

April 2019

The overblown importance of politicians



By **Nick Matthews**
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What was one of the most divisive affairs in recent UK history has developed into one of the most unsatisfactory of negotiations. But have a look at how we have got here and think about what it might mean for the future, perhaps of liberal democracy.

Of the approx 46.5m people who could have voted:

- about 38% voted leave
- about 35% voted stay
- about 27% didn't vote at all.

A completely split outcome. Then compare this to voting in the last election:

- about 30% voted Conservative
- about 27% voted Labour
- the rest was about 12%
- and about 31% didn't vote.

Two things spring to my mind, firstly is the large amount of people who do not vote, even in the Brexit referendum which was supposed to be more inclusive with a straightforward choice of Yes or No.

The second is why would we expect another vote to be different? Isn't it likely to have the same apathetic response as in recent years and if so, how can anyone tell what the voice of the people wants or is saying? We aren't going to get a clear direction that way. Even the furore around the leadership of Jeremy Corbyn has ebbed away.

The choices are narrowing, either we have a No Deal exit, seemingly closer despite Parliament not wanting it, we stay in, perhaps through a long transition if not outright cancellation of the whole thing, or we have a compromise. But compromise is difficult for people who are so entrenched that they cannot understand any positive aspect of a view different to their own.

Our view

It is all hugely overblown, arguments on both sides have become ever more parochial. Yet Mervyn King, ex-Governor of the Bank of England, had an amazingly clear-eyed interview recently. In it he reminded us that there is no evidence that leaving the EU will cause economic damage to the UK economy. Since we voted in 2016, we have added jobs, we have an economy growing a bit quicker than Germany's and more bizarrely to those predicting an economic crisis, the value of sterling has done rather well. It has pretty much the same value as when King left the Bank in 2013.

Arguments are being made for political and cultural reasons. Many of them valid, is the EU a club you wanted to belong to, or one to keep away from given all of their internal issues. That is a reasonable debate, but it is

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way out of kilter and the failure to compromise and reach a decision all the more disappointing.

Remember, whatever happens, Brexit simply isn't the most important issue in the world today. The global economy, and through it the value of your investments, is much more in the hands of Central Bankers, particular in the US, and with China as the driving force.

There are deflationary pressures, thus the next move in interest rates is more likely to be downward. We are in the unenviable position that efforts to raise rates will

lead to a crushing of the economy, recession and destruction of wealth and confidence. Politicians and bankers won't allow it.

We are where we are and it seems to us that we are likely to remain in this place for the next two decades. So, get used to low interest rates and low inflation (if you aren't already after ten years).

In the end demographic changes mean things will change, but global population doesn't peak until 2035, and a new paradigm is ushered in.

Researchers have discovered the heaviest element yet known to science



The new element, Governmentium (symbol=Gv), has one neutron, 25 assistant neutrons, 88 deputy neutrons and 198 assistant deputy neutrons, giving it an atomic mass of 312.

These 312 particles are held together by forces called morons, which are surrounded by vast quantities of lepton-like particles called pillocks.

Since Governmentium has no electrons, it is inert. However, it can be detected, because it impedes every reaction with which it comes into contact.

A tiny amount of Governmentium can cause a reaction that would normally take less than a second, to take from 4 days to 4 years to complete.

Governmentium has a normal half-life of 2 to 6 years. It does not decay, but instead undergoes a reorganisation in which a portion of the assistant neutrons and deputy neutrons exchange places.

In fact, Governmentium's mass will actually increase over time, since each reorganisation will cause more morons to become neutrons, forming isodopes.

This characteristic of moron promotion leads some scientists to believe that Governmentium is formed whenever morons reach a critical concentration.

This hypothetical quantity is referred to as a critical morass. When catalysed with money, Governmentium becomes Administratium (symbol=Ad), an element that radiates just as much energy as Governmentium, since it has half as many pillocks but twice as many morons.

Come to a concert!



KMG has recently begun sponsoring English Arts Chorale - an outstanding local choir whose concerts come highly recommended by Patrick.

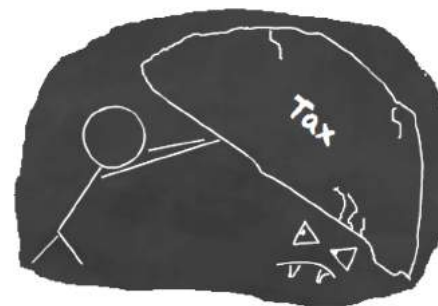
The next concert is on Saturday, 6th April at 7:30pm at

St Mary's Church in Reigate, Surrey where they will be performing Handel's Messiah. There are a few spaces remaining, please contact us if you are interested in tickets. <http://englisharts.org/>

Excess income and HMRC complaint



By **Jenna Duffett**
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Some of our clients will be aware of an issue we found last autumn regarding income and how tax is reported on some of your offshore funds.

At the end of the tax year your platform will send you a report of all interest and dividends that you have received on your investment account. This information is then used to complete your tax return.

What has not been made clear by the fund manager is that for the offshore funds and exchange traded funds (ETF) there is a further source of income undisclosed in the normal manner. At KMG we use these funds in the portfolio for lower-cost reasons as they are used to track an index rather than investing in a fund manager in a sector,

At the end of the financial year, (which for a fund can fall at any time in the calendar year), the fund provider reviews all earnings within the fund. Where the level of earnings is greater than the amount paid to an investor, an excess income is declared. Now this income is not physically paid to you but is annotated within the pricing of the fund itself; so, the fund price is enhanced on your behalf.

What has not been made clear by regulators or the fund manager is that the declaration of this income can simply be notified by the fund provider on their website via a statement. As the income is not physically paid to an investor, the fund manager is not required to write directly to you to notify you of the event, and nor do they need to advise the platform that administers your funds. And so many thousands of investors received this nominal income and were not even aware of it! But as you are deemed to have had the benefit of this income, you are required to declare the amount on your tax return and pay tax accordingly.

KMG notified all clients who were affected by this and advised that we were complaining to the regulator and HMRC about this. The FCA advised that they were not responsible for advising how tax events should be notified and referred us to HMRC.

HMRC finally responded to say that they acknowledge that the declaration can be made via the website, and we could ask the provider to notify us in the future of events relating specifically to you. We know that this will not be agreed to by the fund-houses and so, as we expected, neither the FCA nor HMRC are taking responsibility for poor regulation. In fact, they did not even acknowledge why this process was put into place.

All we can add to this is that at least we know what we need to know and in all future years KMG will be exercising vigilance on all funds that are based offshore to ensure we have all the information you need in a timely manner. It is at times like this that we are greatly disappointed by those responsible for the regulation of financial markets.

FCA confirms increase to Financial Ombudsman limit



By **Christine Norcross**
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The Financial Ombudsman is there for anyone who is unhappy with something a financial business has done.

The Ombudsman award limits have now increased; This amount is the maximum amount that they can require a financial services firm to pay if a complaint is upheld.

From 1st April 2019 the Financial Ombudsman Limit will increase from £150,000 to £350,000 for complaints

about acts or omissions by firms on or after 1st April 2019.

For complaints of act or omissions by firms referred to the Ombudsman AFTER the 1st April 2019 that occurred before that date the award will be £160,000.

In addition these awards limits will be automatically adjusted each year in line with inflation, as measured by the Consumer Price Index (CPI). You can contact the Ombudsman service on 0800 0234567.

KMG is growing – and it's not just Lucy having another baby!

For any clients who have visited us recently you may have noticed that our numbers are increasing. Having just had our photo taken for the website we realised just how much we have grown in the last 18 months.



From left to right (top row):

Matt Harding, Katie Wirtz-Whitehead, Sam O'Connor June Tripp, Nick Matthews, Sarah Hounslow, Patrick McIntosh, Jenna Duffett, Suzan Harding, Steve George, Anne Leach, Gemma Barker, Julie Keen, Matt Phillips & Matthew Ellis-Somerville.

Seated: Lisa Jones, Lucy D'Souza, Lynn Hawkins, Nicky Louth, Christine Norcross & Kate Greenwood.

We are thrilled to welcome the new members to the team and it just goes to show Brexit that growth is still out there!

Eco steering



By **June Tripp**
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KMG are busy working towards obtaining an IOS (International Organisation for Standardisation) certificate.

We are very passionate about our environment and have formed a team to come up with some great ideas that as a

company, can reduce the amount of waste we produce and use by recycling more and using recycled products.

- ◇ thanks to Sarah, we have saved on plastic milk cartons by ordering milk from the local milkman using reusable glass bottles; and saved on plastic bags by ordering fresh fruit from the local greengrocer, and when collected, is in a cardboard crate which can be recycled. Sarah uses them as garden planters for salad crops
- ◇ we use LED and energy efficient lightbulbs in the office which also last longer than incandescent bulbs
- ◇ industry magazines flooded our office every week. Thanks to Anne who took on the huge task of reducing the amount we were receiving saving paper, plastic coverings and delivery costs
- ◇ food scraps are recycled every day into compost
- ◇ the team are now working from home once a week in order to reduce car pollution and fuel consumption. Car sharing is in progress, as well as two of our team members riding their bikes to and from work.

This is a very exciting project with the full support of the KMG team, the more ideas we come up with will help us to look after our environment, reduce waste, re-use and recycle as much as possible. Our green credentials are well-established as KMG's office has used recycled water and generated solar powered electricity for years.

Dates for your diary

Plans are underway for our annual autumn seminars which will be taking place on the following dates:

Wednesday 8th October at Denbies Wine Estate, Dorking and **Friday, 11th October** at the National Liberal Club, London. Invitations will follow in due course.