RT FP

RT FINANCIAL PLANNERS LTD

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Our New Investment Portfolios

We are very pleased to introduce The RTFP Portfolio Service, which we have just launched with our new investment partner, LGT Vestra.

Although some may not have previously heard of LGT Vestra, we have been monitoring their internal range of successful model portfolios for some time and the performance across all their core portfolios is very impressive. Furthermore, we find them highly professional but, at the same time, very flexible, approachable and easy to deal with, all factors crucial when partnering with an investment firm to help look after our clients' money.

After a long period of research, we have decided to combine our own expertise in fund research, developed in-house over many years, with LGT Vestra's investment process, research capability and administration. Because it is a joint venture we have designed portfolios that, while all based on LGT Vestra's core portfolios, have had slight changes introduced to bring our own, more specialist, approach to the LGT Vestra RTFP range of portfolios. These are unique to RTFP clients.

A crucial element in this development of our investment proposition is that LGT Vestra has discretionary investment powers. This means that portfolios will be much more actively managed on a discretionary basis as opposed to an advisory basis. For money in these portfolios it means clients will no longer be required to give their consent every time an investment change in this part of their portfolio is made.

Our own Investment Committee will continue to be actively involved in both the investment strategy and decisions about the jointly-managed portfolios, with the added advantage that we will now have the ability to react far more swiftly to market and economic changes.

We have designed a range of portfolios to suit different risk requirements. These comprise Defensive, Cautious, Moderate, Adventurous and Aggressive and there is also a portfolio designed specifically for income generation.

We have constructed the portfolios to include a mix of passive and actively-managed funds to optimise the potential returns and diversity and kept a careful eye on charges. We have included active management where we feel the portfolios will receive maximum benefit and passive where this may be appropriate. Many of these funds might not be accessible directly without LGT Vestra.

This approach has resulted in the new portfolios having very competitive investment charges. The average total fund costs vary between portfolios and do change but currently they range from 0.59% to 0.85%. LGT Vestra charges a very competitive 0.25% + VAT (0.30% in total) for providing their discretionary management services. This means the total portfolio management charges will only be between 0.89% and 1.15%.

Although the construction will change and this is only a snapshot, to give you some indication, the following is the current composition of the Moderate Portfolio:

- Citi GBP Euro Deposit 1 Month
- Jupiter Strategic Bond
- L&G All Stocks Index Linked Gilt Index Trust
- PIMCO Global Low Duration Real Return
- Invesco Perpetual Monthly Income Plus
- LF Miton UK Smaller Companies
- L&G UK 100 Index Trust
- Schroder Income
- LF Lindsell Train UK Equity
- JPM Europe Dynamic (ex-UK)
- Vanguard US Equity Index
- Schroder US Mid Cap
- Baillie Gifford Japanese
- BlackRock Asia Special Situations
- Jupiter India
- MI Somerset Emerging Markets Dividend Growth
- Fidelity Institutional Emerging Markets
- Fundsmith Equity
- Artemis Global Income
- SLI Global Smaller Companies
- Old Mutual Global Equity
- Troy Trojan

We will stress that this may not be the right approach for everyone's money, and we are only moving those client portfolios where we really believe it is appropriate both for the wrapper(s) held and where one of the model portfolios fits that client's requirements. For example, it may not be practicable to move the money held in some Pensions or Bonds. We might also be constrained with money invested outside ISAs, due to gains tied in that could give rise to a tax liability, which may be best moved on a more gradual basis. We will of course discuss this with you at a review to agree this prior to making any changes.

This change of investment approach will not affect your overall service and we will continue to contact you on a regular basis as we do now, providing you with updates, reviewing your plans and of course inform you of any investment changes to your portfolio and the reasoning behind this.

The State Pension

There have been so many changes to the State Pension we thought an update on this may be helpful. The new State Pension scheme was introduced in April 2016. Men born on or after 6 April 1951 and women born on or after 6 April 1953 now qualify for the new State Pension, not the old one. Anyone who reached SPA before 6 April 2016 falls under the old system – whether or not they have claimed their Pension.

The State Pension is paid into every four weeks in arrears. Tax is never deducted from a State Pension, but the amount paid is aggregated with any other income to establish if there is a tax liability and tax may often be deducted from another pension through a tax coding.

One change in 2016 was the State Pension Age (SPA) increased for people after that date and the ages for claiming depends when your SPA falls as shown below:
Age 66 between December 2018 and October 2020
Age 67 between 2026 and 2028
Age 68 between 2044 and 2046.

The government has announced plans to bring this timetable forward, which will see the increase to age 68 happen between 2037 and 2039. You can check your SPA at www.gov.uk/state-pension-age

The new State Pension maximum is set at £164.35 per week in 2018/19 – and 35 qualifying years are required in order to obtain the full amount. 10 qualifying years are required to be entitled to any amount. A qualifying year is one in which an individual has made adequate National Insurance contributions (NICs).

An individual may have a gap in their NI record for a number or reasons – perhaps if they have lived abroad for a period of time, or were not working, or were employed on low earnings. A gap in an NI record does not necessarily mean the person will not receive a full new State Pension – as long as 35 qualifying years are accumulated by the time they reach SPA they will receive payment in full. However, if gaps in a record will prevent full payment, then the person could choose to make voluntary NICs to make up for these, although there are time limits for paying these.

Individuals can get an estimate of their State Pension based on their current NI contribution record and the assumption they continue to make NICs until they reach SPA. This service is available by completing and returning form BR19 which can be found online or by applying online at www.gov.uk/check-state-pension.

A person can also increase the starting level of their State Pension through deferment. The increase they gain from deferring depends on when they reach SPA – before April 2016 the pension increase as a result of deferring was equivalent to 10.4% for every full year deferred. But anyone attaining SPA after 6 April 2016 only receives an increase equivalent to 5.8% for every full year.

Although you wouldn't want to rely solely on the State Pension in retirement it remains a valuable benefit, but private provision alongside this remains essential.

Why Should You Make a Valid Will?

Many people don't write a valid Will or keep it up to date, and there may be many reasons for this – some cannot think about their own mortality or perhaps they haven't got around to it, or don't know who to nominate as executor. Some don't think it necessary as they believe all their assets will go to their spouse anyway – which is what they want – so it isn't needed is it? Well, that may not be the case so, yes it is essential and below is a reminder of why it is so important.

Intestacy rules apply to anyone dying without a valid Will and these determine how a deceased person's estate is divided. The rules are a little different in Wales, Scotland and Northern Ireland, so please note that these rules apply to intestacies in England.

It is important to note that any unmarried partners or cohabitees have no rights at all under the intestacy rules irrespective of the length of cohabitation or whether they have children together. It is a myth that there are rights for a "common law" spouse. So any solely owned assets for an unmarried couple will be dealt with as for an unmarried person – which is not likely to be ideal.

If a person who is married with no children dies, then their entire estate passes to their spouse or civil partner. However, if they are married with children, only the first £250,000, and half of the excess passes to the spouse (with their personal belongings) and the remainder goes to the children (in Trust if they are under 18).

If the person was unmarried with children then their children take the entire estate. But, the assets from a person who was unmarried with no children passes to the nearest class of relative in this order:

- Parents
- Siblings
- Half-siblings
- Grandparents
- Uncles/aunts of whole blood
- Uncles/aunts of half blood

If none of the above survive the deceased then the estate is passed to the Crown – would anyone want this for their hard-earned assets?!

It is worth pointing out that any jointly-held investments will typically form part of the estate for IHT but they do pass automatically to the survivor outside the terms of any Will or the intestacy rules.

It is unlikely that the above rules suit many people's requirements so this really is an important area about with to seek advice.

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