

deVere urges UK investors to look at global markets

Following the Conservative Party's effective majority during the recent elections in the United Kingdom, investors should now start to think more globally.



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This is according to deVere Group founder and chief executive, Nigel Green, who also urged the Conservatives to be bolder with taxation policy - and to leave pensions alone.

Prior to the election campaign Conservative Party leader and incumbent Prime Minister, David Cameron, had announced a further reduction to the lifetime allowance for UK pension tax relief in the 2015 Budget. "I suspect David Cameron's slender majority in the Commons will be met with an immediate sigh of relief by investors," said Green. "However, this might be the calm before the storm."

He warned of the possible repercussions of the Conservatives' stance on the European Union. "The prospect of an in-out referendum of Britain's EU membership has gone from risk to a reality with the Conservatives' victory. Since this is likely to take place in several years' time, this could lead to numerous years of on-going uncertainty - something the markets are allergic to - and, in response, investors need to take precautions against a fall in the value of UK assets."

Increase exposure

Green added that one way of doing this would be for investors to increase their exposure to overseas investments. "With many UK investors lacking geographical diversification, favouring a home bias, this should be a wake-up call to start a much-needed rebalancing to increase their exposure to international stocks, bonds, and maybe property. Now is certainly the time to think more globally."

Green expected that there would be a temptation by the newly elected MPs to 'review' the pensions landscape. He argued that the systematic reductions to the lifetime allowance (LTA) for pension tax relief should be viewed as precursors to a fully-fledged wealth tax, which is what he believes these limitations essentially represent.

"As contributions are subsidised by taxpayers, politicians think that they have an inherent right to continually tinker with pensions," he said. "This must not happen. Pensions must now be left alone."

Pension transfers

If they were not left alone, you could expect an uptick in the trend for pension transfers. "Tinkering with pensions could undermine what should be a relatively simple concept: saving for one's retirement. This would affect both individuals' retirement ambitions and the country's long-term, sustainable economic growth.

"I fully expect that as the LTA changes bite, an increasing number of pension savers will look for alternatives. On-going cuts will only serve as a catalyst for people to move their British pensions out of the UK and into an HMRC-recognised QROPS, an overseas pension in a secure, low-tax jurisdiction.

"Investors may be sleeping easier for the time being, but the sharp ones will be looking to invest globally - to the possible detriment of the UK," Green concluded.

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