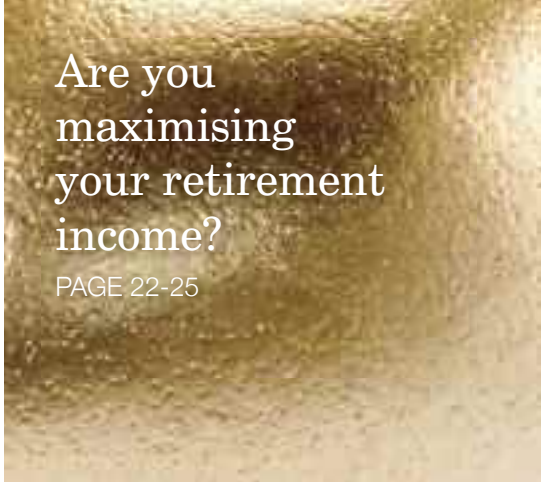
BLACKTOWER magazine

Issue 7 Spring/Summer

In this *issue*



Contents

John C Westwood | Group Managing Director

Editors *note*

Dear Reader

Welcome to the 7th edition of the Blacktower Magazine. Throughout the magazine we have commented on topical issues affecting the world of financial services and of course, events sponsored by Blacktower and the changes that have taken place within the Group as a whole.

As you will see, since the last magazine we have been pretty busy. We have opened our new business in Germany, headed up by Paul Rhodes and continued with our planned expansion of the Portugal office where William Offen is now the country Manager.

We are also pleased to announce that Robert Mancera & Ally Kerr have been promoted to main Board Directors of the International Company. They will maintain their existing responsibilities and take on further duties as Directors.

Ally will also head up our association with Expat4sure in Spain, who are a leading medical and general insurance provider to the expat community. Ally has been working with the Directors of Expat4sure and has successfully instigated our appointment as financial advisers to this Company's Spanish clients throughout Spain.

We have also taken the initial steps towards becoming a financial product provider with the launch of our first branded fund the Nexus Global Solutions Fund. Here we have partnered with leading fund management house Cheviot Asset Management, who are based in London. Together we have launched a SICAV investment structure that can provide to us a range of EU compliant funds which can now be offered to our clients. It is hoped that by being more closely associated with our clients' investments, albeit in an advisory capacity, will assist us further in meeting their goals and expectations.

This fund represents the first of a range of funds we intend to launch.

Finally we all at Blacktower do hope you find this magazine and its contents helpful and informative and do let us have your comments and feedback.

With kind regards
John Westwood

Introducing our new *team* members

The Blacktower group continues their expansion with a new office in Germany and have further strengthened their teams across all European offices.

William Offen

Manager
Portugal

William has been involved with helping people and companies with their business management for over 30 years. During that time he has worked in many countries worldwide including the USA, South Africa and Italy.

His natural evolution to Financial Advice occurred as part of the involvement that was so often a vital part of business consulting and he moved fully into international financial management in 2005, taking up a role as Managing Partner for an international practice in Switzerland.

Having established two offices and some twenty IFA's, William made the move to Portugal in 2012 as part of his continuing life plan to find a country in which he is content to settle.

He was asked to join Blacktower in Portugal in early 2013 as Area Manager. He remains convinced that client service and satisfaction is the paramount objective in any business and that Blacktower offer the best opportunity to achieve that objective.

Paul Rhodes

Manager
Germany

Paul recently joined Blacktower having spent the preceding 5 years in the international financial services industry as a wealth manager. Based in Frankfurt, Germany, he has built a solid reputation and a strong network of clients across Germany and beyond.

Paul advises his clients on the most tax efficient structures to assist in wealth creation and retention, investment principles and estate planning, together with International UK pension transfers and pension consolidation.

Originally from the UK, previous to Germany Paul spent 10 years living in Sydney working with Australasia's largest insurance company, AIG, a member of the Chartered Institute of Securities and Investment. Paul presently lives in Frankfurt with his partner Rebecca

Patrick Macdonald

Independent financial adviser
Costa del Sol

Patrick, a qualified international financial adviser has spent many years working in the financial services industry. He ran his own mortgage and insurance company in the UK before moving to Spain in 2009. He is very customer focused and excels in building long term relationships with his clients by giving them a high level of service and professional advice.

He lives near Mijas on the Costa del Sol with his wife and two young children. In his spare time he likes to write and record music in his studio at home as well as skiing, mountain biking and spending time with his family.

Manuela Robinson

Independent financial adviser
Portugal

Manuela Sardinha Robinson is a Portuguese national, having been born in Mozambique. She came to live in mainland Portugal in 1987 and is married to Nick Robinson; they have one daughter Isabella.

Manuela studied in South Africa and following her degree course in business economics, she worked for international banking institutions and large corporations prior to joining the Blacktower Financial Management team in the Algarve in 2013.

Johanna Burlison

Paraplanner/administrator
UK

Johanna has been working in financial services for over 13 years, starting out in the equity release and annuity market for one of the UK's largest providers of home reversion plans. She then went onto become a mortgage adviser, before deciding that she was more suited to the back office rather than selling.

Johanna also has a good knowledge of both overseas and UK life pensions, and Investments. She also holds several of the CII qualifications as well as CEMAP. She joined Blacktower at the end of March 2013 as a paraplanner/ administrator for the UK & International Companies.

Peter Salkeld

Business development
UK

Peter graduated from Cardiff University June 2009 with a BSC (Hons) degree in business management. He took up employment in the executive search space working for two highly reputable headhunting firms in London, placing commodity specialists across Europe, the USA and Asia.

Peter joined the UK office of Blacktower in December 2012 and is involved in assisting with client care, process streamlining and assisting with practice management and development. He works closely with all advisers and the administration team, improving group practices and new business generation in the post-RDR World.

He is also currently working to achieve his Level 4 qualification in regulated financial planning, having recently passed the first 2 exams.

Katie Williams

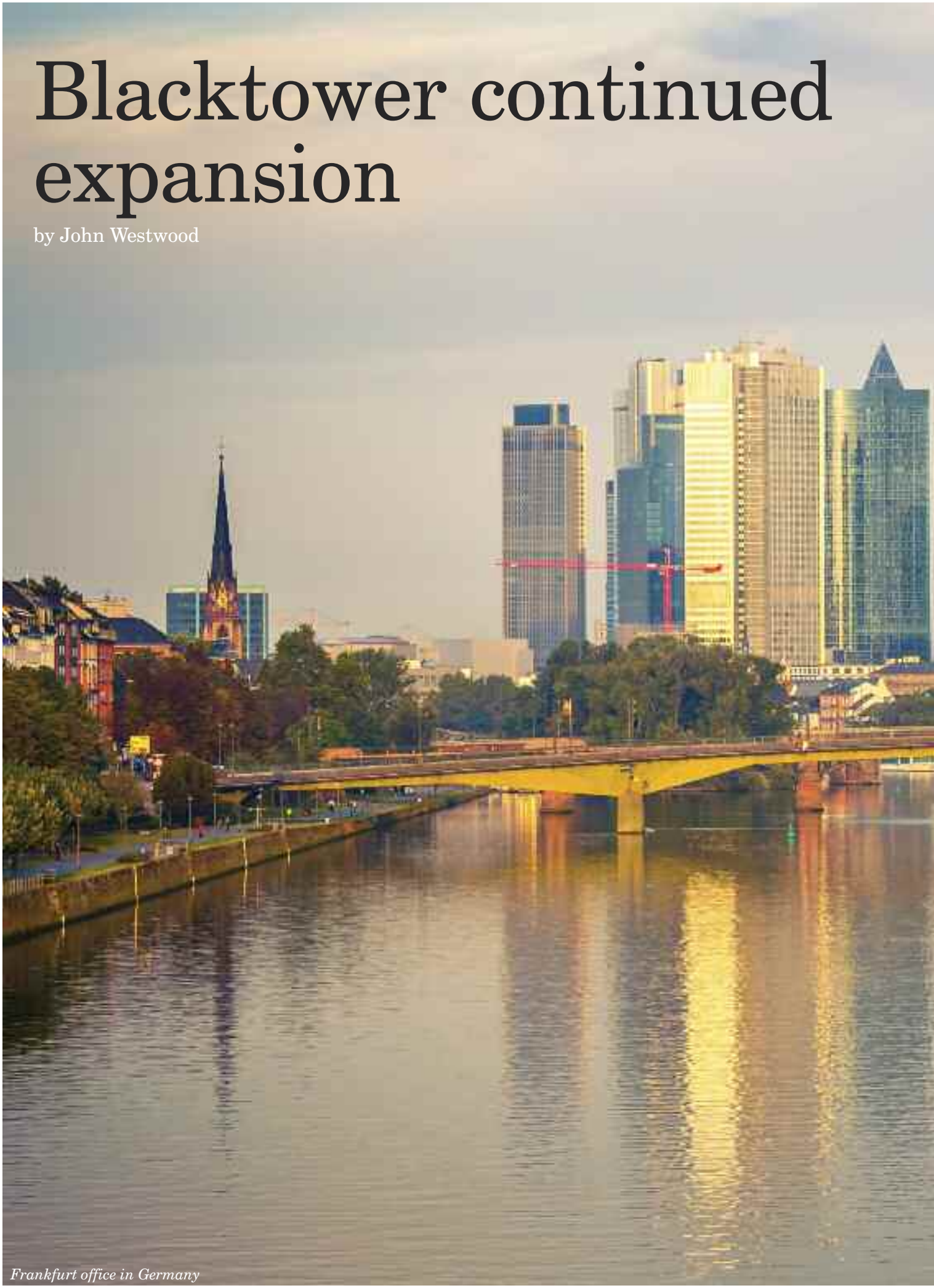
Co-ordinator
Tenerife

Katie was an events and exhibition accounts manager in London and moved to Tenerife 10 years ago. When Kate first arrived in Tenerife she worked for 5 years in the Property Market and then moved on to work for Diamond Resorts International as part of a European Concierge Team.

She then moved on to working for Capecan Business Centre as a Project Manager. This is where she was introduced to Blacktower and subsequently joined them in January of this year. She is currently working as co –coordinator to Laura Mann in the Tenerife office and is enjoying the challenge of furthering her career in financial services.

Blacktower continued expansion

by John Westwood



Frankfurt office in Germany

Frankfurt, Germany

As part of our continued expansion and commitment to serve our clients throughout Europe, Blacktower Financial Management (Intl) Ltd have established a presence in Frankfurt, Germany. The office is headed up by Paul Rhodes, a well established international financial adviser who is familiar and well regarded in the German International market. As Paul commented 'Frankfurt was the obvious centre for operations. 1 in 3 Frankfurt residents are non-German and will really benefit from the sound independent financial advice we offer at Blacktower.'

Frankfurt is home to the European Central Bank, as well as many other international financial Institutions. The new Frankfurt office has been chosen for its central location, ease of access and its close proximity to many of our European business partners'.

Paul is focussing more of his attention on UK clients, wanting to uplift their pension entitlements out of the crumbling UK system. With the latest figures showing the final salary pension deficits ballooning at the rate of over £1 billion a day, many clients wish to secure their futures through UK Government and HMRC initiatives such as QROPS, SIPPS and QNUPS to uplift their current and future entitlements whilst they can. We assist our clients with impartial advice here in Germany'.

Blacktower stroke play league final

April 2013

Lauro Golf was the venue for the final day of the Blacktower Stroke Play league 2012 / 2013, after 6 months of testing the "best of the best" courses on the Costa del Sol, 42 players turned out on a scorching spring morning, first tee off at 8.10am.

Over the past 6 months, we have seen some tremendous scores, sometimes as much as 6 under and today was no different.

The course was challenging but breathtaking, set in the backdrop of the mountains of Alhaurin de la Torre, temperatures reaching 80*c.

The day was won by Steve Moore, a player that had been consistent over the previous 5 matches; in fact Steve had always finished in the top 3. His impeccable round not only gave him the winner's medal for the day but the overall trophy as he was announced the winner of the Blacktower Stroke Play League 2013.

The presentation and awards took place in Da Bruno restaurant, based on the "golden sands" of the Golden Mile, Marbella; all players who took part throughout the tournament were invited and enjoyed a beautiful mix of local and Italian cuisine, once again being washed down with the local "Rioja."

Steve was presented with the coveted Blacktower crystal decanter, a bottle of whiskey and a €300 voucher for the local golf store. After the presentation, the players moved into the Irish Tavern next door for a night full of Guinness and good Irish craic, a wonderful end to a wonderful competition.

See you all again in September!!


Living or Retired Abroad

Javea bowls

23rd - 24th March 2013

by Christina Brady

The weekend of the 23rd and 24th March 2013 saw The Javea Bowling Club championship finals, which was sponsored by the Blacktower Financial Management Group and what a great weekend it was!

The undoubted star was Tony McKenna who featured in four finals, Mixed Rinks, Mixed Triples, Mixed Pairs and Gents Pairs, winning them all. As three of them were with his wife Anne, that must have been a happy household. Also well done to Clive Corbin and Jan and Paul Brown who partnered them in their successes.

Other notable performances were from Dave Gardiner who was in three finals, the Mixed Triples, the Mixed Rinks and the Gents Singles, which is not a bad performance considering he is relatively new to the game, unfortunately he came second in all of them!

Alison Brown & Diane Manser retained the Ladies Pairs title making it three wins in a row and Nick Cole achieved the same feat in the Gents Singles.

There were other notable wins for Derek Eldon in the Mixed Singles and for Jo Morris who defeated Jan Brown 21-18 in the closest final of the weekend. Clive Corbin defeated Jonathan Barr in the Vets Singles and there was victory for Mike Simmonds over wife Sue in the Novices Singles.

The competition was played in great spirit, especially the finals week. The day ended when Blacktower representatives (including Christina Brady from the Costa Blanca office) presented, winners and losers with engraved glassware. Each official was then presented with a bottle of champagne as a thank you for all their hard work.

Players and spectators joined the team from sponsors Blacktower Financial Management in a well presented, delicous buffet.

Nexus Global fund launched

NEXUS GLOBAL

The population of the world is now over 7 billion people. On average, we are healthier and wealthier than our parents, our grandparents and are living a lot longer. In addition, the economic centre of gravity is shifting from mid-Atlantic to mid-Pacific. These are fundamental changes, which present challenges in all aspects of life, including investment.

Why do we invest? An unscientific poll, based on my experiences over 30 years, indicates that financial security is right at the top of the agenda. We are all influenced by the past and for investors, the post credit crunch years have been uncomfortable.

For many investors the focus has been on capital security, with issues such as income growth and inflation protection secondary.

However, there is now a growing realisation that to maintain the real value of savings after inflation, it is necessary to look beyond cash deposits.

Following extensive discussions with the Blacktower Group, the Nexus Global Solutions Fund has been created specifically to meet the needs of Blacktower clients. The Fund is invested in highly liquid securities, with the twin objectives of capital growth and wealth preservation.

To meet these objectives, a combination of active management and diversification is required.

It is important to search for value in all asset classes, as there is no single obvious winner.

Similarly, economic success is not restricted to one region. Emerging economies continue to emerge. There is plenty to like about the US and despite continuing concern about the Eurozone, Europe. Even Japan, after 20 years of decline, is trying to change. Governments and central banks all seem to have the same agenda, which is to stimulate economic growth and create employment. Low interest rates are likely to be with us for some time to come.

Nexus Global Solutions is a diversified portfolio investing primarily in fixed interest stocks and equities, but also alternatives such as commodities and infrastructure. At this stage of the economic cycle equities predominate, providing opportunities for growth. Most importantly, we

have built in the flexibility to take avoiding action during times of uncertainty. This is not the time to rely on tracking an index, as the gap between winners and losers is likely to be significant.

Nexus Global Solutions fund has been created exclusively for international clients of the Blacktower Group, where there is a clear need for a combination of growth and capital protection. Strategically, the Fund is positioned to take advantage of the opportunities presented by global financial markets and minimise the impact of inflation, which although low at present, continues to erode the value of savings. On a more tactical basis, many asset classes are still undervalued post the credit crunch and uninvested cash reserves remain high. This is an attractive background for investment.

Written by
David Miller
Cheviot Asset Management

UK inheritance tax planning - discounted gift schemes

Every year, the UK Government introduces new anti-avoidance legislation making it harder to mitigate UK taxes. Whilst tax mitigation is perfectly legal, it isn't something which is wholeheartedly embraced by Her Majesty's Revenue and Customs (HMRC) and woe betide anyone who intends to deprive George Osborne of another 'ivory back-scratcher'.

Joking aside, the difficulty of course with ever changing legislation is that it makes planning for the future a difficult thing to do and for this reason, many advisers and clients are reluctant to get involved in anything remotely 'racy', preferring instead to stick to tried and tested methods of mitigating tax liabilities.

One such method when considering UK Inheritance Tax Planning (IHT) is the Discounted Gift Scheme. This planning opportunity has been around for many years, HMRC know all about them, have specific web pages on the planning opportunity and even produce guidance notes which clarify how a scheme must work in order for them to accept any IHT saving being suggested. There have also been many test cases through the courts over the years reinforcing the principals/features that the planning must adhere to, in order for it to be successful.

So, whilst no tax planning is guaranteed to ever work 'ad infinitum', I think it's fair to say that HMRC are pretty comfortable with Discounted Gift Schemes at this point in time.

Now, many of you may not currently be UK resident and will quite rightly be wondering how this type of planning is of relevance. If you are UK resident for tax purposes, you are liable for UK Income and Capital Gains Taxes. If you are not UK resident, then you are generally only liable to UK Income Tax on any UK source income. However, if you are UK domiciled you are liable to UK IHT on your worldwide assets where those assets exceed £325,000 (referred to as the Nil Rate Band) at 40%. As such, whilst it can be relatively straightforward to be non-UK resident, it's far more difficult to become non-UK domiciled, especially if you plan to live in the UK at some point and/or were born in the UK and maintain significant ties to it.

So what do Discounted Gift Schemes do?

They can:

- Provide an immediate IHT saving on the value of an amount transferred should the transferor die within 7 years of making a gift into trust.
- Exempt the entire value of a gift from IHT where the transferor survives for 7 years or more.
- Provide an income for life or until such time as the trust fund is exhausted.

So how do they work?

They are usually used in conjunction with an Insurance Bond which is then assigned to a suitable trust.

Prior to the establishment of the bond/ trust, the bond applicant (and Settlor of the trust) is underwritten by the product provider to determine whether or not they would be insurable (HMRC's principal requirement).

Once insurability has been determined, an actuarial calculation is performed which takes into account the applicant's life expectancy and their income requirements to arrive at a present day value for the amount of payments the Settlor of the trust is likely to receive during their lifetime.

These payments are usually referred to as the 'Settlors Rights' and when deducted from the amount transferred result in the initial gift being 'discounted' hence the name.

Why is Underwriting required?

HMRC make it absolutely clear that for any discount to stand a chance of being accepted, the applicant must be deemed to be insurable under a whole of life assurance contract at the time the trust was created. Now HMRC are not saying that a person has to actually apply for insurance to cover their life, only that their state of health is such that obtaining cover would have been possible. The rationale behind this requirement is that for the income stream to have any value, it must be capable of being sold in the open market and any prospective purchaser would only buy the income stream if they could insure the life on which it is being paid.

Example

John is aged 65, his home is worth £400,000 and he has a liquid estate of £500,000. John is looking to minimise the value of his estate which will be assessable to IHT upon his death. He arranges to meet his financial adviser to look at his current position and discuss the options available to him.

Current IHT Position

Home
£400,000
Liquid Assets
£500,000
Less current Nil Rate Band
(£325,000)
Net Estate Value of
£575,000 X 40% = IHT liability of £230,000

The thought of his estate paying this amount of UK IHT nearly sends John to meet the grim reaper there and then. However, his adviser suggests that he replaces his liquid assets with a Discounted Gift Scheme.

John has requested annual payments of £25,000 to supplement his pension income. He is underwritten, found to be in good health and deemed insurable by the product provider. After taking into account various factors, the product provider estimates that the value of John's £500,000 gift to the trust could be reduced to £244,903 if he were to die within 7 years, whilst at the same time providing him with an annual income of £25,000.

Potential IHT Position with Discounted Gift Scheme

Home
£400,000
Discounted Gift Trust
£244,903
Less current Nil Rate Band
(£325,000)
Net Estate Value of
£319,903 X 40%
= IHT liability of £127,961

Using a Discounted Gift Scheme could save his estate over £102,000 if he were to die in the next 7 years. However, providing he survived the full 7 years, the entire amount placed in the trust would be exempt whilst at the same time providing an ongoing income.

Discounted Gift Scheme Key points

- This planning can be particularly successful for those who want to make IHT effective gifts but require an income
- Income payments must be spent otherwise all you are doing is increasing the value of your estate
- On death within 7 years, the value of the failed transfer is the discounted amount not the original value.
- Quality underwriting is paramount to the success of the planning

Written by
Neil Chadwick
Royal London 360

ROYAL LONDON 360

FSA retail distribution review *update*

The first of January this year marked the start of a new era in financial services, advice and on-going service to UK clients. Blacktower Financial Management UK were well prepared having been working towards the required outcome over recent years.

This explanation is one, which is commonly accepted: The Retail Distribution Review (RDR) seeks to address fundamental challenges identified in the distribution of retail investment products and to establish 'a resilient, effective and attractive retail investment market that consumers can have confidence in and trust…' (FSA Website 2011). The RDR aims to ensure that:

- Consumers are offered a transparent and fair charging system for the advice they receive
- Consumers are clear about the service they receive; and
- Consumers receive advice from highly respected professionals.

To achieve this the FSA published a set of requirements that require:

- Advisory firms to explicitly disclose and separately charge clients for their services
- Advisory firms to clearly describe their services as either independent or restricted; and
- Individual advisers to adhere to consistent professional standards, including a code of ethics.

These changes came into effect on 31 December 2012 and apply to all advisers in the retail investment market, regardless of the type of firm they work for.

What does this mean?

The aims of the RDR were very simple. Professional Educational Standards: All Advisers are required to meet more stringent criteria in professional educational standards. This meant attaining a minimum standard of what is known as "Level 4".

BFM has one adviser, who is 'Chartered' and is level 6, two advisers who are level 4. Paula Smith is able to continue to give advice, although level 3 whilst working to level 4, which she must do within a further 15 months, owing to her attaining level 3 within the last 15 months. We also have a trainee IFA.

How does this affect Clients?

- Clients are now broadly in two camps, those who receive on-going advice and regular service, and transactional, who come for advice on a less frequent basis and who do not benefit from on-going advice or regular reviews and service.
- Those Clients who benefit from on-going advice and regular service are further subdivided, dependent upon needs / requirements.

A large proportion of BFM clients have enjoyed on-going advice or regular reviews and service for many years.This demonstrates our on-going commitment to your our valued clients.

Payment for our advice and service

We used to be remunerated largely by commission, with fund based fees generally paying for on-going advice and regular reviews and regular service. Previously we might charge fees only rarely.

Since 1st January, new commissions no longer exist for investment business (although they still exist for non-investment business, to slightly confuse the issue), so we will normally charge a fee for our initial advice, and a further fee

for implementation of that advice. These two are often combined as one charge. There are further (annual or monthly) fees, obviously for on-going advice, review and service.

All such fees may be paid directly by you, our clients, or as is still the most preferred by the product provider. In some circumstances we may charge an annual top up fee, usually paid direct to us.

These fees are all specific, so the client understands what they are paying for and why.

What does on-going advice review and service entail?

Provision of a financial plan, a track on which to run, assessments of the likelihood of you achieving or meeting your goals, or the consequences of not. Peace of mind, comfort. Have you made enough provision, do you need to make more provision? We guide you through the maze and provide support and encouragement throughout – this is all part of holistic financial advice.

Have you noticed that at no time did I mention products or plans or investment performance? That is because these may, but not necessarily, form part of the solution.

It is regular advice you need, not just another product.

Clients who buy in to this philosophy will benefit.

Written by
Ritchie Salkeld
Blacktower Financial Management

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The cloud of Cyprus

With the financial news over the last few weeks or so concentrating in most part on the Cyprus 'problem' it's no wonder that my mail box is full of questions about banking security.

Most of us, rightly so, are concerned about the precedent being set by the deal for the Cyprus bail out. We must all re-think, or at least pay greater attention to, the amounts of cash we trust to a bank for safe keeping - something which many of us have used as a 'fail safe' during recent times.

With the chairman of the Eurozone admitting that the Cyprus 'deal' would be a template for future bail out arrangements, it is clear that all previous rules about bank guarantees should be ignored. You may be surprised then if I say that in my opinion nothing changes!

Standard rules apply

This is because my personal rules about money have always followed a strict plan that considers both its place in the overall financial plan and its performance opportunities.

Money is, after all, simply an asset class, which means that it must be compared with other assets in a portfolio for its rightful place. Many people don't consider money in a bank as part of their investment portfolio when in reality it is a large part, paradoxically more so when it is ignored as such.

There are of course opportunities to be had in trading money – like any other tradable commodity. I am however more concerned here with the financial plan for our long term security and wellbeing, not the ups and downs and risks of daily and short term trading.

Take this example; John P has £100 000 invested in stocks and shares, held on a trading platform and he has bank deposits of £60 000. He considers only that he is investing the £100 000 when in reality his overall holdings are £160 000 but only the £100 000 is actively working. Could his portfolio be better managed? – without doubt!

Bank accounts have a place in our plans

In my opinion, a bank should only be used to hold liquidity requirements, that is to say, cash that is needed for day to day use and payments of bills etc. Cash in a bank will most likely perform lower than inflation so must be controlled if we are to avoid loss of performance. Holdings should not be more than is required for a maximum term of say 6 months, i.e. an amount that would ensure all outgoings are covered for 6 months in the event of a break in income. The remainder should be actively invested – following the guidelines of medium and long term requirements.

Most client appraisals I undertake uncover a complete lack of planning for cash at bank /active investment separation and therefore illustrate an underperforming portfolio, with the resulting lower returns.

Following these guidelines means that we should only hold capital amounts in banks that by default should avoid the danger of a Cyprus style attack and therefore minimise the risk of loss, produce higher returns from the overall portfolio and give improved peace of mind – all vital elements of any financial plan.

Written by
William Offen
Blacktower Financial Management

BLACKTOWER
FINANCIAL MANAGEMENT GROUP

The business of *America*

The US economy makes up nearly 25% of global GDP and so what happens in America matters to all of us.

America is benefitting from two very important long-term trends – energy independence through shale gas exploitation and demographic change. America is getting younger. Europe, by contrast, continues to age. In the immediate future, the tide is also moving in the right direction for the US; manufacturers such as Apple and GE are moving production back home and the benefits of taking the credit crunch on the chin are starting to come through.

We have been living with the aftershocks of the credit crisis for five years.

Recently there is evidence that investors are becoming more positive about the future. Traditional safe havens are being left behind, despite problems such as Cyprus, as cash is being put to work. When markets rise on mixed news, it is important to pay attention.

Those of us based in Europe are finding it harder to be optimistic, perhaps influenced by the lack of a coherent plan to generate economic growth and employment. Elsewhere, the signs are much more encouraging. The new Japanese Government is trying to reverse 20 years of economic decline and emerging economies continue to grow.

However, what really matters is the general well-being of approx 315 million Americans with a long track record of enthusiastic consumption. The housing sector is recovering, generating jobs and confidence. The engine of consumption is revving up.

Unlike governments, which sometimes try to avoid reality, companies around the world have used the last five years to put themselves in a much stronger position. Efficiency gains, cost control and the search for global growth opportunities are a priority, together with a strong balance sheet.

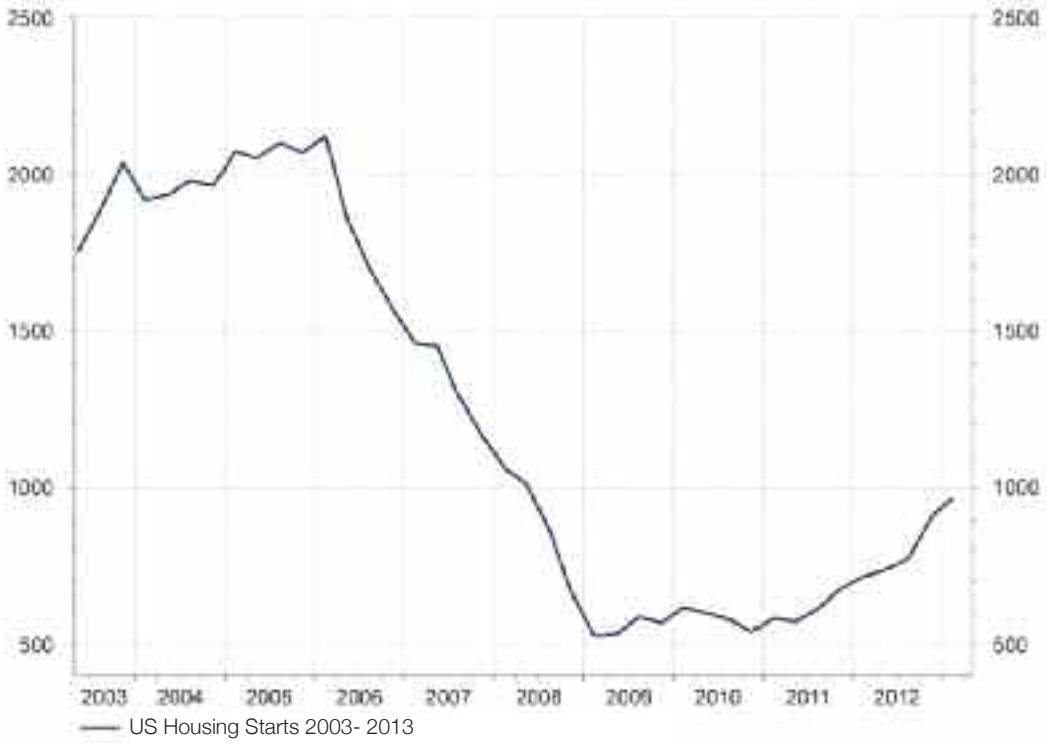
The good news for investors is that the memory of the credit crunch continues to depress share prices, providing many opportunities. Dividends are on a rising trend and are a good source of income. Share buy backs by cash rich companies, alongside an increase in merger and acquisition activity are an added bonus.

There will always be stock-specific risks, but the solution is a combination of diversification

and active management.

With the US acting as a catalyst, the elements are in place for modest, but sustained economic growth. Despite the headlines, Europe remains an economic powerhouse and is well placed to benefit, even though it has been a long wait for dawn. Overall, a good background for investors prepared to look to the future.

Written by
David Miller
Cheviot Asset Management




RETIREMENT

Are you maximising your retirement income?

With life expectancy increasing all the time, we've seen the government commit to phasing in a change to the state pension age (SPA) from the current 65 to 68 – and likely to be increased beyond this in the future.

In a further bid to save money on pension payments, they have linked the compulsory increase to private pensions in payment, to the lower consumer price index (CPI) rather than the retail price index (RPI). Similar changes are happening within the private sector as more and more 'final salary' schemes close or have the scheme rules changed to provide lower benefits to their members, as the cost to the sponsoring employer increases.

Whether you are still accumulating benefits within a retirement plan or at the point of retiring, there has never been a more important time to consider if you are maximising your possible income in retirement.

During the 'accumulation' stage you should consider whether your scheme provides the best benefits for your circumstances. Are the charges too high; are you contributing the right amount for your future income requirements or are you invested in the right fund for your attitude to risk and how close you are to retirement.

These decisions can have a significant impact on the final value of your pension fund, but even if you are too close to your planned retirement to make a significant difference, there are still many different options available that mean you can obtain the most appropriate retirement income for your circumstances, rather than just accepting what you are offered by your pension provider.

When considering how best to secure a long-term income stream, it is important to consider what may happen in the future and how this may impact your income requirements. The future is full of surprises, and most of the clients we speak to share the same concerns going into retirement:

- how long will their pension last (will they run out of money if they live too long)
- what will happen to interest rates
- how will inflation erode the spending power of their income.

Traditional 'annuities' will continue to be the default option for those with below average pension funds (the average pension fund at retirement is around £30,000) because the main priority is a straightforward policy that pays a guaranteed and secure income.

However, conventional annuities may not meet the needs of those with above-average pension funds because they often need to take a longer view of their retirement incomes, and need more flexibility to deal with their more complex financial situations. These individuals often find themselves squeezed by higher taxes, higher bills and lower annuities, especially as those living in more affluent postcodes get lower annuities!

Those with larger pension funds may be able to secure more suitable longer-term income and get the flexibility that they need by considering some of the alternatives to conventional annuities. So, what are the income options available as you look to 'kick-back' a bit and look forward to taking your retirement benefits?

Traditional annuities

An annuity will give you a regular income, usually for the rest of your life, in return for a lump sum payment. This is a simple concept to understand but there are many different types of annuity to consider and once the

decision is made it cannot be changed. Should you choose a level income or one which increases over time? Should it be as a single life with a guaranteed period or one that continues paying an income to your spouse or civil partner if you die?

The type of annuity you choose will affect the level of income you receive. It's essential to shop around as different providers offer different rates and you may qualify for improved terms due to certain lifestyle choices or medical conditions.

Fixed term or temporary annuities

Unlike the traditional annuity purchase, which is a one-off decision for the rest of your life, this option allows you to defer a 'final decision' and purchase an annuity for a fixed term. At the end of the term you will have a guaranteed sum available to purchase another annuity, when your future plans may be a little more certain and it may be possible to take advantage of any new or improved rates/options.

Flexible or investment linked annuities

An investment-linked annuity is similar to a conventional annuity in that it pays an income for life. However, instead of paying a guaranteed income, investment-linked annuities are invested in a wide range of investments, thereby providing the potential for future income growth.

Investment-linked annuities have many of the same characteristics as conventional annuities in that they can be single or joint life, have a guaranteed payment period and have a choice of payment options. Also, those in poor health may qualify for an enhanced investment-linked annuity.

Income from an investment-linked annuity will increase or decrease at regular intervals depending on investment returns and most investment-linked annuities have a guaranteed minimum income level, below which the annuity payments will not fall.

Investment-linked annuities provide the potential for future income growth which will help offset the effects of inflation. Also, if interest rates were to increase in the future, some investment-linked annuities have an option to invest in a guaranteed annuity on the open market.

There are, of course, some disadvantages to investment-linked annuities, in particular, the risk that future income can fall in value if investment returns are lower than expected.

Income drawdown plans

This type of plan allows you to defer the 'annuity decision' until later but gives the opportunity to take the available tax free lump sum, now known as Pension Commencement Lump Sum (PCLS) and leave the rest of the pension pot invested for potential additional growth.

You can also increase and decrease your income within set limits to suit your needs and the benefits on death can be greater.

However, despite the above benefits, these plans involve greater risks and costs than annuities and the long term level of income is not guaranteed.

There are two types drawdown: 'capped' and 'flexible'.

Capped drawdown -Is available to everybody who has a registered pension plan and the rules specify

how much income can be taken, where the funds can be invested and what happens on death.

The maximum income that can be paid from a capped drawdown is determined by tables produced by the Government Actuaries Department (GAD) and is roughly equal to a 120% of a single life annuity, but there is no minimum income requirement.

One of the main attractions of drawdown is that when the policyholder dies, there is a choice of death benefits: having access to 100% of the benefits if taken as an income or if the ability to take the remaining fund value as a lump sum payment, less a 55% tax charge.

Flexible drawdown

Flexible drawdown is similar to capped, but those who can show they have more than £20,000 per annum of secured pension income will not be subject the maximum income rules and will be allowed to take unlimited amounts of income from their pension funds.

There are many advantages and disadvantages to all the above arrangements and you should speak to a qualified financial adviser to ascertain which would be the most suitable for your particular circumstances, to help maximise your income when it most matters.

Written by
Andrew Hammond
Blacktower Financial Management

BLACKTOWER
FINANCIAL MANAGEMENT GROUP

190 mm (Large nest egg)

Thinking about *moving abroad?*

Alternative investment fund management directive - Coming this summer

A key part of the duty of care required by financial advisers is to ensure that funds being recommended to investors are robust and well managed. In recent years UCITS (undertakings for collective investment in transferable securities) compliant funds have always been looked at in a more favourable light than alternative investment funds (AIFs), which for a variety of reasons are established outside the EU.

Many of these AIFs are as well constructed, and as well run as any UCIT (Undertakings for Collective Investment in Transferable Securities) compliant funds but have chosen to be domiciled elsewhere - often to benefit from reduced operating costs which can have significant benefits for the investor.

In July 2013 the Alternative Investment Fund Directive (AIFMD) will be implemented across the European economic area (EEA). Initially intended to regulate Hedge Funds the practical implications of the directive have grown to include a wide variety of investment products beyond hedge funds including: funds of hedge funds, private equity funds, listed closed-end funds, infrastructure funds, commodity funds, real estate funds, long-only funds which are not UCITS funds and non-UCITS retail funds. All will from July this year come under the scrutiny of the AIFMD. Essentially, if it wasn't covered by UCITS 4, it will be covered by AIFMD.

The AIFMD goes a long way to closing the regulatory gap between UCIT (Undertakings for Collective Investment in Transferable Securities) funds and AIFs and to putting well run,

and prudently managed AIFs on the same playing field as UCITS funds, providing investors with similar protection and peace of mind.

So the lengthy regulations that will shortly be applied to investment funds operating in Europe mean retail investors will feel (and will be) safer investing in AIFMD compliant products – clearly a good thing, but it does mean that the financial adviser now has to consider a new factor when assessing and recommending funds.

In the first instance, retail funds will have to meet the stringent requirements demanded of them by the directive. The chief implication of this is increased cost: conforming to the directive will be an expensive project for AIF managers.

As usually happens with new regulatory cost burden, the likelihood is that this cost will be transferred on to the investor in the form of higher initial charges and/or higher Annual Management Charges (AMC). Of course, higher fees are not necessarily a bad thing (after all cheap does not always equate to better value), but for financial advisers this will mean more work as they seek to find suitable and appropriate products for their clients which are cost effective.

In the second instance, not all AIFs will choose to comply with the AIFMD. They either won't have the time, or the resources or the compunction to do so. In these circumstances advisers will need to be aware of where and why this happens, and then consider the suitability of retaining the investment allocation in current portfolios.

Within this environment, ATSG Funds who exclusively offer the Curzon Traded Options Fund, along with their London partners Curzon Capital, took great care in ensuring the Fund was constructed so as not to require any changes under the AIFMD regulations. When the regulations come into force in July this year the Curzon Fund is well positioned to compete in Europe with its UCITS counterparts and will have no need to change how it is operated or increase the already very low AMC and fund charges.

Post-AIFMD there will be a general reassessment and repositioning of client wealth. The regulations will mean that, as International Adviser Magazine wrote recently: "there will be greater assurance about the strength of risk management capabilities of the fund's manager; there will be greater clarity and accountability in the case of something going wrong; and finally tougher capital requirements. All of this means only the strongest managers will survive."

So finally a level playing field for investors who can expect greater protection when investing in alternative funds, and access to a wider variety of asset classes and opportunities. Curzon's emphasis on liquidity and robust management with the Traded Options Fund has always focused on the well being of the investor and it seems that across the EEA at least that the "strongest managers" are being recognised.

Written by
John Ferguson
ATSG

Help to buy equity loan

As announced in the Chancellor's last budget, the Government wants both current and future generations to be able to have the opportunity and reap the benefits of owning their own home, in the same way their parents and grandparents were able to.

As I am sure you are aware, since the financial crisis, larger deposit requirements and falling equity values mean many credit-worthy households either find it very difficult or cannot get a mortgage, or indeed can be trapped in their existing homes unable to take the next step.

The new Help to Buy scheme introduced by the Government will now support these households, through a package of measures aimed at increasing the supply of low-deposit mortgages for credit-worthy households, increasing the supply of new housing and contributing to economic growth.

This exciting initiative shows that the Government is serious about doing everything it can to support families and individuals buy their own properties and support the biggest expansion of the supply of housing this country has seen in a generation.

The Main Details

The Help to Buy scheme makes new build homes available to purchasers who are unable to purchase a home at an affordable rate without assistance, for example if they don't have enough capital to use for the deposit. Applicants must be able to prove that they can afford the mortgage repayments.

The maximum property price is £600,000 and will be offered through the new-build house builders and developers who have registered for the scheme. The scheme will be available to eligible purchasers from April 2013 to the end of March 2016 (while funding permits).

New home purchasers will be able to access an equity loan of up to 20% (minimum 10%) of the purchase price, up to a maximum purchase price of £600,000. The equity loan will be funded by the HCA (Homes & Communities Agency).

The purchasers will need to arrange funding (i.e. a mortgage plus any deposit if available) of at least 80% of the purchase price. As with normal mortgages, the home buyer's mortgage loan will be secured as a first charge on the property and will rank ahead of the HCA's equity loan charge.

The equity loan term is for 25 years, subject to earlier repayment on any sale of the property. Voluntary repayment may also be made at any time. If the property is sold or the main mortgage repaid before the 25 years (without immediately refinancing) the equity loan is to be repaid (subject to terms and conditions). The owners can also redeem the equity loans at any time in full or in part, earlier. The minimum amount for equity loan redemption will be 5%. There will be no fee on the HCA equity loan for the first five years. From year (6) there will be an annual fee of 1.75%, payable in monthly instalments.

Help to Buy Homes must have an NHBC or equivalent guarantee and meet building and other applicable regulations.

Buy to Let UK growth

The last year or so has again been a good one for the buy-to-let sector, with most existing landlords expecting the trend to continue in 2013.

Not only have the problems faced by first-time buyers helped to fuel demand, but there also continues to be a lack of available housing. For example, the Joseph Rowntree Foundation set out that 750,000 new homes are required by 2015 to meet demand; a figure that they feel will be missed by a long way. (Source: Sept 2012 press release).

More Landlords

So its not surprising that 41% of existing landlords believe tenant demand will rise in 2013, with just 6% feeling that it will go the other way*, which is good news for the new landlords that are likely to be entering this sector: (Source: *Paragon, Q4 2012 survey)

How can we help

If you need to raise funds for your buy-to-let purchase(s), then do talk to us. Additionally, we can assist with your insurance requirements too. This area can be quite complicated as some policies may be fairly selective about the type of tenant it covers, or have different terms when the property is vacant.

Furthermore, there are more specialised policies such as "rent guarantee insurance", which could be combined with legal expenses cover, should there be a dispute with a tenant.

There is no guarantee that it will be possible to arrange continuous letting of the property nor that the rental income will be sufficient to meet the costs of the mortgage.

The value of your Buy-to-Let property and income from it can go down as well as up.

You may also require advice on the legal and tax issues. The Financial Conduct Authority does not regulate legal and taxation advice and most Buy-to-Let mortgages.

As with all insurance policies, terms, conditions and exclusions will apply.

Your property may be repossessed if you do not keep up repayments on your mortgage.

Written by
Paula Smith
Blacktower Financial Management

BLACKTOWER
FINANCIAL MANAGEMENT GROUP

Understand your fiscal position

Make a Spanish Will

If you live in Spain for more than 183 days per year – in total not consecutively, then you should become a fiscal i.e. tax / official resident and file return with the Spanish tax authorities.

Over the last few weeks, I have had many clients who have wanted to register for the new assets declaration requirement in Spain, (locally known as Form / Modelo 720. This is a new law in Spain which decrees all Spanish residents must declare all assets held outside of Spain if the total value of each asset class is above 50.000 Euros) to discover they are not actually resident in Spain so therefore don't have to disclose their assets. Great News…you might think, but no it is not.

By not being a Spanish resident and by resident I mean fiscally resident they are totally exposed when it comes to inheritance tax and may be missing out on a range of potential tax breaks that are only applicable to fiscal residents.

In one instance a couple in Malaga believed they were fully resident, they both had residencia cards and both were registered 'empadronado' on their local pardon. They had stopped paying the non-resident tax applicable on their the property - the non resident owners imputed income tax (paid through tax form 210). By luck they discovered they were not properly resident, exposed not only to severe inheritance tax implications but also owed 4 years back tax on their property despite it being their main dwelling. They did in fact owe 6 years but were able to take advantage of 4 years statute of limitations for this tax – a small compensation in the grand scale of things. This is not an isolated example - a large number of their friends were under the same misapprehension.

Tax Residency - Residencia is different to Fiscal Residence

Tax residency and domicile can be complicated and worrying. If you get it wrong it can be disastrous with expensive consequences. As demonstrated by example above, even experienced long term residents can sometimes fall foul, especially if they have retired here and have not been forced into 'the system' through employment. Having a residencia card and being officially resident are different.

If you live in Spain for more than 183 days per year – that's in total not consecutively then you should become a fiscal i.e. tax / official resident and file return with the Spanish tax authorities. You should notify HMRC (normally using form P85, check www.hmrc.gov.uk) that you are now resident in Spain – you can still file a tax return in the UK for your UK based income but as a non UK resident. This is a complicated subject because from the point of view of the Hacienda, your Spanish tax return should include your worldwide income. However, you can't be a tax resident in two countries at the same time. There is a double taxation agreement between the UK and Spain so you don't have to pay tax twice, but all your income is taxable, including personal and state pension, investments, interest payments and any other sources of income.

There is an exception to this. If you have a UK civil service pension this will continue to have tax deducted at source in the UK. These types of pensions are completely tax free in Spain. It is vital to seek specialist advice on how and where to complete your tax return to make sure you are capitalizing on the opportunities of being an ex-pat & maximising the tax advantages available.

Spanish Income Tax residents are subject to Spanish Personal Income Tax (IRPF), being a tax resident in Spain does not mean you will have to pay tax, you could be paying less tax in Spain than in your home country. A threshold system, with personal allowances, operates much like it does in the UK, but you will be eligible for a range of tax benefits not applicable to non-tax residents. Spanish residents are assessed on their worldwide income (earned and unearned), capital gains from all sources and on their worldwide assets. Spain operates a self-assessment regime. A married couple also has the option to file returns jointly or separately.

Another layer of complexity to bear in mind is not only is the tax and legal system very different

from other countries, but there are wide differences in tax rules and thresholds between the 17 individual regions within Spain. There are no centralised single government rules, unless you are non resident in which case you may be subject to the national laws (Ley de Sucesiones y Donaciones) applicable before the autonomous regions each diversified and which are almost always harsher than the regional variations. Many regions have effectively eliminated inheritance tax for residents, not by withdrawing it per se but through a system of exemptions and allowances which result in a zero or near zero liability.

So a major advantage is inheritance tax between spouses, this is also extended to brothers and sisters, depending on age and time spent living together.

Another example is exemption from capital gains tax e.g. if you are over 65, a fiscal resident and sell your main home after you have lived in for 3 years, you will not be liable for an Capital gains tax, or if you are downsizing from a large villa to a smaller apartment there will be capital gains benefits you can take advantage of.

The only way to be sure you are taking advantage of the system to suit you is to investigate thoroughly, plan in advance and take qualified specialist advice. Tax avoidance is totally legal – its tax evasion which is not and with the plethora of new reporting laws, exchange of information, visibility and co-operation between countries, who are all making tax evasion a major focus it is just not worth the increasingly severe penalties and taking a risk.

Another vital consideration also raised by Clients who did not realise its significance and implications is to make a Spanish Will even if you have one in your original country.

It's essential, if you have Spanish assets regardless of where you beneficiaries live, that you have a Spanish will. If you only have a Will in your country of origin the legal process can very expensive and time consuming especially if your beneficiaries are not based in Spain.

If you are a non resident, don't have a Spanish will and wish to leave your estate to a non relative it could prove to be a real minefield and subject to the full force of Spanish inheritance tax. If you die intestate without having made a Will anywhere your Spanish estate will be bound by Spanish law which means it will be divided equally among your children. Spanish nationals are automatically bound by succession laws which mean that they must leave two thirds of their estate to their children (obligatory heirs – herederos forzosos).

Usually Spain will allow foreign nationals a get out clause here as long their own country law allows free disposition.

From this very quick look at 2 main areas of ex pat financial planning you can quickly see the benefits of getting professional and qualified advice. Your situation will be unique to you so personalised advice will not only give you peace of mind but could save you time and money.

Recommendations from friends is always a good place to start, if you don't speak Spanish a bi-lingual adviser is so much easier. Check qualifications and initial consultations should be free. A Gestor, will help to deal with Bureacucy,- general form filling which is extraordinarily cumbersome is Spain, an Asesor Fiscal (fiscal adviser) for tax and labour advice and an Abogado – a lawyer / solicitor.

Written by
Ally Kerr
Blacktower Financial Management

BLACKTOWER
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Simon Conn

Overseas property and finance specialist

Simon Conn has over 30 years experience in the overseas property market and has worked successfully during that period for a number of major financial services companies.

He is especially well known within the overseas mortgage industry, and is a regular media commentator on matters relating to the purchase or refinancing of overseas property.

Simon has developed many connections within the overseas property and finance industry, resulting in a worldwide network of leading specialists to assist with local issues such as legal, insurance and currency exchange.

Simon offers a personal service to provide both a local and international solution. The benefits of working in conjunction with a local company, lender or service provider means that it can often provide a cheaper and more personal facility, resulting in a 'whole of market' solution.

The most popular property hotspots around the world that Simon is currently involved in include parts of Western & Eastern Europe, Australia, Canada, Cape Verde, South Africa, USA & the Caribbean. However, he has been involved in arranging finance in over 50 countries.

When it comes to owning an overseas property, there are many products and services that are required and Simon can – in conjunction with his worldwide network – offer potential solutions in all these areas on a FREE initial consultancy basis.

Simon says: "I find that people sometimes have a tendency to leave the rational part of their brains at home when they are overseas and start considering buying a property! Buying overseas should be no different to buying at home – take the relevant precautions to ensure that you are minimising the risk of making a mistake and generally things should be fine."

Here, are the most common mistakes that people make:

Buying a property that is illegally built

Simon says: "My philosophy is that prevention is better than cure. So, I advise all my clients to ask questions about where a property is built. If a property has been built on an area that should have been set aside for example for green belt or agricultural land, then the chances are there is a risk. Take advice from an independent, English speaking lawyer, preferably one that is not from the same area as the property."

Buying a property with no planning permission

With regards to planning permission, there are sometimes problems with properties that have been constructed with incorrect permits, no permits or permits that have been granted as a result of corruption.

Not checking that the relevant licences are in place

Planning permission is one thing to consider, but equally licences are a common problem. Not having the appropriate licences (such as "Habitation") could have an impact on what utilities you can obtain, as permission to access gas, water and electricity, may not be granted by the local council.

Buying a 'basket case'

One of the other big problems that you might find with buying property overseas and one which you always see on the TV, is poor construction.

Simon says: "Always, always, always obtain an independent valuation (ideally from a professional Surveyor expert in that country), even if it is a new property, as this will highlight any problems – ie: have the foundations gone down far enough."

Not checking contracts

The dreaded paperwork could hide all sorts of issues, however thorough you think you may have been.

Simon says: "When purchasing abroad you may only receive one contract in the local language, in which case, you MUST get a professional translation completed. I know of cases where people have not bothered and only have themselves to blame if something goes wrong!"

For information and guidance, please visit www.simonconn.com

SIMON CONN
OVERSEAS PROPERTY & FINANCE SPECIALIST

What's happening in Gibraltar

Gibraltar's finance centre is to have its two new Business Development Managers supporting James Tipping – the Finance Centre Director. The Senior Executives will assist in the development of the Insurance and Private Client sectors. A further appointment is expected over the coming weeks/months.

The objective of these roles was to have additional resource to help drive further business to the rock and provide a bridge between the Gibraltar Financial Services Commission and industry.

Responsibility for new business development in Insurance falls to Michael Ashton.

Mr Ashton worked in the City of London in the insurance industry for 15 years until 2002, where he held a number of senior management roles including Chief Operating Officer of ACE Global Markets, at the time, the largest insurance syndicate in the Lloyd's Market. Since 2002 he has been involved in early stage businesses including a motor vehicle insurance company headquartered in Gibraltar. Mr Ashton is a qualified chartered accountant. Mr Ashton commenced` work on Monday 14 January 2013.

Paul Astengo joins the Finance Centre Department with the task of promoting growth in the Private Client sector. Paul has over 30 years banking experience gained in various offices of Barclays in Gibraltar, Spain and London and more recently with NatWest Offshore in Gibraltar. He has had a wide variety of roles in both the domestic and international spheres and he has gained extensive experience in executive and high net worth markets. A Gibraltarian by birth he returned to Gibraltar in 2000.

The last appointment will be someone who is expected to drive business into the ever expanding Funds industry in Gibraltar.

The Minister with responsibility for Financial Services, Gilbert Licudi, said that the Government was fulfilling another significant manifesto commitment by the hiring of these individuals. "This is yet another sign of how committed the Government is to the development of and growth in the financial services industry in Gibraltar. I am delighted to welcome Mr Ashton and Mr Astengo as they join the Finance Centre Department's team."

Financial Services Commission – Marcus Killick steps down

The Financial Services Commission has announced that its Chief Executive Officer Marcus Killick has decided to stand down. Mr Killick has led the Gibraltar regulator for ten years and has made an outstanding contribution to the ability of the FSC to meet the ever increasing demands of both the financial sector and international regulatory requirements. Mr Killick, who is one of the longest serving heads of a financial services regulator in the world, announced his decision to the Board at its meeting in March. Mr Killick will remain in post until the appointment of his successor, which the Commission hopes can be completed by September 2013.

Mr Killick commented 'It has been a privilege for me to work with the entire team at the FSC. They are motivated and talented and have all, without exception, joined to work collectively and professionally in becoming the strong team they are. Having served for 10 years I believe the time is now right for a new CEO to drive forward in the medium to long term. I have always said this was my last term, and believe it in the best interests of the Commission for this transition to take place now.

I am grateful to the many Board members for their support and guidance over the years and to the Chairmen I have had the pleasure of working with. I would also like to acknowledge the work of the former and present Chief Ministers in their support of the Commission and particularly in safeguarding its independence.

I am proud of what we have achieved these past 10 years and believe we are well placed for the challenges of the future.

I remain committed to Gibraltar and look forward to now working in the private sector here for many years.' Commenting on the announcement, Alan Whiting, Chairman of the Commission said: 'The Board has reluctantly accepted Marcus's decision to step down. For ten years Marcus has led the Commission with great skill and integrity to establish the FSC as a highly respected financial regulator both in Gibraltar and internationally. He has been a great champion for the Commission and for Gibraltar. We are therefore delighted that he has agreed to remain in post for several months to assist with and ensure a smooth transition to his successor'. Senior Management at Blacktower wish to thank Marcus for all of his support of these years and wish him every success for the future.

Written by
Robert Mancera
Blacktower Financial Management

BLACKTOWER
FINANCIAL MANAGEMENT GROUP

Offices

UK

Rowhurst Wood, Oxshott Road
Oxshott, Surrey, KT22 0EN
England

Tel: + 44 1372 844 344

Ritchie Salkeld
Managing Director

Paula Smith
Group Administration Director

Gibraltar

Suites 34 and 43 Victoria House
26 Main Street, PO Box 1354
Gibraltar

Tel: + 350 200 42353

John Westwood
Group Managing Director

Robert Mancera
General Manager

Algarve

Edificio Mapro, Vale Verde
8135-909 Almancil, Algarve,
Portugal

Tel: + 351 289 355 685

Costa del Sol

Minitienda 15, Centro Comercial
Plaza, Nueva Andalucia, Marbella,
29660, Malaga, Spain

Tel: + 34 952 816 443

Costa Blanca

Box No 850, Ctra Cabo de La Nao
124-126, Javea 03730, Alicante

Tel: + 34 965 058 212

France

27 Etage, Aile A, Bureaux de
Sillon de Bretagne, 8 Avenue
des Thébandières, 44800
Saint Herblain, France

Tel: + 33 253 978 560

Germany

Opernturm, Bockenheimer,
Landstrase 2, Frankfurt 60323,
Frankfurt, Hessen, Germany

Tel: + 49 69 667 748 383

Italy

Regus Business Centre, Via Antonio
Salandra 18, 00187 Rome, Italy

Tel: + 39 06 4227 2245

Tenerife

Capecan Business Centre
(Sarai Suite) Avenida Atlantico,
Edificio Winter Gardens Golf del Sur,
San Miguel de Abona, CP38639
Tenerife

Tel: + 34 922 979 052

BLACKTOWER
FINANCIAL MANAGEMENT GROUP