

The Beaufort Letter

Helping High Net Worth Members to Build, Protect and Transfer Their Wealth

By Graham Rowan

Lockdown Special March 2021

Forget Lockdown - It's Time To Join The Revolution...

Everyone I speak to says the same thing – Lockdown 3.0 has been the toughest of all. We kind of understand the rationale behind the restrictions but we're just plain weary of it all. It's hard to give much credence to Boris's 'one-way road to freedom' given all the twists and turns on the Covid journey thus far.

If there is a benefit to be gleaned from the strangest year most of us have experienced it's this – time to reflect on life while things are moving at a slower pace. I've managed to get on top of loads of 'life admin' stuff that never used to make it high enough up the priority list.

It's also been a great time for revisiting where you are in life today and, potentially, making big changes about where you want to go with the rest of your life. For me that means some careful thinking about where Daphne and I want to live, the kind of businesses we want to own and the way we want to structure our investment portfolio.

Perhaps the strongest desire that's been re-awakened in me is my mission to help with financial education as we head deeper into what I'm calling the *Age of Uncertainty*. This in turn has led me to launch the **Renegade Investor Academy** with weekly videos on my Youtube channel – if you search Graham Rowan on Youtube you can subscribe for free.

The next step is the second intake of 'Renegades' to my new *Renegade Investor Revolution* launching on Wednesday 7th April at 6:00pm. That evening I'm running a free webinar that you can register for at <https://www.renegadeinvestoracademy.com/> during which I will explain **The 3 Big Risks To Investors in the 2020s** and how we can address them. It's one of the most in-depth broadcasts I've ever done so I very much hope you can join me on the evening of Wednesday 7th April. The 'revolution' is based on three guiding principles:

- **Financial independence**
- **Personal freedom**
- **A global perspective**

During the webinar I will explain:

- **The 3 big risks we face in the 2020s that many won't see coming**
- **The 7 megatrends of the 2020s that we can invest into**
- **The 3 steps to financial independence based on my own 20 year journey**

We are promoting the live event widely across social media so we're expecting a few hundred people to join us on the night. I'm hoping to squeeze in a brief Q&A session so do contact me on graham@beaufortsociety.com if there's a question you'd like to see covered. Meanwhile please head across to <https://www.renegadeinvestoracademy.com/> and register for the event. Forewarned is forearmed so use this information to influence your own Lockdown thinking and make sure you're on the right side of history in these strangest

of all times. We often hear the first part of Charles Dickens introduction to A Tale of Two Cities but let me share it in full as the perfect scene setter for the *Renegade Investor Revolution*:

'It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair.'

We are living in such an age and there will be two outcomes. For many, who refuse to take note of what's going on around them, sadly this will become an age of foolishness, darkness and despair. But for the few who are willing to study, to learn the old lessons of history and be broad minded enough to take on board the new opportunities of the twenty-first century, this will be a time of unprecedented success, prosperity and fulfilment.

Tax Mitigation in the 2020s

Generally it is not a good idea to let the tax tail wag the investment dog.

However, we are living through a unique time which almost certainly means that we can expect significant increases in taxation on those regarded as 'wealthy':

- There is strong political will that the 'wealthy' need to pay their 'fair share'
- There is serious talk of a 'one-off' wealth tax of as much as 5% on net assets above £500,000 payable over five years. (Note that income tax was originally a one-off measure and note Milton Friedman's well known comment that 'there is nothing so permanent as a temporary government measure').
- There has been more than one report advising the Chancellor to align income tax and capital gains tax which could mean up to 45% of any investment gains disappearing to the Treasury

While Beaufort Society cannot give tax advice any more than we can give investment advice, there are some general principles relevant to those who are UK tax resident that we can point out which may be worthy of discussion with whoever you turn to for tax guidance.

The Enterprise Investment Scheme

This offers significant tax breaks for investing in early stage companies including:

- ✓ 30% offset against income tax in the current and previous tax year so a £100,000 investment only costs you £70,000
- ✓ The investment becomes free of inheritance tax if held for 2 years
- ✓ The investment becomes free of capital gains tax if held for 3 years
- ✓ In the event of a loss there is further loss relief claimable so you have unlimited upside combined with limited downside

Such investments are best made with liquid cash funds rather than pension funds as investment gains in your pension would already attract tax relief (except for income tax when you eventually start to draw down your pension funds).

Opportunities within the EIS scheme should be viewed as private equity with a medium to long term time frame to achieve significant capital gains. They are less likely to pay dividends so would be of less interest to those focused on regular income.

A Small Self Administered Scheme Pension (SSAS)

If you own a limited company you can set up a SSAS pension relatively cheaply and make contributions from the trading business as well as transferring in funds from any other pensions you may have such as SIPPs. We can introduce you to our own SSAS provider if this would be helpful. The SSAS gives you more personal control and allows a wider range of investments because it is an unregulated pension. It also allows some financial engineering such as sheltering profits from the trading business from corporation tax and making loans to the business or third parties to earn interest on pension funds.

Income and capital gains from SSAS investments will accumulate tax free within the pension. Once you start to draw down your pension fund then 25% can currently be taken tax free and the rest is taxed at then prevailing income tax rates.

Under current legislation these funds cannot be accessed until the age of 55 (likely to be raised to 57 soon) so your investment time horizon needs to take this into account.

Food for thought.

The Hidden Inflation Eating Away At Your Wealth

People often ask why we've not seen massive consumer price inflation despite all the money printing and quantitative easing that began in 2008 and was turned up to warp speed in response to the pandemic. The answer is that we have seen enormous inflation in asset prices while certain prices in the shops have also increased due to supply shortages. But the hidden inflation has been in the money supply – if all else remains the same but there are 15% or even 20% more pounds and dollars in circulation then your purchasing power has been diminished by all that extra currency. That's why Michael Saylor put all his company treasury funds, \$450 million worth, into Bitcoin because that can't be debased by over supply. His view was that he would have needed a 15% return in dollar terms just to stand still, and with no dollar based investment offering that return he was forced to look for another asset class to protect the purchasing power of his funds. Obviously, on a day to day basis Bitcoin is massively more volatile than the \$US – indeed on the day I write this the crypto currency is down by 20% after a strong bull run – but he is taking a 10 year view that is also clearly shared by Elon Musk.

Whatever your thoughts on Bitcoin, be aware of the high price of staying in cash versus investing in assets that offer growth, income or a mix of the two.

The Beaufort Society Investment Portfolio

This is available only to sophisticated and high net worth investors who have applied to become full members of The Beaufort Society. You can apply at <https://beaufortsociety.com/join-beaufort-society/>

Final Word

I hope you're enjoying the mix of content we provide to Beaufort Society members. We've already passed the 100th episode of **Money Minute** on Youtube and are seeing growing subscriber and viewer numbers on *Renegade Investor Academy*. We've also managed to curate what I hope you'll agree is an interesting mix of investments offering either regular income at levels unavailable in the wider market or exceptional capital gains opportunities backed by some of the most generous tax breaks on the planet. The one missing ingredient is our live events which realistically we expect to reinstate in the autumn. With holiday bookings up 500% since Boris announced his roadmap I don't think you'll be around in the summer as we all head for anywhere other than home.

Stay well and I hope you can join me on the evening of April 7th for the nearest thing we can offer to a live event in the first half of 2021.

Graham

P.S. Here's the link to register for the Renegade Investor Revolution webinar:

<https://www.renegadeinvestoracademy.com/>

PLEASE White-List Our Emails As Many Are Not Getting Through!

Graham Rowan – graham@beaufortsociety.com

Simon Walker – simon@beaufortsociety.com

Paul Kingston – paul@beaufortsociety.com

Tel: 0203 873 2435

Web: www.beaufortsociety.com

Email: help@beaufortsociety.com

DISCLAIMER

Beaufort Investor Club Limited trading as The Beaufort Society is not authorised or regulated by the Financial Conduct Authority (FCA).

Beaufort Investor Club Limited does not provide any financial or investment advice. We can provide a referral to a regulated advisor who will offer appropriate advice, or to the company offering an investment who will determine your suitability for the investment prior to any offer being made. We strongly recommend that you seek appropriate professional advice before entering into any contract. The value of any investments can go down as well as up and you might not get back what you put in. You may have difficulty selling any investment at a reasonable price and in some circumstances it might be difficult to sell at any price. Do not invest unless you have carefully thought about whether you can afford it and whether it is right for you and if necessary consult with a professional adviser in accordance with the Financial Services and Markets Act 2000. These products are not regulated by the FCA or covered by the Financial Services Compensation Scheme and you will not have access to the financial ombudsman service. Information is provided as a guide only, is subject to change without prior notice and doesn't constitute an offer of investment. Some investments may be restricted to persons who are high net worth, sophisticated or professional investors or who take independent advice from an authorised independent financial advisor.