

The Goodman Partnership LLP
7 Vale Avenue, Tunbridge Wells,
Kent TN1 1DJ

Tel: 01892 500 600
Email: info@goodmanifa.co.uk
www.goodmanifa.co.uk



GOODMAN
Chartered Financial Planners
for retirement & beyond

FINANCIAL SERVICES NEWSLETTER

FEBRUARY 2018

THE MARCH OF THE ROBOTS

Most people's perception of a robot is a replica of a human being on the lines of Star Wars' R2-D2. But the reality is rather different.

Robotics – the name given to this field of development – has been defined as “a branch of engineering which overlaps with electronics, computer science, artificial intelligence, mechatronics, nanotechnology and bioengineering”.

In layman's language, this means taking computer power to a new level to replace or augment human intelligence, using machines to relieve humans of routine, repetitive or dangerous tasks, and enabling them to aspire to more fulfilling and potentially better paid roles.

One recent application in the legal field has been to apply artificial intelligence to analyse the enormous volume of 'Big Data' which might affect the outcome of litigation. Here, the experience to date indicates an 86% level of accuracy compared with 62.3% for humans.

Some investment funds have been set up to capitalise on the business potential of robotics. But are they suitable for the average investor? The risks are high. The major international IT companies cannot provide a pure robotics play, and much of the innovation will come from smaller and newer companies.



For investors brave enough to enter the market, however, the trick will be to find fund managers who are able to identify the need for which robotics could be the solution.

EMPLOYEE SHARE SCHEMES

More than 10,000 UK companies offer share incentive schemes to their employees which benefit from government tax concessions.

There are four types of scheme: Save-As-You-Earn (SAYE); Share Incentive Plans (SIPs); Company Share Option Plans (CSOPs); and Enterprise Management Incentives (EMIs).

SAYE schemes allow employees to invest up to £500 per month over a period of

3 or 4 years. At the end of this period a tax-free bonus or interest is added and the holding can either be drawn in cash or be applied to buy shares in the employer company at a price which is fixed at the outset and can be up to 20% lower than the actual price at that time.

If the option to buy the shares is exercised, the shares can either be retained or sold immediately, and if they are transferred into either an ISA or pension 'wrapper' within 90 days, there will be no capital gains tax to pay when they are sold.

SIP schemes (not to be confused with Self-Invested Personal Pensions, or SIPP), permit employees to invest in shares in their employer company out of their

pre-tax income, so the amount invested is also exempt from National Insurance ('NI') contributions.

In order to qualify, the shares must be held for at least five years; and when they are sold from within the SIP any profit will be free of capital gains tax.

Employers can donate up to £3,600 worth of their shares to each employee's scheme each year. Alternatively, if the employee buys up to £1,800 worth of shares each year out of their pre-tax salary, the employer must contribute twice this value.

Whereas any SAYE and SIP schemes must be offered to all employees, CSOPs need only be offered to selected employees or executives and are usually used as a reward or incentive. Options can be granted to buy up to £30,000 of shares at a fixed price, and if the options are exercised within three years, no income tax of NI will be charged on any profit (though capital gains tax may be payable).

Finally, EMI schemes enable companies with less than £30 million in assets to grant up to £250,000 worth of share options to employees over a three-year period. Any gain will be exempt from income tax and NI charges provided that the shares are bought at their market value (though again CGT may be payable).

EMI schemes are the most recent to be introduced and are more popular than the other schemes. However, in all cases employees need to be aware of the risk of holding too much of their personal wealth in shares in a single company, particularly if their job also depends on the same company.

TRUSTEE'S LIABILITY

It is flattering to be invited to become a trustee of a charity, but the role does entail responsibilities – and potential liability.

Some charities are incorporated, like limited companies, and others are not. In the same way as shareholders in limited companies, trustees of incorporated



charities are not personally responsible for any of the charity's liabilities - unless, that is, they have been involved in any irregularities.

The same freedom from liability does not apply to trustees of unincorporated charities and partners in traditional partnerships, who are liable personally for any outstanding liabilities, though charity trustees can use the assets of the charity before dipping into their own pockets.

Trustees of unincorporated charities who are concerned at this prospect could with appropriate legal advice convert their charity to incorporated status, but before doing so they should check to see what insurance policies the charity might have in place.

Investments made by a charity could be a potential source of risk, and in this respect legislation in both England and Scotland requires that trustees must obtain "proper advice" if they themselves do not possess the necessary expertise. The investments

must also be suitable for the requirements of the trust and diversified between different types of investment, notably shares and government and corporate bonds, property and cash.

The tax efficiency of investments is another consideration, and in this respect advice will be required from an IFA as to the most appropriate "tax-wrapper" in which the investments should be held.

THE PERILS OF DIY INVESTMENT

The Financial Times reports:

"Private investors were among those hardest hit by the collapse of Carillion after piling into the outsourcer in recent months.

Many of the largest shareholders of Carillion when it folded were stockbroking services used by retail investors to buy and sell shares. In contrast, big fund houses including Standard Life Aberdeen sold down their positions after the profit warning last July".