and it is extremely important to take full advice from the outset when purchasing property and/or establishing a new life in France, especially if your heirs are not necessarily blood-relatives. If you don't plan ahead from the outset there may be little that you can do to rectify this in the future.

More good news coming up for Inheritance Tax in Andalucia

by Lucia Melgarejo, International Financial Adviser

Last Wednesday the 20th of September 2017 the Government of Andalucia has got to an agreement of increasing Inheritance Tax Allowances for Andalucia with effect on the 1st of January 2018. This is the biggest tax reform made in Andalucia in the past 35 years whereby 95% of the inheritances will be tax exempt.

Most expats coming to Andalucia to live their dream of retiring under the sunshine have the dilemma of buying a property in first place or rent as per the rates of Inheritance Tax. Another big decision at the very beginning which will be affected by inheritance tax is whether to live full time in Andalucia or just try to expend less than 183 days (including temporary absences) in Andalucia not to become Spanish tax residents automatically.

When the beneficiary is "resident" in Andalucia, there is a personal responsibility on world-wide assets whereas a "non-resident" has a real responsibility and therefore the tax will be calculated on assets allocated or rights that can be exercised in Spain.

Andalucia has been one of the worse places to die within Spain for a very long time. Statistics show it very well, over 15% of the inheritances processed in 2016 ended up being disclaimed by their rightful beneficiaries.

Who will be exempt from IHT in Andalucia?

From next January, somebody who inherits less than one million euros will not be liable for Inheritance Tax in Andalucia as when the beneficiary belongs to either Group I or II. This is, the relationship between beneficiary and the deceased person was either spouse, children, grandchildren or ancestors.

Bear in mind the one million euros is per beneficiary, not per inheritance.

A very normal situation, is a couple living together for the past 20 years and not married. In this case, the surviving "spouse" will be allocated into Group IV (other family member and all third parties) and therefore cannot access the one million allowance and will be liable for full payment on inheritance tax. In order to be in Group II (children over 21, spouse and ancestors) couple has to be legally registered.

Not always is a bad idea to get married when it goes down to save money in the future.

Do we need to continue taking into consideration pre-existing beneficiary´s wealth?

Yes, we do. In order to get the exemption from the IHT payment, the beneficiary has to have a total pre-existing wealth of under one million euros. Nowadays and until the 31st of December 2017, this figure is 402.678,11 euros.

A simple example will be a father who passes away and leaves two-million euros inheritance to his two children, neither of them has to pay any IHT in Andalucia as long as each individual wealth does not exceed one million euros. Another example could be, a mother who passes away and leaves 1.000.001 euros to her sole child, the calculation for IHT in Andalucia will be only based on 1 euro.

Who will keep on paying IHT in Andalucia?

Any beneficiary that fell into Group III and IV, brothers, nephews, uncles, cousins, other family members and all third parties will carry on paying the same inheritance tax in Andalucia as it has been up until now. Allowance of 7.993,46 euros will continue for beneficiaries of Group III. Another allowance of 95% has been introduced for brothers over 65 years-old who inherit main residency.

Will Gift Tax be affected?

Andalucia has introduced a 99% Gift Tax exemption only when parents give money to their children or descendants under the age of 35 for buying their main residency in Andalucia. This allowance will be considered as well when children or descendants have a disability of more than 33%.

Also will be considered a one million allowance when the gift is used to create a new company or to enlarge it, but only if the gift is between parents and children. There are certain conditions on this as well: the gift has to get registered in a Notary through a deed and the company has to continue the activity for over 5 years after the gift unless the person who has gifted pass away during this period.

Finally, the cliché Andalucia has had for the past 35 years of being the most expensive place where to die in Spain, is going to be removed in few weeks' time. For expatriates, the dilemma of becoming full time residents in Andalucia or not will disappear in most cases. Always make sure you talk to the experts to have the last update.

The content of this article is intended as information only and is not designed to offer solutions or advice.

BFMI accept no responsibility whatsoever for losses incurred by acting on the contents of this article and strongly recommend professional financial and tax advice is sought before any actions are taken.

BFMI are not tax experts and would always recommend that professional tax advice is sought.

Expats Retirement Planning

No-one can See into the Future

by Ally Kerr, Group Director

What should you do if you are an expat and are considering a retirement transfer? Mindful of Brexit's impending reality, do you make an expat retirement transfer as soon as possible or, fearful of restricting yourself and missing out on any possible opportunity, do you hang on to see what the future holds and wait until after March 31 2019.

There could be risk in waiting, of course, and it is considerable risk. By hesitating now you risk losing the opportunity to take advantage of all the EU expat retirement transfer benefits currently offered to those who choose Self-Invested Personal Pensions (SIPPs) or Qualifying Recognised Overseas Pensions (QROPS) right now.

This is not to say that these advantages will instantly disappear come spring 2019, but the reality is that Brexit is turning out to be drawn-out process with little current certainty and that it will take some time for any agreed changes to take effect.

Yes, in all probability the pension pot billions that have already been transferred into various pension schemes by more than 120,000 expats since 2006 will probably be safe, but for those who have not yet made a decision regarding expat retirement transfers, there will almost certainly be another period of limbo.

The reality is that there is so much to be covered in the Brexit agreement that it will be no surprise if pension transfers are not resolved until sometime after the March deadline, most likely in one of the budgets following the UK's official departure from the EU.

And it is difficult to predict just what the government might decide is the best way to manage expat-retirement transfers post-Brexit. Some experts believe that they will remain in place but with additional charges, others believe that new schemes will arise to meet the altered landscape. Whatever the case, it seems that taking advice and planning now is the only way current expats can ensure they do not become stuck in limbo.

Of course, financial advisers cannot see into the future and anyone who tells you they know what will happen is really just speculating. So what we suggest is that you discuss your wealth management with a financial adviser as soon as possible, so that you have a clearer picture of where you stand right now.

Blacktower financial advisers work across Europe and beyond and have been helping expats manage their retirement planning and investment portfolios for more than 30 years. While none of us has experienced Brexit before, we understand our respective jurisdictions thoroughly and comprehensively, so you can be assured that whether you are an expat planning your retirement in France, Spain, Portugal or in any one of our serviced countries or regions, we will be happy to discuss your plans and support you as you negotiate the next few years.

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What our clients say…

"I can recommend Dave Diggle of Blacktower Financial Management for financial investment advice. As a cautious saver, the various options and plans were explained in full and excellent advice given. The investments we made have grown and we are more than happy with the service provided."

A. H., Benijofar

"Luke Hunt is truly professional in his job, organized, attentive to client's specific requests and result-oriented which are essential for corporate management and for success in business. I enjoyed working with him very much. I strongly recommend him without reservation!"

H. M., The Netherlands

"Paul Rhodes has been my financial adviser since 2009 and has always given expert advice regarding my investments and especially my pensions (I am approaching retirement age). For example, Paul pointed out that one of my UK pensions could be converted to QROPS; he handled the transfer and advised that I could take part of the pension as a lump sum, which proved particularly useful at that time. I particularly value the fact that Paul's advice is independent and not tied to specific company products, so I know I am getting honest recommendations without strings."

R.S., Germany

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