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INVESTMENT
MANAGEMENT LTD
NEWSLETTER

April 2020

It's plain sailing...

Covid 19 – Scams – People need to be vigilant

As if the presence of the Covid 19 virus isn't bad enough, without the emergence of unscrupulous criminals targeting people to scam them out their money. Scammers have been around for years but they are cashing in on coronavirus and with the country on lockdown, the number of cases are increasing.

Many of us are now staying at home either in self isolation, or because we are set up to carrying on with our jobs remotely. However, this is the perfect situation which allows scammers to target a wider audience.

The coronavirus has created a new danger — phishing attacks looking to exploit public fears about the sometimes-deadly virus.

How does it work? Cybercriminals send emails claiming to be from legitimate organisations with information about the coronavirus. The email messages might ask you to open an attachment to see the latest statistics or other information. If you click on the attachment or embedded link, you're likely to download malicious software onto your device. The malicious software, malware, for short — could allow cybercriminals to take control of your computer, log your keystrokes, or access your personal information and financial data, which could lead to identity theft.

The Coronavirus has affected the lives of millions of people around the world and it's impossible to predict its long-term impact but it is possible to take steps to help protect yourself against coronavirus related scams.

Here's some information that can help.

- How do I spot a coronavirus phishing email?
- How do I avoid scammers and fake ads?
- Tips for recognizing and avoiding phishing emails
- Where can I find legitimate information about the coronavirus?

How do I spot a coronavirus phishing email?
Here are some ways to recognize and avoid coronavirus-themed phishing emails. Like other types of phishing emails, the email messages usually try to lure you into clicking on a link or providing personal information that can be used to commit fraud or identity theft. Here's some tips to avoid getting tricked.

- **Beware of online requests for personal information.** A coronavirus-themed email that seeks personal information like your National Insurance number, or login information is a phishing scam. Legitimate government departments won't ask for that information. Never respond to the email with your personal data.

- **Check the email address or link.** You can inspect a link by hovering your mouse button over the URL to see where it leads. Sometimes, it's obvious the web address is not legitimate. But keep in mind phishers can create links that closely resemble legitimate addresses. Delete the email.

- **Watch for spelling and grammatical mistakes.** If an email includes spelling, punctuation, and grammar errors, it's likely a sign you've received a phishing email. Delete it.

- **Look for generic greetings.** Phishing emails are unlikely to use your name. Greetings like "Dear sir or madam" signal an email is not legitimate.

- **Avoid emails that insist you act now.** Phishing emails often try to create a sense of urgency or demand immediate action. The goal is to get you to click on a link and provide personal information — right now. Instead, delete it.

- Scammers have posted ads that claim to offer treatment or cures for the coronavirus. The ads often try to create a sense of urgency — for instance, "Buy now, limited supply." At least two bad things could happen if you respond to the ads. One, you might click on an ad and download malware onto your device. Two, you might buy the medical product and receive something useless, or nothing at all. Meanwhile, you may have shared personal information such as your name, address, and credit card number. Bottom line? It's best to avoid any ads seeking to capitalise on the coronavirus.

Where can I find legitimate information about the coronavirus?
It is better to go directly to reliable sources for information about the coronavirus and here are a few of the best places to find answers to your questions about the coronavirus

- www.gov.uk
- www.nhs.uk
- www.hse.gov.uk
- 111.nhs.uk

- **Refund scams.** Companies offering fake holiday refunds for individuals who have been forced to cancel their trips. People looking for refunds should also be wary of fake websites set up to claim holiday refunds.

- **Counterfeit goods.** Fake sanitisers, face masks and Covid19 swabbing kits sold online and door-to-door. These products can often be dangerous and unsafe. There are reports of some potentially harmful hand sanitiser containing glutaral (or glutaraldehyde), which was banned for human use in 2014.

- **Telephone scams**. As more people self-isolate at home there is an increasing risk that telephone scams will also rise, including criminals claiming to be your bank, mortgage lender or utility company. Remember, the police or your bank will never ask you to transfer money from your account or move it to another 'safe' account.

- **Donation scams.** There have been reports of thieves extorting money from consumers by claiming they are collecting donations for a COVID-19 'vaccine'.

Covid 19 – Scams – People need to be vigilant cont....

- **Loan sharks**. Illegal money lenders are expected to prey on people's financial hardship, lending money before charging extortionate interest rates and fees through threats and violence

- **Doorstep Crime** Criminals are targeting older or vulnerable people on their doorstep by offering to do their shopping or run errands. Thieves take the money and do not return.
- Doorstep cleansing services claiming to be from the Health Authorities are offering to clean drives and doorways to kill bacteria and help prevent the spread of the virus. They take the money up front and don't finish or even start the job.
- Police are warning people to not let anyone into their homes, who are claiming to be testing for the Coronavirus.

Part of a recent statement from the Crown Prosecution Service summarised the situation and offered these warnings:

"Criminals are targeting people looking to buy medical supplies online, sending emails offering fake medical support and scamming people who may be vulnerable or increasingly isolated at home. These frauds try to lure you in with offers that look too good to be true, such as high return investments and 'healthcare opportunities', or make appeals for you to support bogus charities or those who are ill.

Reports from the public have already included online shopping scams where people have ordered protective face masks, hand sanitiser, and other products, which have never arrived and a number of cases have been identified where fake testing kits have been offered for sale.

Criminals are also using Government branding to try to trick people, including reports of using HMRC branding to make spurious offers of financial support through unsolicited emails, phone calls and text messages.

This situation is likely to continue, with criminals looking to exploit further consequences of the pandemic, such as exploiting financial concerns to ask for upfront fees for bogus loans, offering high-return investment scams, or targeting pensions.

Huge increases in the number of people working remotely mean that significantly more people will be vulnerable to computer service fraud where criminals will try and convince you to provide access to your computer or divulge your logon details and passwords. It is also anticipated that there will be a surge in phishing scams or calls claiming to be from government departments offering grants, tax rebates, or compensation."

It is a shame that whilst hundreds of thousands of people are volunteering to help, and local communities are all pulling together at this difficult time, there are still heartless and contemptable criminals happy taking advantage of the public, including the elderly and most vulnerable just to line their own pockets.

It is, however, heartwarming to see that neighbours are happy to help each other and If you spot anything suspicious, report it to the police or Action Fraud, alternatively speak to someone for advice, at the Citizens Advice Consumer Service."

We urge everyone to be on their guard for possible COVID-19 scams and to look out for vulnerable family members, friends and neighbours who may become a target for fraudsters.

Changes at the start of a new tax year

As a new tax year starts, during one of the most unprecedented times most of us will have seen, here are some new changes that you may not be aware of:

You may see a reduction in your tax bill
Our national insurance contribution levels are due to rise from £8,632 to £9,516, meaning about 31 million of us should see a tax cut worth more than £100 from April depending if you're an employee or self employed. Eventually the Government are looking to increase this threshold in line with the personal tax allowance of £12,500 which could see us saving up to £500 a year, but this will be a little way off just yet.

The state pension has gone up by 3.9%
Applicable to those on the new state pension (if you reached state pension age after 6th April 2016), you will see a boost of £343.20 a year, bringing the full state pension up to £9110.40 per year, from £8767.20. If you receive the basic state pension (so pension age was prior to 6th April 2016), you will also receive an increase of £262.60 a year, bringing your annual income to £6981.

Despite the above increases, some state pensions will reduce
This is due to the adult dependency increase (ADI) gradually being phased out since 2010. From this month, it will no longer exist which will mean some pensioners will lose around £3500 per year, impacting more than 11,000 pensioners.

The pension lifetime allowance has risen
This is the maximum amount you can save into a pension without paying tax charges. Increases in inflation means this allowance will now be £1,073,000 from £1,055,000. Please remember that if you exceed this allowance you will be taxed at 55% if you withdraw the money as a lump sum, or 25% if you use it as income.

Inheritance tax (IHT) levels on property has reduced
This tax is payable at 40%, when the estate of someone who's passed away exceeds £325,000 (or £650,000 for married couples), termed as the nil-rate band. The Government brought in a higher nil-rate band in 2017, where direct descendants benefitted from a higher threshold each year until the 2020-21 tax year where the final increase of £175,000 means couples can leave property of up to £1 million before any IHT is levied.

However on estates worth over £2 million, homeowners will lose the allowance by £1 for every £2 they exceed this limit.

New capital gains tax (CGT) rules apply for second home owners
CGT is applied on any profits gained through selling a property that is not your main home (currently 18% for basic rate tax payer or 28% for higher rate payer). The length of time you will have to pay your CGT bill has changed to 30 days after the completion of the sale. In addition, if you used to live in the property prior to renting it out, you could claim lettings relief of up to £40,000 against any capital gain; this has now been abolished unless you let part of the property whilst still living in it.

Market Report

April 2020

Global Review

The first quarter of 2020 was not one that many would have predicted as global equity markets, seemingly oblivious to the crisis unfolding in China, continued to climb in the early weeks. However, the air of optimism was quickly blown away by the global spread of the Coronavirus, precipitating the sharpest sell-off in financial markets ever recorded.

What started as a China-centric problem quickly snowballed into a global pandemic, with the number of cases in Italy, Spain and the rest of Europe surpassing that of China early last month.

The US has rapidly become the worst affected nation with New York State alone accounting for almost 140,000 of the 400,000 currently confirmed cases across the country. From a human perspective the exponential rise of infections and deaths across the globe is deeply distressing, and the inability to leave the house unless for essential reasons is a frustrating reality with obvious economic repercussions.

By the end of the first quarter the UK equity market had posted its worst fall since the events of Black Monday in 1987 whilst the US Dow Jones Industrial Index had suffered the heaviest decline in its history. The sell-off was particularly widespread with few safe havens as investors fled to cash. Traditionally defensive assets such as government bonds were not immune with investors selling what they could in an otherwise very light trading environment.

Calm returned to financial markets as once again central banks worldwide promised to inject unprecedented levels of liquidity into the economy. The fiscal and monetary measures introduced in the US, UK and Europe surpassed even those introduced following the Great Financial Crisis with further measures expected in order to prevent a prolonged economic recession.

Confidence should also return as knowledge of Covid-19 improves with data from Asia suggesting the region is beginning to effectively control the virus.

UK

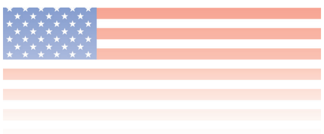
The UK government has unveiled a series of measures designed to cushion the economic impact of the coronavirus. In his first budget Rishi Sunak, Chancellor of the Exchequer, announced an additional £12bn of new spending to support businesses on top of the £18bn already promised.

There was also a pledge to provide "millions or billions" to support the NHS. This was quickly followed by a £350 billion stimulus package providing a loan facility and rates holiday for businesses, with grants for the most heavily affected sectors.

But perhaps the most radical measure was a policy to cover 80% of wages for workers whose jobs are at risk in order to combat mass unemployment.

Businesses have also been granted a three-month holiday from VAT payments.

US



US unemployment claims doubled in the last week of March having set a new record high seven days earlier as lockdowns were rolled out across the US in response to the coronavirus. The US Federal Reserve initially responded by slashing interest rates to near zero and launching a $700 billion bond buying program that quickly became an "unlimited" plan as news deteriorated.

In the following week the US Congress also agreed a $2 trillion stimulus package that included direct payments of $1,200 to taxpayers earning up to $75,000 per annum plus $500 per child, a substantial expansion of unemployment benefits and cash injections for businesses hit by the coronavirus.

The overwhelming response dwarfed the $800 billion package announced in response to the Global Financial Crisis.

Europe

According to the World Health Organisation, the United States, Spain, Italy and Germany now have a higher number of confirmed Coronavirus cases than China, with France about to become the fifth.

With the Eurozone's largest economies at risk, the European Central Bank were slow to respond, waiting for the combined announcements of the major central banks in mid-March to act decisively.

After comments from President Christine Lagarde initially brought into question the ECBs support of the bond market, the Bank announced a €750 billion expansion of its asset purchase program over the remainder of the year.

However, the fiscal response has been underwhelming and the lack of a unified approach to the crisis across the region once again threatens to jeopardize the Eurozone.

Japan

Prime Minister Shinzo Abe has only recently declared a state of emergency across much of Japan after a sudden surge in the number of coronavirus cases in the country's capital.

The number of infections in Tokyo has doubled to more than 1,000 in the last week. To date Japan has failed to enforce social distancing and implement widespread testing for the virus, but encouraged the use of face masks and stricter hygiene measures. However, there has been doubt over the official number of infections that stand at less than 5,000 for the country as a whole after nearly one million Chinese travellers visited the country in January. The government has also announced a near $1 trillion stimulus package, equal to 20% of Japan's economic output.

Asia

The Chinese authorities identified the new coronavirus in early January and by the end of the month there were nearly 10,000 confirmed cases with only 100 detected internationally.

Three months later, in the first week of April, the country recorded no new deaths from Covid-19 for the first time. It is believed that China is ahead of Europe by approximately four to six weeks and although the lockdown measures introduced in the West were perhaps not as severe, there is some room for optimism. With infection rates now declining in both Italy and Spain there is growing confidence that the measures taken to control the spread of the virus are beginning to take effect.

Buy to Let - Is it time to go back in?

Over the last couple of decades, we have seen some dramatic changes in the Buy to Let market with more than a million homes being acquired in 2008 alone with a Buy to Let mortgage, and in 2013 there was more than £20bn loaned to potential landlords.

However, Landlords were then branded 'greedy' with rip off charges and they were accused of driving first time buyers out of the market. But the tide started to turn with the then Chancellor, George Osborne, introducing a series of measures. No longer were "Buy to Letters" allowed to deduct mortgage interest from the rent they received, unless they put their properties into a company. They also faced an extra 3% on stamp duty and in addition to this, there was a whole range of new regulations including banning letting fees, and a tightening of the rules on deposits. The result of these measures was to make it harder and less profitable to be a small, private landlord.

This government policy unlike many others, seemed to have worked and the number of private landlords started to fall. However, there are genuine reasons why we need more rented properties. For a start we have more students now with an increase from 1.1million in 2000, to 1.9 million this year and the majority of them rent. Immigration has increased and is running at more than 200,000 people a year and again they are looking to rent. With a more flexible workforce of people moving around the country to work, it isn't surprising the demand for rented accommodation is on the increase, whilst at the same time, with landlords quitting the market the cost of renting has been increasing. Last year, the rise in rental costs went up by 3.9%.

Building more social housing should help relieve the shortage of homes and make property a bit more affordable, but regulations will need to be loosened before this is likely to happen. In the meantime, however, there is a shortage of homes for rent and all those small landlords offering private rentals were delivering a genuine service. While the Buy to Let market is seemingly not as favourable as it used to be, there are still opportunities out there, providing a more positive environment for Buy to Let growth for some investors who may wish to diversify their portfolio.

However, you need to be aware that if you sell a Buy to Let property, you may be liable for Capital Gains Tax (CGT) on profits made after CGT allowances are taken into account. It is also worth remembering that on April 2020, new CGT rules are set to take effect, and the changes will impact most sales of additional properties in the UK and Landlords and property investors are expected to be impacted by them.

The changes coming in will affect the time you have to pay your capital gains tax bill, the amount of tax relief you can claim if you previously lived in the property, and how letting relief will work.

There will be tighter payment deadlines. Capital Gains Tax on property is currently paid through your self-assessment tax return, it normally doesn't need to be paid until the following tax year, therefore, a property sale that incurs CGT in the 2018/2019 tax year doesn't need to be declared and paid until 31 January 2020.

However, from April 2020, sellers will need to pay the full amount owed within 30 days of the completion of the sale. While the cost will be the same (provided rates don't change), the new time frame will need to be factored in by landlords and property investors selling for profit, as failure to pay within the 30-day limit will lead to penalties. Current CGT rates on property for 2019-2020 are 18% for basic rate taxpayers (£12,001-£50,000) and 28% for higher rate taxpayers (£50,001+).

All investments come with risk, so it can make sense to spread that risk and if you've already invested in pensions, bonds and shares, buy-to-let property could be a useful diversification for some investors.

We have specialists here at Birchwood who are able to assist you with any Residential or Buy to Let mortgage enquiries so you get the right advice for your circumstances.

Homeschool the value of money

As schools have closed (at time of writing) and parents continue to homeschool their children, for many households these are worrying times with wages cut, business struggling and the need to try and work and look after little ones at the same time.

It can be difficult teaching youngsters the value of money, when they don't really understand how much running a house can cost so it could be a great time to introduce the basics of financial education so, depending on their ages, they can gently start to understand how money works.

For example you could ask them to help you with the grocery list, especially if you shop online with the current restrictions. You can set a budget to work towards and ask them to look at planning meals ahead so they track how much they spend; this also helps teach them about waste, and the importance of only purchasing items that are truly needed.

If your children or grandchildren are young, help them count money (coins and notes) in order of value, which in turn will help towards solving mathematical questions. Ask them to work out change from certain transactions, with the money they have in front of them and even food from the cupboard or items around the house to help them see physical examples.

Now more than ever we are seeing the importance of having savings put by. Although we hope there will never be a repeat of a pandemic in our lifetimes, it's clear that having money to fall back on relieves both financial pressure and mental health. Children may not naturally find it easy to understand why they can't have a specific item immediately, but by using the current lockdown situation – gently and without causing fear – you can discuss reasons why it's good for them to form saving habits. For example if they get pocket money, they can save some each week or month; if they have a mobile phone show them how money saving apps can work with a view to opening a junior ISA where they can track their own savings as they get older.

It's also useful to help children analyse why they really "need" an item. Teaching them the differences between necessities, like food and heating etc, through to branded clothing versus non-branded clothing. There are several psychological reasons behind our financial behaviour that can be explored at a young age, to help instil a positive relationship with money early on.

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Birchwood Investment Management Ltd, 8 Prospect Place • Welwyn • Hertfordshire AL6 9EN • UK
Tel: 01438 840 888 (Welwyn) • 0161 932 1038 (Manchester) • **Fax:** 01438 840 097 • **Email:** info@birchwoodinvestment.com

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