Newsletter

investors

Spring 2017

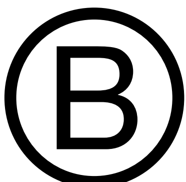
FEATURING:

3 Three VCTs to consider

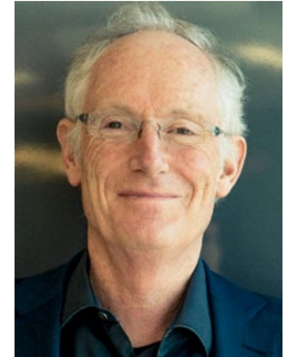
4 Is there a safe rate of withdrawal?

6 The case for Frontier Markets

9 Lasting power of attorney: plan ahead



2017: looking forward



Our portfolios have been performing well in recent months, helping us to deliver strong returns for you. A few clients have been querying the cash positions we have been holding at a time when deposit rates are effectively zero. We don't usually believe in trying to time markets, especially when they are sending mixed signals. It requires two successful calls: when to sell and when to buy, with the latter usually more difficult because newsflow at the time is certain to be bad.

Our investment approach aims to avoid overvalued assets and focus the portfolios towards the most attractive investment opportunities, wherever we find them. We decided to adopt a more cautious view last year because of concerns over the relatively high valuations of most asset classes and the risks implied by the impending Brexit & US Presidential votes.

We were right to anticipate the possibility of a surprise outcome to the votes but stock markets have been remarkably resilient since then.

We still feel a sense of nervousness about global risks and about valuations but you can never be sure what might be the trigger for a market reaction. It might be the onset of a recession in the USA, it could be increased worry about a major government defaulting on its debt or something that is not even being talked about now.

Historically markets have always reverted to their average values, indeed they usually overshoot on both sides. It is possible the overvaluation could be eliminated over a period of many years by corporate earnings rising faster than share prices. This would be an unprecedented situation but after all of the surprises in 2016 it would be dangerous to rule it out completely.

I am pleased to report that EQ is going from strength to strength, with client assets under management increasing by more than 40% over the past year. We have clear plans for continuing to enhance our services to all clients in 2017 and to offer great value for money. If there is anything about how we have been handling your account that hasn't pleased you then please do let us know so we can learn from it. Our goal remains the same – to deliver great long-term outcomes for you.

This newsletter is our largest yet so we can inform you about a wider range of subjects – I hope you find it helpful.

John Spiers

John Spiers
Chief Executive

Breakthrough for social investment

Jeannie Boyle, Director

At EQ, we've been keen proponents of social investment tax relief (SITR) since its inception. Tax break limits for social investment will expand fivefold this April, a significant boost to the market.

The UK Social Investment market is now the most advanced in the world with Big Society Capital suggesting the market is now worth in excess of £1.5 billion. Increasing the qualifying investment limit to £1.5 million from April will allow social enterprises to raise more investment through SITR, making it attractive to a wider range of enterprises and investors.

How does it work?

SITR was introduced in April 2014 and allows individual investors 30% tax relief on loans or equity investment made into social enterprises and charities.

Most SITR investments are likely to be made in the form of loans bearing a fixed rate of interest. This interest will usually be distributed to investors, net of 20% tax and will constitute taxable income.

What type of investments are being made?

Over 3,000 charities and social enterprises now utilise social investment opportunities. Employment, training and education have emerged as the most common areas for investment.

One such example is the Freedom Bakery, which was set-up in 2015 to provide employment opportunities for ex-offenders in Scotland and lower the reoffending rate.

Who is investing?

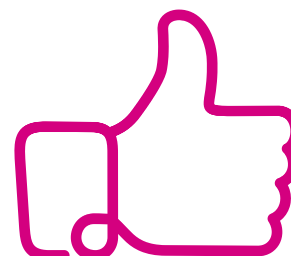
The main take-up has been sophisticated or high net worth investors. **Since the loans are unsecured and relatively high risk, investors should expect there to be some defaults and so a diversified portfolio is essential.**

If you're driven by investing in ways that support your beliefs and make a difference, then it could be for you. As we've seen with the EQ Positive Impact Portfolios, impact investing is on the rise.

Get involved

If you would like to discuss SITR opportunities, please get in touch. You can find out more at:

eqinvestors.co.uk/SITR



Meet the EQ team

Victoria Groves, Paraplanner

Victoria has worked in Financial Services as a Paraplanner for five years joining EQ in August 2014. She holds the Diploma in Regulated Financial Services and the Certificate in Long Term Care Assurance.

What is your role at EQ?

I'm currently working towards Chartered Financial Planner status. To this end, from the beginning of the year, I've been working one-on-one as a paraplanner for one of the directors (Mark Kenner) receiving training from him as well as attending client meetings.

How are you finding the transition?

I think it's a win-win for both of us, as he can call on my technical side when we are out with clients and I get to learn the client-facing side.

I'm a people person – I think you have to be as a consultant, because you need to be able to get from people what they want if you are going to properly give them the solution they need. I've been an administrator and a paraplanner, so it's the next logical step for me in terms of my progression.

What's keeping you busy at the moment?

We've seen a huge surge in final salary pension transfer requests since pension freedoms came. We used to write one or two pension transfers a month, we are now getting around 20 enquiries a month!

I also specialise in long-term care and I'm looking forward to using this market knowledge to benefit clients.

Three VCTs to consider

Sophie Muller, Head of Research

You may be interested in Venture Capital Trusts (VCTs) if you have fully utilised your ISA and pension allowances, are willing to take on a higher degree of risk and have a medium to long-term time horizon.

VCTs are tax efficient investment vehicles made available by the UK Government to promote funding for small and medium-sized companies. VCTs offer a range of attractive tax incentives, including 30% income tax relief and tax-free dividends.

Popular VCTs often sell out quickly and after pension investment restrictions came into force this year, providers are seeing unprecedented demand.

Below are three VCT offers we believe have merit, though **please remember VCTs are higher-risk and this is not a personal recommendation to invest.**

Hargreave Hale AIM VCT 1 & 2

These VCTs, as the name suggests, will predominantly invest in companies listed on the Alternative Investment Market (AIM), the junior stock market in the UK. However, within the mandate both have the scope to invest in companies likely to list on the AIM market as well as private companies, offering them a broad investment universe.

Foresight VCT

Foresight is a private equity generalist VCT. It invests across a broad range of sectors, although it was launched as a technology-focused VCT and remains significantly invested in this space. This fund raise offers immediate exposure to an established portfolio, including investments in a number of opportunities within asset classes that are no longer deemed qualifying to new VCT money, which in our opinion increases its appeal.

Octopus Titan VCT

The strategy employed by Titan has arguably the most focus on the earliest stage of the venture capital market, investing in truly small UK private companies with high growth prospects. In our opinion, this places Octopus Titan at the riskiest end of the VCT universe. However, we believe its diversification, with approximately 50 investee companies, somewhat mitigates the risk of investing in these high growth prospects.

How to invest

You can **download a detailed review** of each VCT and **apply online** at:

eqinvestors.co.uk/investing/vct

In most cases we can discount the standard charges, saving you money and enhancing your future returns. However, **you should only invest on the merits of the underlying investments and not solely the generous tax reliefs.**

Things to remember before tax year end

- Make full use of your ISA allowance
- Use carry forward to maximise pension contributions
- Consider using your £3,000 gift allowance to reduce an inheritance tax liability
- Don't forget Lifetime Allowance planning:
  - Fixed protection
  - Individual protection

The tax year ends on 5 April.
Please contact us if you have any questions about the above.

Is the 'safe rate of withdrawal' just a dangerous idea?

John Spiers, CEO

Most people gave a warm welcome to 'pension freedoms', which ended the effective compulsion to guarantee an income for life in retirement by buying an annuity. But these savers face a significant new risk: running out of money if they spend their retirement funds too quickly. What they need to know is how much of their savings they can afford to spend each year. Is there a 'safe rate of withdrawal' – and if so, what is it?

To find the answer, assumptions must be made about two key unknowns: the future rate of return from the portfolio and your life expectancy.

A good starting point is the respected Barclays Equity Gilt Study, which details returns back to 1890. It tells us that the average 'real' return (after allowing for inflation) of a portfolio split equally between UK shares (equities) and government bonds (gilts) has been 3.1% per year, over the past 135 years.

Turning to life expectancy, official mortality records suggest that 65-year-old women should reach 90 on average, implying an investment term of 25 years after retirement.

Based on these assumptions, this woman could withdraw up to 6% from her portfolio in the first year and then increase withdrawals in line with inflation for the rest of her life, with the capital exhausted just after death.

That sounds pretty encouraging but sadly the real world is not so simple. Although real investment returns have averaged 3.1% a year over the past 135 years, over 20 year periods they have varied from –2.7% to +9.8%. All we can say with certainty about the future is that the latter figure will not be matched because gilt yields – a key driver of returns – are now close to historic lows.

Our 65-year-old woman is predicted to live to 90. She might be unlucky enough to die just one day after her 65th birthday, but she also has a one-in-four chance of reaching 95. In fact, the odds are probably higher than that because life expectancy has been rising by about a year every decade.

Changing the investment return assumption to –2.7% a year and life expectancy to 30 years reduces the maximum withdrawal rate to 2.2%, with the value of the fund falling by 60% after 15 years. Hardly a comfortable prospect.

And that's not all: investment returns will be volatile from year to year. When you withdraw money from a portfolio you are vulnerable to 'pound cost ravaging'. This is the unfortunate counterpart to 'pound cost averaging' – a known bonus for regular savers – as you must sell more units to get the same amount of cash when prices are low.

EQ in the news

EQ is continuing to grow its media presence, with recent coverage including:

- The Times: why millennials may need a helping hand from parents to get on the property ladder
- Share Radio: Jeannie Boyle joined host Sarah Pennells to discuss Stocks & Shares ISAs
- What Investment: Damien Lardoux on the rise of impact investing
- YourMoney: Dan Atkinson on why it's important to review your final salary pension
- Evening Standard: why you need to show a high degree of care and planning if you are thinking of accessing and investing your final salary pensions
- Professional Paraplaner: Victoria Groves featured on the front page of the February issue.

This is particularly relevant during the first ten years of retirement; poor returns then are hard to recover from. As a result of all these factors, **we don't believe there is a safe fixed rate of withdrawal**.

Does this mean everyone should buy an annuity?

Definitely not. An annuity may be the only way to insure against the risk of living longer than average but right now could be the worst time in history to buy one.

Bond yields are near record lows, with life expectancy on the rise, both of which have a direct negative impact on annuity terms. Pension freedoms have also made annuities less attractive – an actuarial consequence, as poorer people with lower life expectancy are no longer forced to buy them.

It's probably better at the moment to keep a pool of cash on one side to maintain flexibility, and then review the situation regularly.

How about just withdrawing income, leaving your capital intact?

A typical UK equity income fund currently yields about 4%. Dividends usually rise at least in line with inflation, so surely that's a better solution than playing roulette with your capital, or buying an annuity while gilt yields are at rock bottom?

It probably is but there are no guarantees. Go back to the Thirties and dividends from British shares more than halved within six years. If you were totally reliant on that income, you'd be in trouble.

The optimal course of action will depend on your circumstances and preferences, but here are a few general guidelines:

1 Split your expenditure into two groups

The first covers core essentials and emergencies: include all items that are needed to have a moderately comfortable lifestyle. Take steps to ensure that you will have enough income and capital to cover these costs in all circumstances plus enough liquid cash to cover 12 months' spending.

The second group is discretionary spending: on holidays, asset purchases, etc. Be prepared to be flexible with these so you can reduce spending during tough times and minimise the impact of pound cost ravaging.

Most people find that these costs are higher in the earlier years of retirement but then tail off until the cost of care becomes a factor.

2 Take a look at all of your assets, including your home

There are several ways in which you can extract part of the capital value of a property while still being able to live there. While there are some disadvantages to this approach, it can be helpful from an inheritance tax perspective to maintain value in a pension fund rather than in a property.

3 Set an investment policy with care

You will need to be thinking about the long term and that suggests a high weighting to assets that provide some protection against inflation, such as shares and property. However, this will result in significant fluctuations in the portfolio value. It is absolutely essential that you don't panic when markets are going through a period of turbulence, so make sure that you understand what a bad year might look like.

Don't forget, though, that the main objective is to enjoy retirement, so strike a balance between frugality and fun.

This article first appeared in the Daily Telegraph.

NEW EQ GUIDE:

Final salary pensions

Stay in, or transfer out?

This is a question we are increasingly being asked, so we have published a short guide outlining the main risks and benefits.

This guide is for information purposes only. Transferring from a final salary to a personal pension is a complex and irrevocable decision with long term consequences. You should seek professional advice.

eqinvestors.co.uk/guides

eQ Insight

Final salary pensions

Stay in, or transfer out?

The case for Frontier Markets

Kasim Zafar, Portfolio Manager

Frontier Markets have formed a key component of our exposure within Emerging Markets since 2013. Over this time our choice of fund has delivered a total return of 78%. By comparison, the MSCI Emerging Markets Index is up 23% and the MSCI Frontier Emerging Markets Index is up 29% over the same period.[1]

What are frontier markets?

As anyone that has been to Shanghai over the last 20 years will attest, the degree of change in 'emerging markets' has been phenomenal. Consider how many new developments in these countries will make use of the latest technologies and it is easy to understand why some consider the quality of infrastructure to be higher than that we enjoy in so called 'developed markets'.

This means that for investors, the historical benefits of investing in emerging markets are less pronounced today, as the fundamental gap between the two has partially closed. Emerging markets are still a very attractive investment destination, but with few exceptions the periods of 'super normal' growth are unlikely to be repeated – the buildings, roads and railways have already been built.

Frontier markets are countries that are earlier in their development cycle – where today's Emerging Markets were around 20 years ago. Financial market index providers MSCI and FTSE class the countries in Table 1 as frontier.

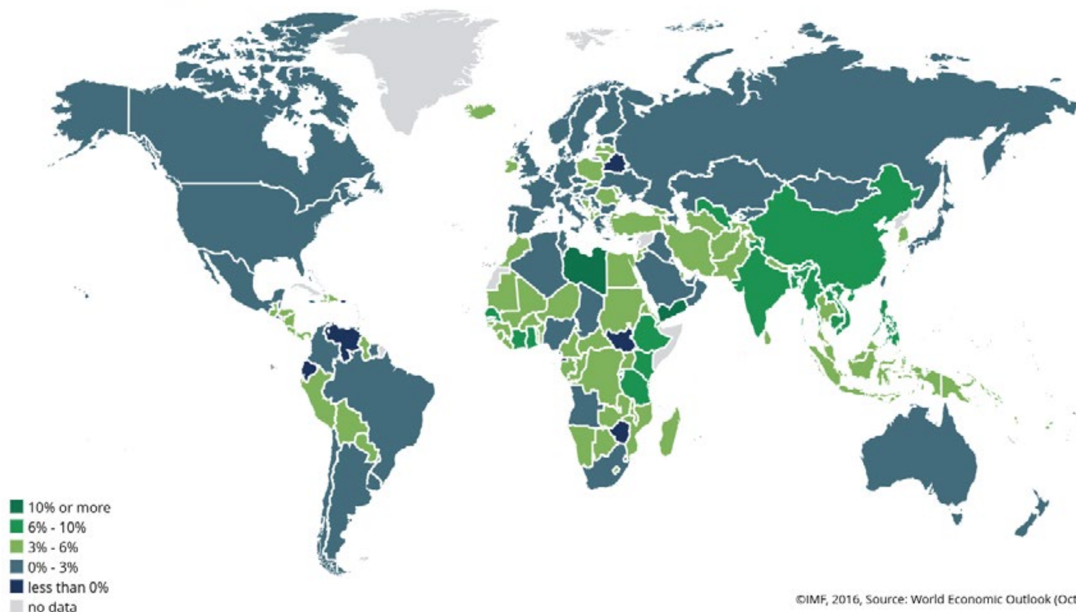
Why invest in frontier markets?

We'll be the first to admit there is no direct link between economics and market performance. As Brexit and Trump have both proved over the past year, external factors can have a larger effect on markets, while underlying economic trends continue much the same. Nonetheless it is hard to deny the fastest growing countries on the planet are in Frontier Market economies. With that growth comes investment opportunity.

Several emerging and frontier markets are heavily tied to commodity prices, as their largest growth drivers are extractive industries. In others consumer demand is a significant, if not the major driver. These consumers may not be working in offices, or on their smartphones, or drinking Starbucks – they are more likely to be working in factories or running micro enterprises with significantly less disposable income. But their incomes are nevertheless rising and with that comes greater spending power on a whole host of staples: for example food, beverages and household items. There are lots of local companies serving this consumer demand, many of which are publicly listed.

The benefits

One of the key advantages of frontier markets is that they are less interwoven into the global trade system and so companies within these stock markets will trade based more on local than global factors.



1 All in sterling terms.

Whether or not a Pakistani bank is lending more or less to small and medium enterprise will have no impact on whether a Vietnamese dairy company is successful. Compare this with the recent outperformance of US banks (and underperformance of consumer goods) – driven primarily by the anticipation of rising interest rates.

Funds that invest across multiple frontier markets can actually demonstrate relatively low price volatility – despite being invested in an inherently more 'risky' asset class (though perhaps no more risky than the emerging markets of yesteryear).

In addition, frontier markets are generally under-researched by comparison to their emerging market peers. For every analyst researching a Vietnamese company there are 4 looking at a Nigerian equivalent and 20 researching a company in China. This means there is greater potential for mispricing of companies in frontier markets and consequently greater profit potential for savvy investors.

Table 1. Frontier Markets as classified by MSCI and FTSE

Americas	Europe	Africa	Middle East	Asia
Argentina	Bulgaria	Botswana	Bahrain	Bangladesh
	Croatia	Ghana	Jordan	Pakistan
	Cyprus	Kenya	Kuwait	Sri Lanka
	Estonia	Mauritius	Lebanon	Vietnam
	Kazakhstan	Morocco	Oman	
	Lithuania	Nigeria	Qatar	
	Macedonia	Tunisia		
	Malta			
	Romania			
	Serbia			
	Slovakia			
	Slovenia			
	Ukraine			

In comparison to developed markets, valuations in frontier markets trade at around a 25% discount. These are the world's fastest-growing economies, with favourable debt and demographic tailwinds.

Of course, there are also considerable risks in each individual frontier economy, including the potential for political upheaval or capital controls. For this reason we would never consider a passive approach to the region, or one which is not diversified across a number of countries.

How do we invest?

We have historically invested through **HSBC Frontier Markets**. However, as the competitive landscape has shifted over the last few years we are now switching over to Charlemagne Capital's **Magna New Frontiers Fund**. We are also weighing up the benefits of adding a second frontier fund to the mix, and are in the process of shortlisting managers whose investment could offer further differentiated risk characteristics.

Fund in focus

Michael Born, Fund Research Analyst

The Charlemagne Magna New Frontiers Fund, is an investment that we hold within the Best Ideas portfolios. The fund allows us to access favourable population dynamics: emerging middle classes and fast adapting consumption habits as well as significant development potential.

Why do we favour it?

Investing in frontier markets requires specialist experience focused on the regions involved. A distinguishing feature of this fund is the portfolio manager's experience, with both having spent their 25+ year careers dedicated to the asset class. Their reputation as investors in the frontier market space grants them excellent access to company management and at times access to senior government officials, giving them unique insight into the companies they invest in and the economic cycle of the countries.

Example holding: private healthcare insurer

NMC Healthcare, a hospital and clinic operator based in the UAE, is one of the biggest holdings. The company operates throughout the Arab world as well as offering private healthcare insurance. Due to a fast emerging middle class and an influx of foreign workers into highly paid service sector jobs, the Middle East is a region with one of the fastest growing healthcare expenditures per capita, offering a high potential for growth. Since the managers bought the stock, its share price has increased seven times.

GUEST BLOG:

Julia Groves, Partner
Head of Crowdfunding at Downing LLP

Why Downing?

We have chosen to work with Downing to make their Crowd Bonds available to EQ clients:

- Downing are well respected with over 20 years of industry knowledge.
- They bring their heralded VCT and EIS expertise to this exciting market.
- Downing's fees are contingent on the full repayment of bonds.
- EIS rule changes mean more renewable opportunities are being financed this way.

To find out more about Crowd Bonds visit:

eqinvestors.co.uk/investing/crowd-bonds/

Crowd bonds needn't be taxing

Julia Groves Head of Crowdfunding at Downing LLP

Don't we all want to see our money funding something we think is worthwhile with the potential of earning us a decent return?

In practice it can be very difficult to keep track of where your money is, how it is being used, what returns it is generating and how much of that will actually come back to you after any fees.

The simplest and safest option is just to lock it away in a savings account but interest rates are currently so low and there is no chance of knowing how it is being lent out. There is no opportunity for that feel good factor you get when you help a business grow and help grow your wealth at the same time.

This is part of the appeal of direct lending and investments. The growth of crowdfunding over the last few years has arguably been caused, in part, by the increasing demand from investors to back projects they know and believe in and from businesses that have needed to find alternative forms of funding post the financial crisis.

In 2015, the UK crowdfunding market was worth £3.2 billion, with more than 20,000 small and medium-sized enterprises being funded by everyday lenders and investors. A whopping 88% of this was some form of debt, perhaps because it may be a better fit for some investor's risk appetites than making an equity investment in an early stage business.[1]

However, it's important that investors understand the higher risks involved with crowdfunding, including debt based, compared to saving accounts. Key things to consider include there is no guarantee that capital and returns will be repaid, there is no Financial Service Compensation Scheme (FSCS) deposit protection cover and there is less liquidity, meaning it is likely that your money will be locked in until maturity.

We typically offer 1-2 year terms with bonds secured against tangible assets, and with an average interest rate of 5.8% per year.[2]

Unsurprisingly, within the range of crowd bonds we've launched, renewable energy has been the most popular sector. We have already invested more than £350m in UK solar, wind, hydro and biogas projects through the Downing funds that we manage, and it is often as these businesses mature that we can bring them direct to investors at competitive rates of return.

Keeping it simple

To help you understand where your money is going, each bond has a clear offer document that tells you about the business, the value of its assets, how your money is going to be used, how and when you should get your interest and capital back, and of course the risks and potential consequences if anything goes wrong.

We also detail the due diligence process undertaken for each bond offer.

By taking a debenture over the assets in the business, we ensure the borrower cannot take on any more debt that ranks ahead of you, and in the event of a borrower defaulting, Downing (as security trustee) can take control of these assets, and aim to recover some, or all your capital and interest.

To top it all off, our monitoring fees are contingent on you receiving your capital back and interest paid in full.

1 Source: *Pushing boundaries: the 2015 UK alternative finance industry report*, Cambridge University & Nesta, February 2016
2 The average weighted interest rate of investments made in the first nine bonds.

Lasting power of attorney: plan ahead

Peter Brennan, Chartered Financial Planner

Many of us actively look to help our family and friends at times of emotional and financial difficulty – death and incapacity being no exception.

Whilst some of us never quite get around to preparing our Will, most of us at least contemplate the task. Part of the rationale behind this is to help our family avoid possible disagreement of what Mum or Dad wanted or what was promised so many years ago. Wills have become part and parcel of our financial 'to do' list.

Wills have one significant drawback; they cannot be used during our lifetime. Something else is needed.

With the improvements in medical science more of us are living longer, but often in poor health. Accordingly it is becoming increasingly common for one or more of us to need some form of care. The majority of this care will be for much later in life, but accidents and impairments can happen at any age and so time spent now can help remove this uncertainty.

What happens when we lose mental capacity? Who has the authority to look after our affairs and are there any limits?

In England, Wales, Scotland and Northern Ireland, when an individual loses their capacity, they automatically lose control over decisions that involve their finances and wellbeing. There are specific rules in place for each jurisdiction, but broadly whilst many might think that a spouse or family member automatically gains control of our affairs, this is not the case.

For example in England and Wales, the Court of Protection will look to appoint a Deputy if there is no prior instruction in place. Of course a family member can apply to the court to be a Deputy, and if acceptable to the court, the court will lay out the actions the Deputy can take and what records need to be provided to the court on a regular basis. There are important differences, but generally Scotland and Northern Ireland have a similar process. Perhaps the main handicaps to relying on the courts are costs and the paperwork involved.

To avoid this uncertainty and to allow greater control over who looks after our future financial affairs and wellbeing we have the option of a Lasting Power of Attorney (LPA). Since October 2007 a LPA is recognised by the courts as the mechanism by which we can formally appoint our attorney (s) and set out what powers we have given to them. The main caveat is that an LPA cannot 'work' until it is registered by the Office of Public Guardian (OPG) and this must occur whilst we still has the mental capacity.

A LPA is in two parts: 'Property & Financial Affairs' and 'Health & Welfare'. The former can set out the powers we give our attorney over our property, the control of our investments, bank accounts and can include claiming benefits. The second gives the attorney power over medical treatment, care, diet and dress.

Where a LPA is silent, the court will assume we have not given our attorney our express authority to act. For example if we would like our attorney the authority to continue with a discretionary mandate our LPA should say this.

Whilst we are able to give our attorneys a long rein; the courts will not allow the attorney to act irrationally or outside the law of the land. For example an attorney will not be able to simply give our money away, even if instructed by us in the LPA.

Successive governments have encouraged us to complete a LPA and they have set up a website where we can go to both seek information and complete the appropriate paperwork if they wish. Alternatively you can speak with your usual legal adviser who will doubtless be very pleased to draw up a suitable instruction.

Two useful sites for help and assistance:

Office of the Public Guardian:

www.gov.uk/government/organisations/office-of-the-public-guardian

Make, register or end a lasting power of attorney:

www.gov.uk/power-of-attorney

Heads up: the Lifetime ISA is coming

Nicola Allen, Investment Adviser

In his March 2016 and final budget, George Osborne announced the introduction of a new Lifetime ISA from April 2017 to encourage younger people to save for their first property purchase or retirement.

What is the Lifetime ISA?

The Lifetime ISA (LISA) will be available from April 2017 to anyone aged 18 to 40. You can put up to £4,000 into a LISA every year until you reach age 50. For every £4 you put in, the government puts in £1.

So, those putting in the maximum each year will receive a £1,000 bonus from the government – equivalent to a 25% interest rate on your savings. And all this can be invested in cash, stocks and shares. Someone who starts investing in a LISA at 18 could, in theory, end up with £32,000 worth of bonuses, assuming they were fortunate enough to pay in the maximum each year.

Does this sit within my overall ISA limit?

Yes. The overall annual ISA limit (£20,000 in 2017/18) covers all payments into a Cash ISA, Stocks & Shares ISA, Innovative Finance ISA or Lifetime ISA.

Can I access my money?

The goverment is introducing the LISA to encourage people to save for retirement or a house purchase. You can withdraw the money to purchase a first property worth up to £450,000 at any time.

Otherwise (after the first year) you will have to pay a 5% penalty to access the money before you turn 60. Moreover, if you choose to withdraw money early you will have to pay back the government bonus plus any interest and growth on it.

Can I transfer other ISAs?

Yes, you can transfer funds from another ISA into a LISA, up to the maximum of £4,000 per year.

How does it affect the Help to Buy ISA?

You can have both types of ISA but you'll only get the government bonus once. If you've already started saving into a Help to Buy ISA you will be able to transfer your savings into a LISA.

What are the Inheritance Tax rules?

The LISA is good news for parents and grandparents with spare cash who want to help their offspring. The inheritance tax annual allowance is £3,000 per person. A couple could each give their child or grandchild £2,000 to put in (the LISA cap is £4,000 per year) and this would not be subject to inheritance tax.

Supplement your workplace and personal pensions

The best way to save for retirement is still via a workplace pension, with valuable employer contributions and tax relief available.

However, the LISA is an additional savings vehicle that you might want to use to supplement retirement saving if you've made the maximum contribution into your pension.

For the self-employed it's a good deal as they don't currently benefit from employer contributions into a workplace pension scheme.

In summary

- ✓ A no-brainer for those saving towards the cost of their first home.
- ✓ Good news for parents and grandparents who want to help their offspring.
- ✓ EQ clients will be able to open a LISA as soon as they become avalable on our platforms.
- × Higher rate tax payers are still better off contributing to a pension.

2017/18 thresholds

Total ISA contributions	£20,000	Capital Gains Tax allowance	£11,100
(Including) Lifetime ISA	£4,000	Dividend allowance	£5,000

Obesity is a social justice issue we can't ignore

Andy Cook, Chief Executive at the Centre for Social Justice

GUEST BLOG:

The EQ Foundation has agreed to sponsor a year-long study into obesity, run by the Centre for Social Justice. The aim of this project is to come up with a coherent strategy for tackling the root causes of obesity, and provide a clear roadmap for how Government can implement these solutions.

It's not news that most UK adults are now obese or overweight, and more than one in three children leave primary school obese or overweight. But the poorer you are the worse the situation is.

Obese people are more likely to struggle to find work due to poor health and stigma, and in May 2014 there were 7,440 working-age Disability Living Allowance claimants whose main disabling condition was obesity. Evidence emerging from the US would suggest that there is also a strong correlation between increased weight and poor educational outcomes.

In London alone, health inequalities between rich and poor are vast: a person growing up in Tower Hamlets dies on average 17 years younger and lives in worse health than someone who grows up in Richmond.

So the recent State of Child Health, a report from The Royal College of Paediatrics and Child Health, is a welcome addition to the conversation. It highlights that 40 percent of children from the most deprived areas are obese or overweight, compared to 27 percent in the least deprived areas.

The CSJ is developing an anti-obesity roadmap for Government

The Government is making progress in this area but the Centre for Social Justice (CSJ) wants it to go further and so in the coming months is drawing up a roadmap for reform. As stated in the Government's Marmot review into health inequality seven years ago, 'it is a matter of fairness and social justice'. Our review is identifying what changes the Government could make to protect the environment and the choices presented to children in the most deprived areas from being degraded further.

We will be looking at how we can get more children active and enjoying sport, as well as understanding what impact growing up in poverty and being exposed to adverse childhood experiences has on weight and health.

This is not about asking the Government to become a nanny-state, it's about asking the Government to make the default healthy. Only then will the poorest children have the best chance of getting out of poverty and reaching their full potential.

EQ Book Corner

We're always on the lookout for a good read, offering new ideas or a fresh perspective. Here are a couple of recent additions to our library.

Black Box Thinking by Matthew Syed

In Syed's previous book *Bounce* he explained that in the main talent is due to graft not genes. The main theme of Black Box Thinking is about learning from mistakes. Syed draws the comparison between the aviation industry (which analyses crashes intensively to learn from them) and other sectors such as law enforcement and healthcare – where denial of responsibility is the standard response to errors. If only the same techniques could be applied more widely it would have a massive impact on us all. He also looks at how organisations that continuously test and learn from the results tend to do well, with Mercedes GP and Team Sky singled out for their dedication to implementing large numbers of micro improvements that collectively provide a winning edge.

The Second Curve by Charles Handy

Handy is an 84 year old who is a great demonstration of how physical age alone means little in terms of capability. Charles continues to be a thought leader. This book is written primarily for the benefit of younger generations and is sub-titled 'Thoughts on Reinventing Society'. The book is very manageable with each chapter (just over 10 pages) containing a short essay on a different idea, including:

- Schools of the Future
- Dilemmas of Growth – is more always better?
- The Ponzi Society – the dangers of ever increasing debt
- Multiple Intelligence – a good review of why IQ alone is an unreliable indicator of success.

Send in your book reviews for the chance to win a prize!
book.reviews@eqinvestors.co.uk
Winning reviews will be published in our next newsletter.

Vote for EQ in the City of London Wealth Management Awards

Ben Faulkner, Communications Director

The City of London Wealth Management Awards are firmly established as the forum for recognising excellence in the industry. The awards' reputation are second to none because the winners are selected by the public via an online ballot.

goodacreuk.com/index.php/vote-link

Voting is now open and EQ has been nominated in the following categories:

- Best ISA provider
- Junior ISA provider
- SIPP provider

If you value our service then please support us by casting your vote by 3rd March

EQ Seminar:

Final Salary Pension Transfers

Wednesday, 29 March 2017

A chance to review the topics covered in our new guide and answer your questions

To register please email: events@eqinvestors.co.uk

Congratulations to Dan Atkinson

*EQ's Dan Atkinson has been highly commended in the **Paraplanner of the Year** category at the Professional Adviser Awards, which took place in London on 9th February.*

Important information

This newsletter does not constitute advice or a personal recommendation. It does not take account of the specific circumstances of individual investors. If you wish to establish if any of the products or services described herein may be suitable for you, you should contact us for advice. Specifically, VCTs, Social Investment Tax Relief and Crowd Bonds are complex products. If you are at all uncertain about their suitability for your circumstances please seek our advice. Remember that the value of your investments can do down as well as up and that you could get back less than you invest. The levels and bases of taxation can change at any time.

eqinvestors.co.uk | 020 7488 7110 | enquiries@eqinvestors.co.uk | @eqinvestors | EQ Investors

EQ Investors, Centennium House, 100 Lower Thames Street, London EC3R 6DL

EQ Investors Limited ('EQ') is authorised and regulated by the Financial Conduct Authority. Company number 07223330. Registered in England and Wales at 6th Floor, 60 Gracechurch Street, London EC3V 0HR. EQ/0217/084