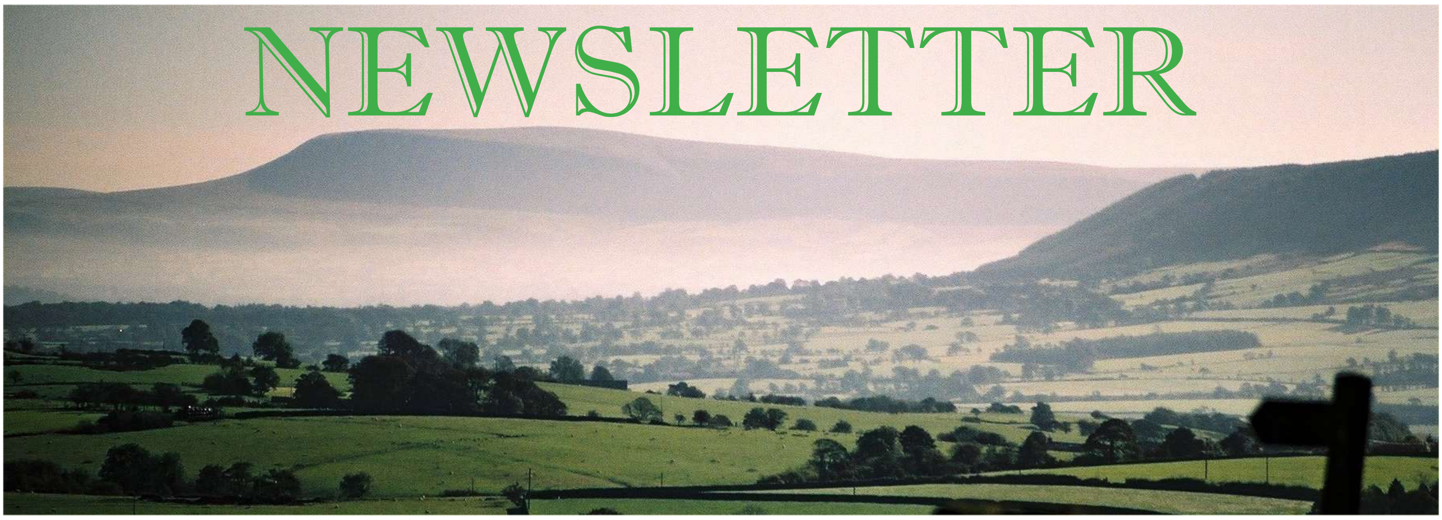
Ribble Wealth Management Limited



WINTER 2018

As the days get shorter and the nights draw in, thoughts often turn to the holiday season (be it the Christmas festivities, plans for winter sun, a skiing trip or just a quiet time with family), but the global economy continues irrespective of individual plans. So, just what **is** in store for the global economy? The last few months have seen the release of a series of positive economic data and we remain optimistic with reference to future growth rates, particularly in terms of the US economy. However, whilst there are no predictions of a sharp slowdown or recession, there are indications that the global economy may be starting to lose some of its momentum.

The Organisation for Economic Cooperation and Development ("*OECD*") composite leading indicator (which covers advanced economies plus Brazil, Russia, India, China, South Africa (otherwise known as "*BRICS*")) has been in decline since its peak in January and fell below trend in both May and June, leading to the OECD conceding that its leading indicators were "*pointing tentatively to easing growth momentum*".

There are several potential issues that could restrain the rate of growth; of obvious concern is the continuing trade tensions between the US and the rest of the world, and the re-emergence of protectionist policies. Further, the possibility of a no-deal Brexit and the impact of fiscal tightening in the form of increasing interest rates also has the potential to bring about a reduction in global growth over the coming months.

Deal or No-Deal? Perhaps the main area of concern relating to the global economy's growth prospects remains the risk of a full-blown trade war. This has been evident since the election of Donald Trump on a protectionist agenda some two years ago and the risk remains firmly on the table. Further, whilst the risk of a no-deal Brexit increased over the summer, this seemed to dissipate before coming much more sharply into focus of late. The impact of a no-deal Brexit remains an unknown, it would seem safe to assume that the economic impact would be felt across the UK as well as the rest of the EU. Previously the UK Government has stated that securing a deal remains "*the most likely outcome*", but it is interesting to note that it has recently begun publishing a series of technical briefings intended to prepare businesses, public bodies and UK citizens for the possibility of a no-deal Brexit. This new mass of paperwork will be added to the technical notices that the EU has already published on such an eventuality, which number no less than sixty-eight – and counting!

Whilst the outcome remains very much an unknown – we will know more over the coming weeks and months – we continue to ensure that, where possible, our clients' portfolios are positioned to minimize the impact of a global slowdown. If you have any concerns about whether or not your portfolio remains suitable to your circumstances and/or attitude to risk, do get in touch. There is no requirement for you to wait until your next formal review is due – but our advice generally is to sit tight; markets will continue to rise, and fall, as they have since they were formed, and the long-term outlook remains positive, in our view, despite the short-term volatility that is part and parcel of longer-term investing.

...on Inheritance Tax

According to figures from HM Revenue and Customs ("*HMRC*"), income from Inheritance Tax (or "*IHT*" as it is commonly called) has increased, with £5 **billion** having been paid in the 2017/2018 tax year – and this is despite the introduction of the Main Residence Nil-Rate Band in April 2017.

With more families becoming liable to IHT, campaigners are optimistic that the current review by the Office of Tax Simplification will create a fairer and less complex system.

The rule that ensures that transfers are exempt after seven-years is integral to tax planning for parents (and grandparents) planning to help their descendants to get on the housing ladder. Other allowances such as the £3,000 annual gift on marriage are ripe for review. Many believe that the overly complicated rules relating to the Main Residence Nil-Rate Band should simply be replaced by an increased exemption for all. However, until the review is concluded, a brief reminder of the rules is set out below.

Everybody enjoys a nil-rate band of £325,000 which allows for this amount to pass tax-free. In addition, the Main Residence Nil-Rate Band currently allows up to £125,000 of property to be handed down the generations tax-free (this allowance increasing to £175,000 by April 2020), although there are complex rules relating to this. Further, most gifts made more than seven years before death are IHT-free, as are gifts made between married couples or civil partners.

There are also gifts that apply each tax year such as the £3,000 gifting allowance (which, if unused, can be carried forward one year) and gifts that are exempt in recognition of marriage (£5,000 by a parent, £2,500 by a grandparent and £1,000 by anybody else). Multiple gifts of £250 can be made to individuals (but not to any recipient of part of the £3,000 annual gift allowance).

Gifts from income are usually exempt provided that they are regular and do not adversely affect the standard of living, and gifts to charities/large political parties are also ordinarily exempt.

Pensions continue to remain outside the remit of IHT, although there are circumstances where other taxes might apply. It therefore goes without saying that Inheritance Tax planning is a complex subject and professional advice is essential to avoid, or minimize, the impact of this tax.

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