The Fry Group

bulletin

Spring 2018

Keeping you up to date with the latest developments from The Fry Group

Trust & Integrity for 120 Years

Welcome to The Fry Group's 120th year and my first Bulletin as Managing Director.

It is with huge pride that we celebrate both our 120th anniversary and the fact that we have been providing quality advice since 1898. We aim to continue to do so with the same honesty, clarity and optimism for years to come. However, this statement simply could not be realised without the hard work of our staff, so I would like to take this opportunity to thank them. I would also like to thank you for continuing to place your trust in us.

Trust is a key theme for us this year. We cannot ignore the pace at which modern life is constantly evolving – the increased use of technology offers excellent opportunities for better communication but it also leaves us feeling that there is no escape from news, updates and opinions. As a consequence it feels like we all have less time, which perhaps makes us less trusting. So, for Frys it is important that we always strive to maintain your trust.

We are proud that we have been helping you and your families over the generations and we appreciate the trust you place in us to help you make sense of your money and the choices you have over how to save and invest.

So rest assured that whether we are providing tax, financial planning or estates advice, we aim to do so with integrity. And to that end I would like to make you an offer. Should we ever fall short, please contact me and let me know via this email address: md@thefrygroup.co.uk.

After all, our business is built upon transparent communication.

I hope you find the Bulletin informative and interesting, and I look forward to meeting more of you around the globe in the future.

Jeremy

Jeremy Woodley
Chairman and MD

The Investment Managers of The Fry Group Investment Service provide the following commentary on current world markets:

Investment Service

On 22nd March, President Trump announced tariffs on $60bn of Chinese imports. Markets reacted badly, with US stocks suffering their worst weekly fall in two years; surely not what the President envisaged as the result of his 'America First' policy. Investors fear the President's actions will precipitate a trade war which, according to Trump, is 'good' and 'easy to win', but is this true? The markets do not think so and neither does history.

In 1930 Congress passed the Smoot-Hawley Tariff Act, which raised import duties to help protect American businesses and farmers. This prompted reciprocal actions from other nations and between 1929 and 1932 US exports to Europe fell by two-thirds, banks closed and unemployment rose to 25%, contributing to the Great Depression. The US stock market fell by 78% between January 1930 and June 1932.

President Trump would undoubtedly argue that there is no similarity between the 1930s and today; the Smoot-Hawley tariffs were the first shot fired in a trade war, whereas his tariffs are a reaction to decades of "unfair trade". However, whether he recognises it or not, there are parallels with Smoot-Hawley. Trump aims to make imported metals more expensive so that American manufacturers who currently buy cheaper imported metals, will buy American-made steel and aluminium. However, American workers earn more than their overseas counterparts and this cost is passed through to the end-customer. If US manufacturers buy American materials, this will result in higher prices, lower sales and lost jobs, just as in the Great Depression.

Although these tariffs are aimed at China, exemptions for other nations have not been announced. When President Bush announced steel tariffs in 2002, he specifically exempted America's NAFTA trade partners, Canada and Mexico. President Trump is unlikely to do the same given his anti-NAFTA rhetoric. America's allies make up most of the countries exporting metals to the US, with China not even in the top ten, and a response is expected from Canada and the EU as well as China. Hence the stock market's concern that this may escalate into a full-blown trade war.

China's reaction has been muted so far, announcing 15-25% tariffs on 128 goods, such as pork and wine. However, China is the largest market for American soybeans and aircraft, and the second largest for cars, hence a more dramatic response should be easy to predict.

So far, the market correction has been led by the US market's two largest sectors: technology and banks. The future direction of markets will depend on whether the next few weeks see an escalation of the trade war, or negotiations that lead to a truce. The top ten overseas earners in the S&P 500 derive an average 93.8% of revenues from overseas, compared with around 20% for smaller companies. If a serious trade war is on the cards, smaller companies may well be the safest bet. In any event, President Trump has sent a warning signal about future global trade which may result in increased volatility in the market.

Provided by Purple Strategic Capital Limited.

Elegance for 120 years

The Ritz Paris also celebrates its 120th anniversary this year. This iconic establishment, which is recognised as one of the most luxurious hotels in the world, has enjoyed a rich and varied history since being established in central Paris in the 19th century.

Since its opening on 1st June 1898, the Ritz Paris has been a symbol of elegance and the luxury of French art de vivre. Founded by the Swiss hotelier, César Ritz, and French chef, Auguste Escoffier, the Ritz Paris was constructed behind the façade of an 18th-century town house, overlooking one of Paris' central squares. Its luxurious offering soon attracted the rich and famous from across Europe; it was one of the first hotels on the continent to provide an ensuite bathroom, telephone and electricity in each room. The combination of privacy and glamour afforded to guests ensured that it soon became a gathering place for royalty, artists and writers, many of whom enjoyed long associations with the Hotel. Marcel Proust was one of the first regular guests, Ernest Hemingway referred to the Ritz Paris as his 'Parisian Home', Coco Chanel lived there for more than 30 years and the Duke and Duchess of Windsor kept a suite at the Hotel – still known as the Windsor Suite today. Other famous patrons have included Audrey Hepburn and Maria Callas.

Over the years the Hotel has played its part in a number of significant events and took on very different roles during both World Wars; in WW1 it operated a hospital for wounded soldiers and during WW2 it was taken over during the German occupation, and used as the local headquarters of the Luftwaffe.

Thankfully the Hotel's links with artistic influences meant that music and dancing soon returned post-war, with swing evenings such as Wednesday nights' '*Thé dansants*' a popular event during the 1950s. The Hotel is also where Irving Berlin's famous song sung by Fred Astaire, *Puttin' on the Ritz*, was born, an expression that became world famous and one which remains often used to this day.

With such a long history it has, over the years, been important for the Ritz Paris to remain relevant in order to maintain both its reputation and clientele. In 1979 Mohamed Al-Fayed became owner of the Hotel, embarking on a significant period of work, which culminated in the opening of the Hotel's Health Club (which is home to the largest swimming pool in Paris) and École Ritz Escoffier cookery school. In 2012, the Hotel closed its doors for an unprecedented four-year multi-million renovation, re-opening in June 2016. It continues to be renowned as a symbol of wealth and luxury, echoed in its status as a member of The Leading Hotels of the World.

Back to Square One?

The issue of funding for social care has long been a thorn in the side of Government. For those no longer able to look after themselves there is the distasteful possibility that diligent, prudent savers could live a long time in a care home whilst seeing their assets wiped out by the costs of care. On the other hand it is not hard to appreciate the sheer scale of the impact were the Government to take on responsibility for funding care in full.

Over the years a great deal of media interest and three in-depth Government reviews have considered this issue. We currently await the Government's Green Paper this summer, which will set out the proposals for reform and confirm a £2 billion award for local councils over the next three years to meet these needs. This means that the proposed "care cap" is unlikely to be taken forward, although there is still an intention to place a limit on the care costs that individuals face.

There must be sympathy for politicians over the practical difficulties of reconciling these two undesirable outcomes in an age of uncertainty but the reality is that less than 10% of care home residents survive in a care home for more than six years. The average stay is under two years and three months, but the median amount is much shorter, at just over one year and three months, implying that half of residents live in a care home for a shorter time than that.

In 2011, the Telegraph reported figures from the Office of National Statistics showing that 291,000 people were living in care homes, out of a population of over 9.2m over 65-year olds.

So if you cannot rely on the Government, what are the options?

We are unable to recommend the various care home fees trusts, as it is difficult to see how it can be argued that there was no deliberate intention to deprive assets to trigger state support. Often, careful analysis shows that with even a moderate pension or resources, it is unlikely assets will decline to the level of £23,250 at which state support currently starts. Add to that the fact that the choice as to which home to go into may be limited if state support is a factor and it becomes a less attractive option to try to gain this benefit.

There is little in the marketplace, if anything, that provides for those who are healthy and well to insure against future care home costs. On the other hand, when somebody actually goes into care, the default choice is to use cash and investment resources to pay the care home fees as they arise, which could be problematic if a stay is much longer than the average.

It is also wise to consider the alternatives and The Fry Group can lay out the options. Some schemes can offer the certainty of an ongoing fixed monthly income which is chosen at the outset. These schemes can also provide Income Tax advantages when compared with simply running down hard-earned savings. We are here to help. For specific advice about long term care planning, please contact **Ian Gilmour** on **Ian.Gilmour@thefrygroup.co.uk** or **01903 231545**.

Protecting your information

Data protection has become a growing concern over recent years. With the recent spotlight on the alleged actions carried out by Cambridge Analytica it is clear that the potential misuse of data is an unfortunate consequence of our digital world.

New European legislation - the General Data Protection Regulation (GDPR) – is being introduced in the hope that a new level of transparency will help protect every individual's data and ensure that those needing to share information will have more confidence to do so.

The new laws outline that data is to be deleted if it was unlawfully obtained or an individual no longer wants their data to be retained (providing there are no legal or legitimate reasons for keeping it). This will be known as the 'right to be forgotten'.

With the growing threat of cybercrime, GDPR requires anyone collecting or processing data (such as The Fry Group) to be more vigilant about safeguarding personal data against loss, theft and unauthorised access. We have conducted a thorough audit of the data we hold, where it is stored, why it is being held and who has access to it. We have also updated our security and alert procedures. This is particularly relevant due to a new data breach notification rule, which means that if a breach does occur, it must be reported to the Information Commissioner's Office (the UK data supervisory authority) within 72 hours. Furthermore, if the breach is likely to pose a high privacy risk for you then you must also be informed within the same time frame.

Another significant change is that safeguards will now have to be built into most products and services, and privacy-friendly default settings will be soon be the norm. Companies will therefore have to supply consent forms that are plainly worded and transparent, meaning that you must explicitly agree before you are subscribed to anything.

We are gearing up for GDPR in terms of revising processes and procedures and training staff on the higher standards required. Further information is included in our new privacy notice which you can see here.

Dividend Tax – The Impact on Savings

New changes in legislation look set to affect 2.3 million people this year following a reduction in the dividend tax allowance, which has fallen from £5,000 to £2,000. This is likely to have the most impact on those who hold income paying shares. If you pay basic rate tax any dividends above the £2,000 threshold will now attract a 7.5% charge, which rises to 32.5% and 38.1% if you fall into the higher rate and additional rate respectively.

Thankfully there are a number of ways in which the tax can be mitigated. Using pensions and ISAs can help avoid the charge and there are a number of allowances which can also help reduce your tax bill. One important point to note is that you can decide in what order you apply your tax allowances to make the best use of them, even though the self-assessment tax calculation does not always give the most tax-efficient outcome.

So what can you do?

- Ensure you are maximising your ISA allowances – the ISA limit is now £20,000 per person per year
- Consider inter-spouse transfers - if you are married or in a civil partnership and your spouse has lower earnings and a lower tax band, or less in savings and investment income
- Review pension contributions which offer a tax-efficient form of saving

Renting a property?

If you let properties in the UK do be aware that changes this year, and next, are likely to impact your tax bill. The Government has followed through with more restrictions to mortgage interest tax relief so you can no longer deduct all of your finance costs from the property income. From 6th April the percentage of finance costs which can be deducted drops to 50% (from 75%) with a further drop next year to 25%. The rest attracts a tax relief at just the basic rate.

Emails from HMRC

Email scams continue to circulate, so we would urge you to remain vigilant. A number of rogue emails, purporting to come from HMRC, have been brought to our attention recently, and whilst we continue to report these it is important that we remind you to be aware. It is highly unlikely that HMRC would email you so if you do receive such a communication do contact us first before clicking on any links - especially where the email address looks suspicious. The same vigilance should be used for any phone calls purporting to be from HMRC.

Feature

Capturing Brilliance

With a fascinating heritage which stretches back over a century, De Beers has long been considered the world's leading diamond company.

The De Beers story began in 1888 when diamonds were discovered on the South African farm of two Dutch settlors, the De Beer brothers. By 1904 the company controlled a significant proportion of the world's diamond production, and continued its work through the decades to ensure a global allure for its prized stones. With such a standing De Beers worked to ensure diamonds were properly appreciated, and in 1947 introduced the industry's first grading system, the '4Cs'. This classification process, which is still used today, acknowledges the importance of verifying diamonds and understanding their unique traits. Each of the 4C's describes a diamond's specific characteristics: Carat, Colour, Clarity and Cut. The balance of all four of these characteristics denotes each diamond's value and rarity.

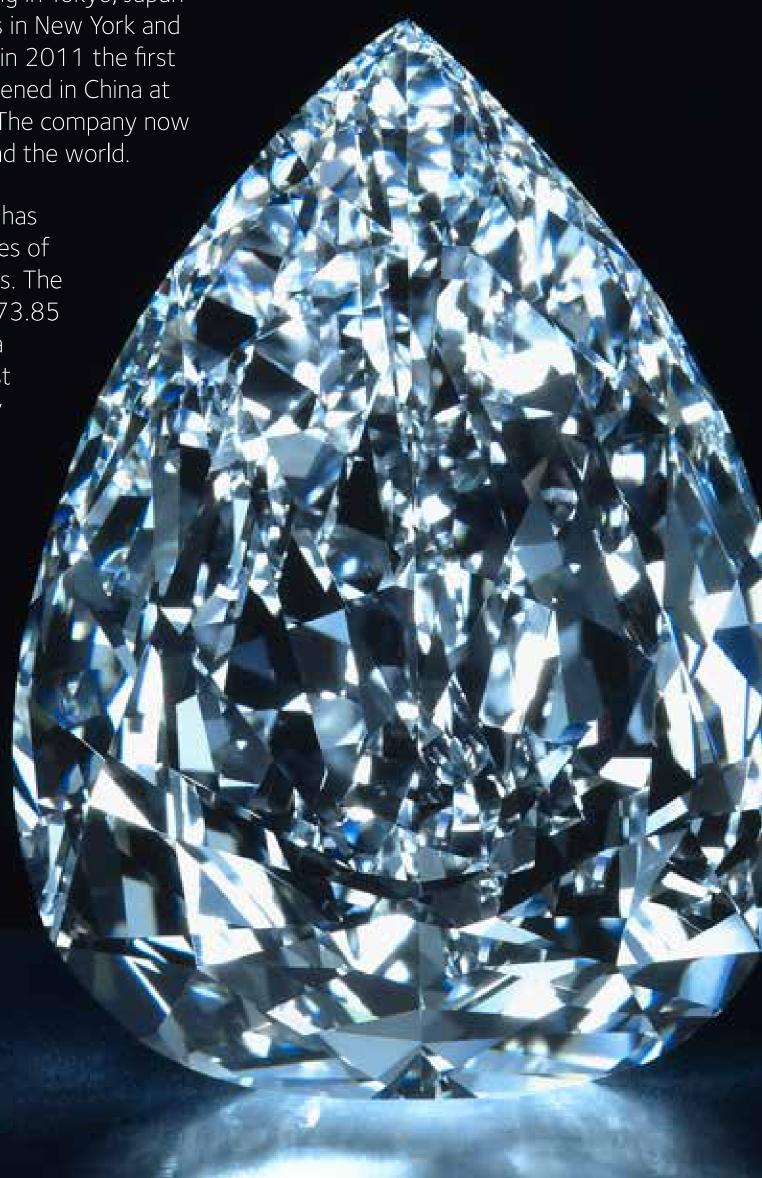
Following increased scrutiny over the international diamond industry, De Beers was a key player in the creation of the Kimberley Process Certification Scheme, introduced in 2003, which ensures that all diamonds are sourced legitimately and are conflict-free.

As well as helping regulate the diamond industry De Beers has also been at the heart of developing consumer fascination with diamonds. It created the iconic phrase 'A Diamond is Forever' in 1947 (recognised by Ad Age as the greatest advertising slogan of the 20th century) and introduced the concept of an eternity ring and trilogy ring, both of which have become synonymous as symbols of love and devotion. In recent years De Beers has developed new methods of ensuring that diamonds remain relevant including the introduction of a 'right hand ring' to be worn by women as a sign of independence.

With the success of the business came a more established physical presence around the world. In 2002 the first De Beers Diamond Jewellers store opened at 50 Old Bond Street, London with the first international store opening in Tokyo, Japan the following year. Stores in New York and Hong Kong followed and in 2011 the first of six De Beers stores opened in China at Shin Kong Place, Beijing. The company now operates 30 stores around the world.

In recent years De Beers has become known for a series of three legendary diamonds. The Centenary Diamond, a 273.85 carat diamond cut from a 599 carat rough, was first revealed by the company as part of its 100th year celebrations. The stone took almost 3 years to cut and a special underground room was created in its Diamond Research Laboratory in Johannesburg to carry out the work. Following this came the Millennium Star which at 203 carats is the second largest known, top colour, internally and externally flawless, pear shaped diamond. Finally came the Oppenhemier Blue, a 14.62 carat vivid blue diamond, becoming the most expensive jewel ever sold at auction when it fetched US$57.5 million at Christies in Geneva in May 2016.

With an unrivalled expertise in the exploration and mining of diamonds throughout the world, De Beers remains committed to ensuring that these incredible stones can be properly enjoyed both now and in the future.



How can you update your Will?

Life can change quickly, so it is recommended that you review your Will after any significant life event, or otherwise at least every five years.

According to the 2016 Wills and Probate online poll by YouGov, over half of us do not have an updated Will. The survey also identified that while many of us recognise the importance of Wills when it comes to establishing final wishes, the majority of us are still unaware of the need to review them.

When do you need to update your Will?

Wills can be affected by many things including changes in law, but most often need review due to changes in your own circumstances. For example, even if you already have a Will, getting married will automatically invalidate it.

Here are just some of the instances when it would make sense to check your Will:

- The birth of a child or grandchild
- When buying a home (or other property)
- When getting married
- If you inherit any money or property
- If you get divorced
- If you remarry
- If you sell a home (or other property)
- If you start a second family
- If you need care and assistance.

Each of these circumstances will have an impact on your Will and some could even nullify it. Likewise, increases (or decreases) in wealth also require a Will review as it is crucial to ensure it reflects your current financial situation. That is why, even if everything else stays the same, it is important to review your Will at least once every five years.

Updates to regulations, such as Inheritance Tax changes, should also prompt a review to make sure you are taking advantage of all available exemptions and allowances.

Updating your Will is easy

Efficient and regular planning will give you and your family peace of mind and help minimise the amount of Inheritance Tax due. Our team can help you review and update your Will to ensure that your wealth will be passed on in line with your wishes. For more information please contact **Steve Wright** on **steve.wright@thefrygroup.co.uk** or **01903 231545.**

Financial News by Email

Our E-Bulletin service provides succinct and informative updates on important financial news. If you would like to receive these ad-hoc updates please email imogen.gardner-clark@thefrygroup.co.uk quoting ‘E-Bulletin Subscription Request’.

Company News

Do let us have a note of your email address if you have received this Bulletin by post – contact **imogen.gardner-clark@thefrygroup.co.uk** with your details.

New Leadership

Recent weeks have seen several planned changes to our Board of Directors take effect. Jeremy Woodley, who has sat on the Board for 8 years, has now taken over the role of Chairman and Managing Director, succeeding Stephen Tucker. Jeremy joined The Fry Group in 2004 as a UK Executive, being promoted in turn to UK Director and Sales and Marketing Director in recent years.

A new appointment to the Board is Julian Broom who joined The Fry Group in 2000, working initially in the International team helping clients across Europe and the Caribbean. Since 2009 Julian has managed our London office, and his new role will see him return to our Head Office in Worthing.

120 Year Anniversary

Trusted for 120 YEARS
1898 - 2018

2018 marks the 120th anniversary of The Fry Group. Our longevity is something of which we are of course very proud – marking us apart from many of our contemporaries. From our origins as a UK-based tax consultant, helping expatriates in the Far East, we now operate from offices across the UK, Europe and the Far East working with thousands of clients to provide advice on all aspects of financial planning. In recent years our commitment to providing first class advice has been recognised globally with the award of International Adviser's Global Best Practice Adviser of the Year in December 2017. Our Far East teams also enjoyed significant success with the Hong Kong and Singapore offices winning Best Practice in Offshore. Sheila Dickinson, Senior Wealth Adviser in the Hong Kong office, was presented with Personality of Year at the International Investment Fund & Product Awards last year. This endorsement of our ongoing commitment to best practice really does confirm our ongoing focus on excellence and integrity.

Farewell Mr Tucker

Last month we said goodbye to Stephen Tucker – who has been The Fry Group's Chairman and Managing Director for 10 years. Stephen initially joined Frys in 1995 and became Director of our UK Personal Financial Planning Division in 2004. In common with many financial professionals at the time, Stephen had trained with the Inland Revenue, before spending 10 years in the accounting profession specialising in tax-efficient personal financial planning.

In April 2008 he succeeded Graham Jacobs as Chairman and Managing Director, steering the company through the significant ramifications of the global recession which hit in the summer of that year. Despite these challenges Stephen remained focused on driving the business forward and embracing new methods to ensure that clients continued to receive robust financial advice and take advantage of new technologies. As a result Stephen was instrumental in the work to introduce Nucleus which helped ease the administrative burden for clients when making investments.

Outside of the office Stephen has always been a keen car enthusiast (and played a significant part in the organisation of our client event at Brooklands Motor Museum in 2008). He has also remained committed to both local and international charity work. We all wish Stephen a long, healthy and enjoyable retirement.

Offices in Worthing, London, Exeter, York, Cheltenham, Belgium, Hong Kong and Singapore.

thefrygroup.co.uk