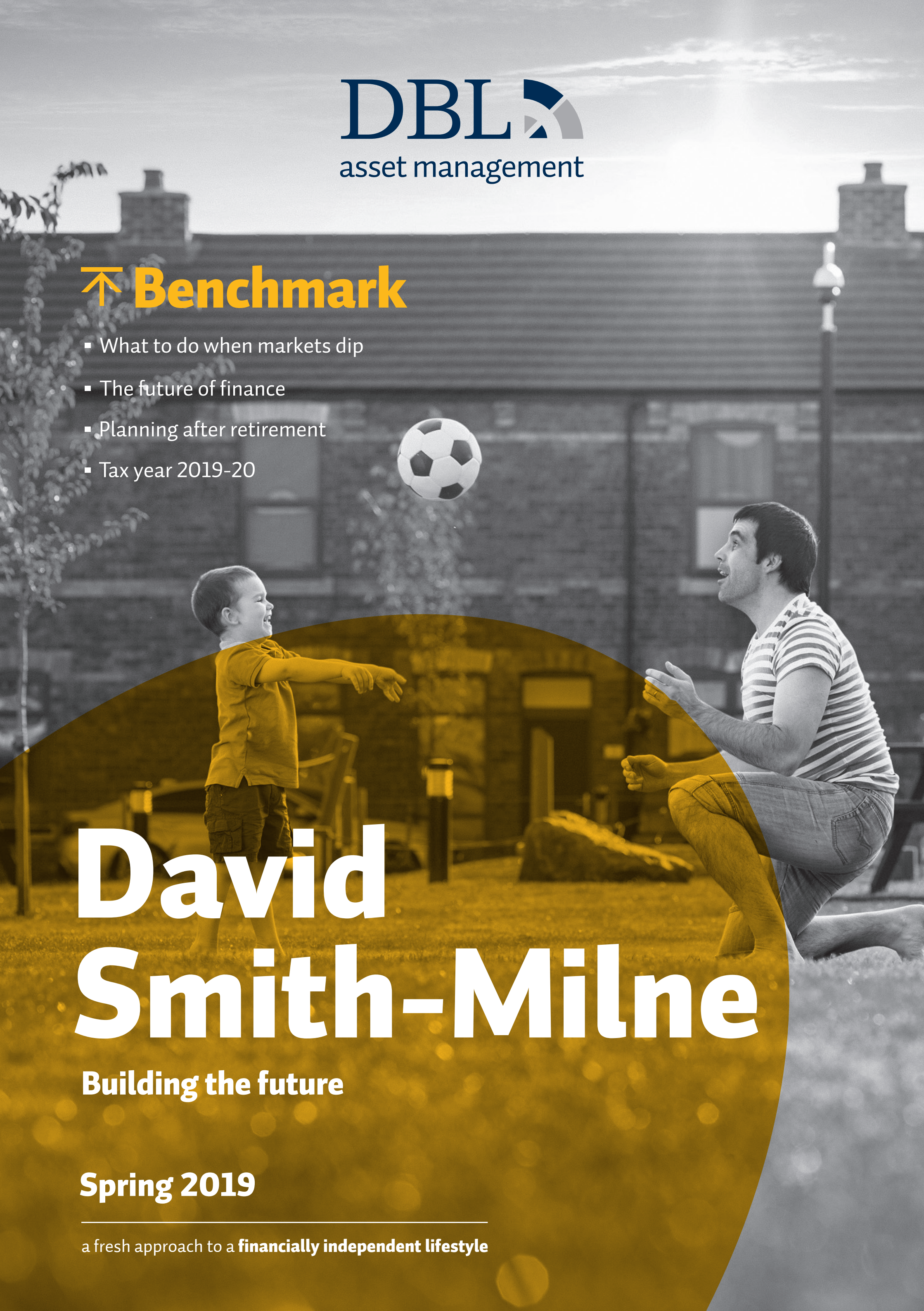

DBL asset management

Benchmark

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David Smith-Milne

Building the future

Spring 2019

a fresh approach to a **financially independent lifestyle**

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Introduction

A brave new world.

Welcome to the Spring 2019 edition of Benchmark.

As I write this month's introduction, the UK is poised to complete its so-called Brexit from the European Union. When settling on an appropriate theme for this edition, the whole ethos of us entering a brave new world seemed fitting. Not only are we about to do so collectively, as a nation, but the theme fits so much of what we do with you, who are our clients, as well. Retirement, a change in career and the constant changes to the UK's financial systems all create brave new worlds for us all, in their own way.

In this edition, therefore, you are able to read about the future of finance and the way the UK's financial makeup may change over the next few years. As part of that, we have spent a brief amount of time looking ahead to the new tax year and the changes, which are due to be introduced once we reach April.

Before that, we wind back the clock to look at how markets react after a dip. You may all remember what happened to the markets during the financial crisis of 2008/2009 and the brave new world that may have seemed to be ushered in at the time. Using that as our starting point, what has happened since then? What should we expect to happen should the markets experience such events again?

As well as those articles this month, it gives me great pleasure to introduce David Smith-Milne to you all. David is a longtime DBL client but, more importantly, he is Managing Director of Placefirst. Whilst you may not immediately be aware of the name you may well be familiar with Placefirst's work redeveloping abandoned and derelict housing estates and putting them back into the hands of families. In particular, you may have heard of the Welsh Streets development scheme in Liverpool, with which Placefirst is intimately involved. I am extremely thankful to David for sparing his time to tell both the story of Welsh Streets and his own planning journey.

David and Placefirst are, as the article tells, providing a brave new future for the housing sector. We hope you enjoy reading about that and the other future developments to be explored, as part of this edition. If you have any questions or queries, please do not hesitate to contact us directly.

With kind regards,

Dacre Staines

What to do when markets dip

Reacting properly to market falls is one of the time-honored disciplines of proper and successful financial investment. Equally, it can be most nerve-wracking. Gordon Brown's 1999 claim that the UK would not return to the boom and bust of the past, notwithstanding markets, has always both fallen and risen.

We currently live in a climate of Brexit, Donald Trump and various other significantly newsworthy people, events and topics. These factors seem to poise us in a constant state of flux, where we are mere hours away from something happening, that could excite or depress the markets. If the latter should happen, if markets should suddenly take a dip, how should you react?

By way of beginning to answer, it is useful to share two investing truisms that are widely shared and believed and yet attributed to no one individual in particular.

'Time in the market is more important than timing the market.'

'The value of your investments only matters at the point you need to realise them.'

Both of these quotes highlight the importance of not reacting to significant market events, something that is better illustrated in the second part of this article, whilst looking at a real life example.

The first speaks to the fact that timing the market, the practice of investing or realising investments at a time that might seem beneficial to the investor, is at best very difficult and at worst completely impossible.

History teaches us that no individual is able to predict the markets with anything approaching 100% accuracy. The practice of realising investments or investing at certain times is, therefore, less important than just the investing on its own, which is the practice and discipline of leaving your investments untouched, for as long as possible.

The second highlights that whilst headlines are often difficult to ignore, they are ultimately meaningless, unless you plan to realise all of your investments that very minute. Over the course of many years invested your investments will rise and fall, but the value only really matters at the point you require your capital. Anything in between times is interesting, but nothing more.

What has happened historically after significant market falls?

To illustrate these points, let us consider the brief history of the FTSE 100 market[1], which tracks the one hundred companies listed on the London Stock Exchange with the highest market capitalisation. Here are the values of the market at various points over the last twelve years or so, including the financial crisis of 2008/2009.

Market value	Date
6,676.70	1st June 2007
3,530.73	6th March 2009
6,723.06	17th May 2013
7,730.28	25th May 2018

Bear in mind, that even this timescale is short in investing terms. Investing should be considered as something to do over thirty years plus, rather than as a short term pursuit. Regardless, this data still gives us great examples of various scenarios that could have occurred, when reacting to a market fall.

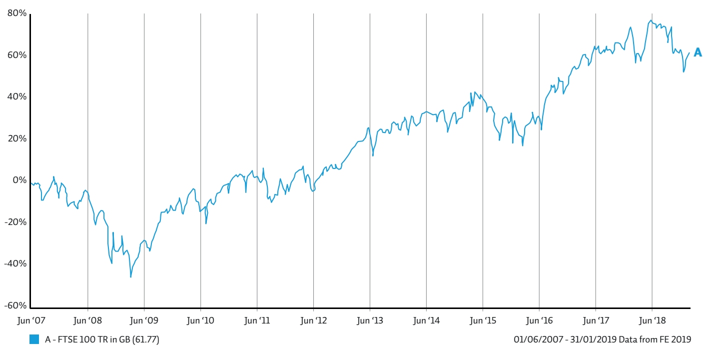
Assuming you invested in the market on 1st June 2007, for example, ignored the market falls in 2008/2009 and came out of the market in May 2018, you would have realised your investment to a value of 116% of whatever value you put in originally.

However, as markets fell and headlines increased, it may have been tempting to come out of the market during the financial crisis. To do so though would have crystallised the losses in real terms. If you had have withdrawn from the market as a reaction to events on the 6th March 2009, your investment would have been worth just 53% of the value you originally invested. What is more, because you withdrew from your investment, your investment would have no chance to recover. You could never reach the 116% return achieved by those, who stayed in the market until May 2018.

Even by ignoring the significant amount of noise around the markets in 2009 and waiting till 2013 before withdrawing from your investment, you would have achieved a 100.7% return.

The moral, put simply, is to do nothing based on what the markets are doing. Your investments should be governed by your personal financial plan, realised and invested at the points identified along that plan, to make sure that you are able to live the life you want to lead now and in the future. As we enter into a brave new world it is worth remembering this as a basic tenant of investing, no matter whether the markets rise or fall in coming months.

[1] The history of the FTSE 100 Market



Client Interview: David Smith-Milne

Building the future

David Smith-Milne is a DBL client and Managing Director of Placefirst, a residential lettings company with a difference. David sat down with Benchmark to discuss how Placefirst is providing radically different solutions to the UK housing market and his own personal plans for the future.

In August 2017 David Smith-Milne and his business Placefirst were about to launch the first of their housing developments in the Welsh Streets area of Toxteth, Liverpool. The scheme was to completely redevelop the area and launch two hundred and ninety four new homes, at affordable rental prices, for working class families and was unique, risky and relatively unproven.

"Everybody had told us that it would not work," David says now. "The naysayers were certain it was going to be a failure."

Placefirst though had hit upon a unique idea. "We go into run down housing estates," explains David, "typically in local authority ownership and we transform them. We then rent the new properties out to families, who are caught in the gap between social housing and buying a house. They are low to middle income households, where the money is not there for a property purchase."

Uniquely, Placefirst does not just revitalise housing. It revitalises the whole area. Placefirst developments are characterised by attractive, well-maintained frontages and spaces that encourage community spirit and togetherness. In Welsh Streets the narrow back alleys between houses had been turned into maintained shared-space gardens, running the length of the street. On that weekend in August 2017, David was about to find out if the idea was to be a success.

"We sold out in four hours," says David, "Welsh Streets became the largest built-to-rent project in the country that was pre-let."

Placefirst had started life when David left KPMG, where he had spent ten years as a Management Consultant, advising on housing-led development schemes. Towards the end of 2009-2010 David had a choice. There was an offer on the table from another large accountancy firm, meaning he would spend the rest of his life in a consulting

environment or he could take a risk with the idea that would become Placefirst.

"I sat down and had a conversation with my wife. It was a very difficult time to make the leap, not least of all because the economy was where it was at the end of 2009. There was no government spending and it was very difficult to raise any kind of finance, I had two young children and we were midway through a housing project ourselves. Creating Placefirst was a very difficult decision, but it was also a very liberating thing to do. I took a number of colleagues with me and borrowed some money. We began life doing some consultancy, but the goal was always to go into development."

The success of Welsh Streets, David now says, was built on Placefirst's early projects, as the business shaped what it did and what it stood for. "That first project was really difficult. We had a contractor, who went into administration. The whole thing took longer to finish than we expected and cost more. But when we did get to the end, we realised we had come across a business model that no-one else was doing. Even today, there is still no-one else doing exactly what we do."

Placefirst had established itself as a business on a mission. It was a lettings company that developed, maintained and managed its own housing, specifically with the aim of revitalising previously unsaveable neighbourhoods and buildings and putting them to good use again, for the communities that needed them.

"We have been described as purpose-led and disruptive. It just felt to us as though there was a gaping hole in the housing market for someone, who wanted to do things the right way. Perhaps ironically, profit comes from that."

Welsh Streets has grown further in the years since the initial 2017 launch. At the end of 2018 it collected three of the thirteen available awards at the North West Property Awards. In November 2018 it won Refurbishment Of The Year at the National

Building Awards, which is one of the most prestigious UK development awards. David puts the development's success down to three factors.

"Firstly Welsh Streets was the culmination of all our organisational experience. We learnt from that first project and put that learning to good use. Secondly there is just the sheer scale. It has become the largest empty homes project in the country. There is literally row upon row of houses that have stood derelict for fifteen years. They were a very visual sign of complete social decline. To see them revitalised has a natural shock and awe effect. The houses themselves as well, are actually really good, with great design touches. They are able to completely change the way a family functions. There is infrastructure there for kids to play and socialise, to study and to do their homework. There is lots of storage built in and there is always somewhere for the family to eat together. It is stuff that does not necessarily look good in brochures, but is really important to people."

Throughout that time David has worked with DBL to plan his finances. As Placefirst continues to grow, those plans have started to look towards the new future on David's own personal horizon.

"I began working with DBL, when I was quite young. They advised me on my pensions, when I was still in employment, they helped me to get my first mortgage and they just stuck with me, as the business and our family have grown. They are really proactive. I receive a call towards the end of the tax year to make sure I have done all of the things I should have done, but have invariably forgotten about! We meet regularly and have a planning session. They are very knowledgeable, they focus on what I need to do with regard to tax and wealth planning and planning for the kids' futures."

"As Placefirst has grown the planning has become more strategic and long-term, focusing on the future and what I want to do with my lifestyle and achieve with the children, taking into account everything else we have on. The advice has always been forward-looking. That advice has become more important, as the figures involved have grown."

As David looks to the future, that moment in 2017 sticks in his mind. As is perhaps so often the case with people and businesses, who are on a mission to effect positive social change, success has come despite those who said it would never work at the time.

"The fact that there were people, who were not behind what we were doing, is one of the underlying reasons why it has been so successful. We have won awards partly because everyone said it would never work. We have proved everyone wrong and we will continue to do so."

Love yourself, love your finances

We will be the first to admit that your personal finances are not the easiest thing to fall in love with. It can be easy to bury your head in the sand when it comes to both your regular expenditure and investments.

There are several reasons for this. First of all, money can be a source of stress. We are sure you are well aware of how crunching big numbers in your head can keep you awake into the small hours of the morning. Also not knowing whether you can afford something you really want can fill your life with uncertainty.

Secondly, some aspects of finance can seem rather boring. To the untrained eye, the daily performance of the FTSE, foreign currency exchange and bond markets can look intimidating. We actually find them incredibly exciting, but we understand that this is not for everyone.

We think the best way to fall in love with your finances is to get a bit creative. It helps to really understand the relationship you already have with money, so you know with what you are dealing. As with a partner, you have to really get to know them before you fall in love. Here are some questions you can ask yourself to break the ice with your finances:

What is the most fun, frivolous thing you have ever bought?

Answering this should help you get a handle on whether you are someone, who likes to splash out from time to time or if you prefer to sacrifice a bit of enjoyment for personal security. If you have made any such purchases, do you consider them to have been worth it or do you find yourself regretting that you had not spent the money a little more practically? The answer to this could provide some guidance, if you have the opportunity to make similar purchases in the future.

Do you take pride in knowing your net worth?

If you take pride in your net worth, it suggests that a large part of your happiness hinges on the money you have accumulated over your life. You are likely to be someone for whom a high salary forms a large part of what you enjoy about your career, rather than someone who would be content working in a job with lower pay.

What's your dream retirement scenario?

Looking at what you want in retirement will let you know how much you need to prioritise saving for retirement. If you plan on living adventurously you will need to save considerably more than if you think you will be happy having a quiet retirement. Trips of a lifetime do not come cheap, so the sooner you start saving and investing, the more you will be able to do.

Like all long-term relationships, your relationship with your finances will not always be easy. Good relationships take work, but the rewards are more than worth it.

Kennedys

Guest Blog: Data – The new business risk

by Alison Loveday
Partner for Kennedys

A common phrase now used in business is that “data is king”, with businesses being encouraged to collect data and spend time and money interpreting it. I wonder why? Is it to provide insights into the business or of customer behaviour and help predict future performance?

The collection of data can, however, create as many negative issues, as it might create positive opportunities, if it is not handled securely and appropriately. According to the 2018 Cost of Data Breach Study, the average cost of a data breach is around **£2.95m**, with an average cost per lost or stolen record of around **£113**.

So what are these costs made up of? As well as significant fines, there are costs associated with reputational damage, customer loss, a fall in share price and the general costs associated with returning to business, as usual.

Small or medium sized enterprises (SMEs) often think they are immune from these costs and risks and that their size means they will not be on the radar of would be hackers and cyber criminals. This is not correct and some of the most high profile recent hacks, resulting in data being leaked, have been found to have occurred via access through the SME supply chain.

Cyber criminals have learnt that it is much easier to gain access to much larger businesses, who may have sophisticated IT systems and protections in place, through their supply chain.

In 2019, it will become increasingly important for businesses to be able to demonstrate what safeguards and controls they have in place and how they manage and protect data. It is anticipated that in the modern fast-paced business world, criminals will take advantage of technological developments for their own ends. This may include the increased use of robots (bots) for data extraction and reporting, which may result in the bot securing unchecked access to critical systems and data. So the potential commencement and proliferation of cyber attacks by bots is something we should all be aware of in the year ahead.

Such attacks are not just limited to private businesses. On 20th December 2018, the Government said that a group known as **APT10** acted on behalf of the Chinese Ministry of State Security to carry out a malicious cyber campaign, targeting intellectual property and commercial data in Europe, Asia and the US. It said that the campaign focused on large scale service providers and warned that the group is continuing to target global companies in a bid to steal business secrets.

The Foreign Office commented that it was clear that in some cases, basic cyber security measures had still not been taken, enabling the cyber intrusion to take place, targeting trade secrets and economies around the world. So it is important for businesses of all sizes to properly assess where the risks are in their business and what steps they can take to protect against cyberattacks. The reality is, no matter what the size of the business, it is a potential target. In the same way that health and safety has been prioritised as a key business risk, business owners need to look at where the exposures lie in their business and what the current cyber risks are. This needs to be done on a very regular basis and the review of these assessments needs to be directed to and undertaken by the Board.

Handling a cyberattack will be something that more and more businesses will have to encounter in the coming months. It is essential that the threat of a cybersecurity attack is built into disaster recovery plans, so that a business can act quickly and effectively in the event of an attack.

This should ensure that the business can demonstrate everything possible has been done to protect data and particularly the private data of clients, customers and staff, which in turn will help minimise any reputational damage at the risk of fines.

Taking these two vital steps will mean that if your business suffers an attack, it will be able to react immediately and put its disaster recovery plan into action, with all of the company's Board and senior management team being clear, as to the steps that need to be taken. Most damage is done in the first twenty four hours and so the ability to react decisively and immediately is critical.

Tax year 2019-20: Changes and reviews of which you need to be aware of

The new tax year begins on 6th April 2019, running to the 5th April 2020. It is often a key date for changes in taxation and general monetary policy. Here is a brief summary of some of the more important changes that will come into force in April, as things stand. Bear in mind, however, that depending on the eventual specifics of our exit from the European Union, the Chancellor has warned that a brand new Budget and, therefore, brand new policy, could be required this spring.

Personal allowance rises

We will all be slightly better off taxation wise in April, when the personal allowance and higher rate of tax boundary both rise. The personal allowance is the amount of income which you are paid untaxed, whilst the higher rate of tax is the amount of income you are able to earn before the higher rate of 40% taxation kicks in. In April the personal allowance will increase from £11,850 to **£12,500**, meaning that £12,500 of your earnings will be free of tax. The higher rate will increase to **£50,000**, from £46,350, giving you an extra £3,650 of annual income taxed at 20% instead of 40%.

Lifetime pension allowance increases

The lifetime pension allowance is the amount of money you are able to draw from a pension without triggering additional taxation. This is set at a relatively high £1,030,000 although it has been higher than this historically. In April, this limit will rise marginally further to **£1,055,000**.

Self-employed pension review

This item is a review, rather than a policy that comes into effect in April, but it has the potential to have an impact further down the line. It is worth highlighting, even at this early stage. The government has been consulting on how to encourage more self-employed people to save more into their pension, with initial findings announced in 2018. Those findings were expected to favour a system, which would see people who are self-employed, enrolled into a pension through the self-assessment tax process but instead have gone down a different route. The review now seems to largely suggest more communication on the matter and looking into using invoicing and payroll software, as the mechanism. In short, it feels a little like the decision here has been kicked down the road for a few years yet.

The future of finance: How will we spend, manage and save money in the future?

Science-Fiction films and books have long promised us revolutionary methods of financial management. From being automatically fined credits for bad behaviour in Demolition Man, to going back to spending pennies, marks and crowns in numerous classic pieces of Science-Fiction literature, creators have often speculated on the future of finance.

The actual financial solutions of the future may not be quite so exciting, but the world of finance is changing at a very fast rate and catching up with perhaps more technologically advanced areas of our lives. Consider the following structures, which we either have seen recently or will see over the coming years.

Apple and Android Pay

The ability to go walletless was mooted some years ago. Now, in metropolitan areas at least, it seems closer to reality. Many big name stores and some smaller vendors are all too happy to let us pay on our mobile phones, making the need to take a wallet out a thing of the past.

The move from cash to plastic

Even if you are yet to adopt paying for goods with your mobile phone it is likely that you use a credit or debit card on a regular basis. Cash now accounts for just 22% of purchases in the UK, with cards being used more than three quarters of the time. Are we heading towards a point where we will be a completely cashless society?

The government's pension portal

The government is hard at work on a universal pension portal, which will pull together a single view of all of the pensions you have accrued during your life and their value at any given point. Whilst this may seem a relatively straightforward idea it is certainly futuristic, when you consider how complicated that task often is for many individuals trying to do just that today!

Future financial products

The ISA is considered a mainstay of the financial landscape, used for simple cash savings and more complex investments alike. Yet, 2019 marks just the 20th birthday of the relatively young financial product. It seems likely that over the next twenty years the ISA will continue to develop and maybe even be overtaken by something so new that no-one has quite got round to inventing it yet.

Planning after retirement: How your plan changes once you have retired

For some of you, this reality will already have arrived. For others it may seem far off into the future.

Your retirement from one career or your retirement from work completely is likely to be one of the biggest changes in your life to date. It is an event for which we will have been carrying out plenty of planning over the years which we have worked together and rightly so. Moving from one career into another or ceasing to do something that will have been your major source of income, is a major step.

It is not typically, however, the end of a planning journey. Financial planning is not concerned solely with what is typically referred to as the accumulation period, where you are saving up money for your future. Proper planning is equally concerned with your period at retirement and the decumulation period, during which you will start to drawdown money from your pensions and other assets, in order to provide yourself with an income or to purchase things and experiences you want to enjoy in later life.

Common discussions at this stage of your planning involve discussing the impact that various levels of spend would have on your finances. If you were to purchase a holiday home or to go on a significant round-the-world trip, for example, what impact would this have on your available finances for the rest of your retirement? How much would you have to live on, month-to-month, for what could be thirty or more years of happy retirement? How are you able to ensure that the money you have saved during accumulation does not completely run out during decumulation? We will consider all of these scenarios and more with you during your post-retirement years, in order to make sure you are able to live worry free, enjoying exactly whatever it is you would like to do in those years.

Another common activity to carry out during this period is considering your estate and the inheritance you want to leave to any children or grandchildren. Planning to organise your estate during this period typically enables you to make sure the majority of your assets go to your family, rather than to the tax man. We will talk you through all of your options and how this is accomplished during this period.

Whatever your personal plans for retirement, it does not and should not mean the end of your structured and sound financial plans. We will be here throughout every period to ensure that you are on the right path to your desired future.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