

eSmartmoney

*Orchid Financial  
Services Ltd*



SEPTEMBER/OCTOBER 2008

# PROTECTING YOUR FAMILY'S LIFESTYLE

obtain the right advice for your needs

# ENJOYING A LONG AND FULFILLING RETIREMENT

setting financial targets is the key

# INCREASING FINANCIAL SECURITY AND FREEDOM

make sure your financial  
affairs are in good shape

# NOTHING IS CERTAIN BUT DEATH AND TAXES

it's not only the super-rich  
that are subject to inheritance tax

# BANK OF MUM AND DAD

forced to turn to bank  
of sons and daughters to  
fund long term care

# TAKING CONTROL OF YOUR PENSION INVESTMENTS

tax-efficient wrappers provide  
a wide variety of options

Orchid Financial Services Ltd  
Thorney Lakes, English Drove,  
Thorney, Peterborough.

Tel: 0844 414 0730  
Fax: 01733 271 192

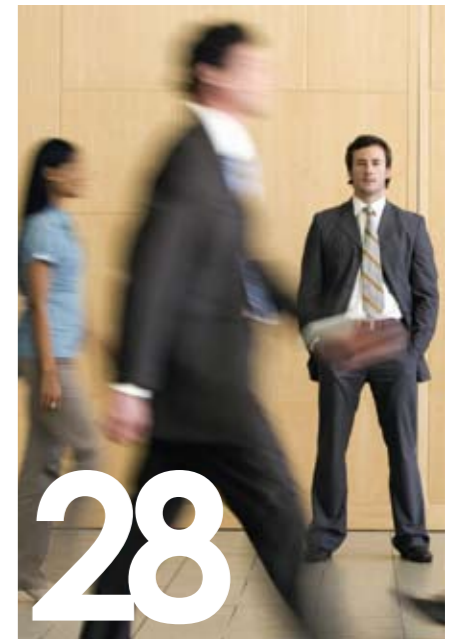
Email: [info@orchidfinancialservices.com](mailto:info@orchidfinancialservices.com)  
Web: [orchidfinancialservices.com](http://orchidfinancialservices.com)

Orchid Financial Services Ltd is an appointed representative of L J Financial Planning Limited which is authorised and regulated by the Financial services Authority  
Company number 5509898, Incorporated In England & Wales Registered Office - Thorney Lakes English Drove Peterborough PE6 0TJ



# WANT TO EXPLORE YOUR PERSONAL FINANCE OPTIONS?

## TELL US WHAT YOU NEED?



- 05 **ENJOYING A LONG AND FULFILLING RETIREMENT...**  
setting financial targets is the key

---

- 06 **INCREASING FINANCIAL SECURITY AND FREEDOM...**  
make sure your financial affairs are in good shape

---

- 08 **DIVERSIFICATION...**  
spreading the risk to acquire a good mix of assets

---

- 10 **NOTHING IS CERTAIN BUT DEATH AND TAXES...**  
it's not only the super-rich that are subject to inheritance tax

---

- 12 **INVESTING FOR GROWTH, INCOME OR FOR BOTH...**  
what are the options available to you?

---

- 14 **THE STATE PENSION**  
State Pension happy 100th birthday

---

- 16 **HAVE YOU ACCUMULATED A NUMBER OF DIFFERENT PENSION PLANS?**  
consolidation of your retirement funds could bring benefits

---

- 17 **PROTECTING YOUR FAMILY'S LIFESTYLE...**  
obtain the right advice for your needs

- 17 **NEWS IN BRIEF...**  
credits and benefits to be available in one phone call

---

- 18 **UNCOVERING THE JARGON...**  
getting to grips with the language of investment

---

- 24 **TAKING CONTROL OF YOUR PENSION INVESTMENTS...**  
tax-efficient wrappers provide a wide variety of options

---

- 26 **SHAREHOLDER PROTECTION...**  
could you retain control of your business?



17



12



10



26



32



28



18



31

- 28 **THE DAMAGING EFFECTS OF LOOSING A KEY PERSON...**  
protecting the business against financial loss requires prior planning
- 30 **VENTURE CAPITAL TRUSTS...**  
nothing ventured, nothing gained
- 31 **BANK OF MUM AND DAD...**  
forced to turn to bank of sons and daughters to fund long term care
- 32 **INVESTMENT PLANNING...**  
the expectation of greater reward

# ENJOYING A LONG AND FULFILLING RETIREMENT

## SETTING FINANCIAL TARGETS IS THE KEY

*Your ability to enjoy a long and fulfilling retirement will depend largely upon how well you accumulate assets throughout your working life and what you do with them once you have retired.*

We can work with you to develop a strategy and help you build up the funds you'll need to enjoy your retirement years to the full or if you have already retired, provide solutions to help you maximise from your wealth. Talk to us about evaluating your goals, personal circumstances and projected living costs to set financial targets, and look to achieve these using a bespoke plan that's tailored to your specific situation.

### WHAT WE CAN DO FOR YOU:

- Set clear goals for your retirement
- Take control of your existing retirement savings
- Maximise your use of generous tax allowances
- Tailor an investment strategy to your needs
- Maximise your post-tax income in retirement
- Adapt to changing circumstances

To discover how we could help you save for your retirement, please email or contact us for further information.

“Your ability to enjoy a long and fulfilling retirement will depend largely upon how well you accumulate assets throughout your working life and what you do with them once you have retired.”



*Content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements or constitute a full and authoritative statement of the law. They should not be relied upon in their entirety and shall not be deemed to be, or constitute advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles.*

# INCREASING FINANCIAL SECURITY AND FREEDOM

## MAKE SURE YOUR FINANCIAL AFFAIRS ARE IN GOOD SHAPE

*Increasing our sense of financial security and freedom, to enable us to do what you want to do, when you want to do it, becomes much more of a reality at the stage in our lives when our financial affairs are in good shape. With funds available to meet unforeseen costs, to pay education fees, to reduce our mortgage or to support ourselves during our retirement years, life becomes considerably more enjoyable.*

It is important to look ahead, even though there are times in our lives when saving money may be difficult (for example, when studying or bringing up children), but saving little by little out of one's income or investing lump sums when you can, all helps. Holding savings for a long time means they have the potential to grow in value as well.

When thinking about what to do with your money, it is important to consider your finances and your personal circumstances as a whole. There are four main areas to think about: debt, insurance, saving's in cash and investing in other assets.

So what are you investing for? Your answer will help you to choose the most suitable type of investment for your particular situation. If you have a particular goal, (e.g. saving for your retirement or to cover university fees) you should talk to us about how long it might take you to achieve your goal based on the money you have available.

You also need to consider if you would be comfortable facing a potential short term loss in order to have the opportunity to make a longer term gain. If this is a non palatable option and you are not prepared to take any risk whatsoever, then investing in the stock market is more than likely not for you. However, if you are going to invest, you need to be prepared to consider taking some calculated risk in the hope of achieving greater financial rewards.

If at any time you are unsure about how much risk you are prepared to take, you should speak to us to receive professional advice.

### FINANCIAL INVESTMENTS

The main types of financial investments are cash, fixed interest securities (gilts and bonds) and shares (equities).

#### CASH

Cash deposited in a bank or building society can earn interest. The amount of interest that you will receive depends upon a number of different factors:

- The general level of interest rates set by the Bank of England.
- The size of your investment, larger investments may attract higher interest rates.
- How long you are prepared to give up access to your money. If you are prepared to wait, say 60 or 90 days before withdrawing your money, you may get more than if you withdrew it straightaway.

Saving in deposit accounts or National Savings products which offer interest, is the way most people start investing. However, there is some risk involved because the interest you receive after tax, may not be sufficient to allow the value of your cash to keep up with inflation. Over the long term this can mean that your money loses its value in terms of what it can buy. A £1 coin will always be worth £1, but what you can buy with that coin will reduce with inflation, a problem that savers currently face.

### FIXED INTEREST SECURITIES (GILTS AND BONDS)

Bonds are issued by governments and companies as a means of borrowing money. Government bonds are known as gilt-edged securities or "gilts." Bonds issued by companies are known as corporate bonds.

Bonds and gilts are issued with a promise that investors' money will be repaid at a set future date, the "redemption date." In the meantime, the bonds or gilts pay out a regular and usually fixed amount of interest. The income you earn is known as the bond yield. This is generally higher than the interest paid on deposit accounts because bonds can be riskier than deposit accounts. For example, the price of bonds varies relative to interest rates and may therefore fall when interest rates are rising.

If you need access to your money before the redemption date, you can sell the bond to someone else through the open market. The price you get will be the market price of the bond at the time you sell, so you may get more or less than

you would get if you wait till the redemption date.

### SHARES

Shares in a company are just that. As a shareholder you own part of the company in which you have invested, and have a direct share in its assets and future profits. Shares are often called "equities." Part of the company's profit may be paid directly to you in the form of dividends, normally distributed twice a year. People also invest in shares to make money through an increase in value, which is reflected in the share price. It is important to note that the value of shares can go down as well as up and you may not get back the amount you originally invested.

To convert your shares back into cash, you have to sell them to someone else in the stock market. The price you get depends on a range of factors such as what other investors think the future profits of the company are likely to be.

### PROPERTY

Property has been a popular investment asset over the past few years, but as we are currently seeing in the sector, if you invest directly in property you are holding an asset which can be more difficult to dispose of when property prices fall. Your own property may of course be your biggest asset, but you cannot benefit from its value if you also need somewhere to live. Although you could invest in other properties, such as buy-to-let, it may be more prudent to consider investing in property via investment funds. Not only do these offer you the option to cash in your investment on a daily basis, but they also enable you to have access to investments in commercial property.

### RISK FOR REWARD

Each type of asset is subject to a different combination of risks and enjoys a different combination of benefits.

Whilst all investments carry an element of risk, the amount of risk you take directly affects any potential returns and losses. Generally speaking, if there is less risk to your investment, your money will grow more slowly and with more risk your investment may experience more fluctuations.

Risk can never be eliminated but it is possible to manage it successfully. The principal weapon is "diversification," spreading your risk.

If you put all of your eggs in one basket, you are vulnerable to risk. Different investments behave in different ways and are subject to different risks. Saving your money in a range of assets helps reduce the loss, should one of your investments suffer a downturn.

There is also a need to diversify within each type of investment. This is especially important in the case of share and bond investing, but can even be true of cash, where the risks are generally lowest. Putting all your money in one deposit account runs the risk that the interest paid on that account will change relative to other accounts. This could mean that the interest you receive is no longer as good as when you originally invested.

The key to successful investing is making sure that you get the right balance within your portfolio. This will depend upon your individual needs, so if you want to discuss your situation, please email or contact us.



# DIVERSIFICATION

## SPREADING THE RISK TO ACQUIRE A GOOD MIX OF ASSETS

*Spreading risk and getting a good mix of assets is often known as "diversification." You can invest directly by buying shares and bonds in different companies. You can also use funds known as collective investments, which pool your money with that of other investors and typically invest across a range of assets.*

### DIRECT INVESTMENT IN SHARES

The first thing to consider is whether you are happy to have someone else managing your money or whether you want to have sole control over where it is invested. If you want to take control yourself, you could build up a "portfolio" of shares and bonds in different companies across different sectors.

Building a portfolio of individual shares in this way can be expensive, particularly if you are investing relatively modest sums or if you want to invest outside the UK. The research and dealing can be time consuming. In general, this is something that only experienced investors should tackle.

For these reasons, many investors choose to invest in the stock market by pooling their money with that of other investors in one or more funds.

The main types of fund or pooled investments are as follows:

### INVESTMENT FUNDS: AUTHORISED UNIT TRUSTS AND OEICs

Authorised unit trusts and OEICs (Open Ended Investment Companies) are investment funds which "pool" your money with that of other investors. They invest in bulk in a selection of shares, bonds, properties, derivatives\* and cash and are managed by professional fund managers dedicated to investing and administering your money.

While technically speaking the structures of the two types of fund are different, from an investor's perspective they are the same.

You can generally buy or sell your investment through a fund

manager on any working day and the daily price of your "units" or "shares" reflects the value of the assets in which the fund has invested. This is because the total number of units or shares issued by the fund increases when the fund is in demand and decreases when more investors are cashing in.

Funds which are marketed to the public must be authorised by a regulator and are subject to detailed rules designed to provide a high level of investor protection. The assets are held by an independent authorised firm, known as a trustee or a depository, which oversees the way that a fund is run. Most funds available in the UK are authorised by the independent regulator, the Financial Services Authority and are covered by the Financial Services Compensation Scheme. Some funds however, are authorised elsewhere in the European Union, such as in Dublin or Luxembourg.

\* A collective term for financial instruments whose prices are based on the prices of other (underlying) investments. They are more complex investment tools than those described and are used by fund managers to help them meet their performance objectives. Investment trusts

Investment trusts also pool investors' money. Like investment funds they are professionally managed and diversify your risk by investing in a wide range of companies, but they have some additional characteristics. The main difference is that the price or market value of shares held in an investment trust may not be the same as the value of the investment trust's assets.

This is because there are a fixed number of investment trust shares available to investors at any one time. Shares in an investment trust

company are bought and sold on the stock market, just like other companies' shares. If an investment trust's shares are in demand, its price rises to a "premium," i.e. the price will be higher than the value of the investment trust company's underlying assets. If there are more sellers than buyers however, the price can fall to a "discount" when the price will be lower than the value of the underlying assets.

### INSURANCE-BASED PRODUCTS

There are insurance products which give you access to professionally managed pooled investments. They may be "unit linked," which share many of the characteristics of investment funds. They are not subject to the same regulations as investment funds, but may follow many of them in practice.

Another form is a "with profits" product, which seeks to provide a steady return by smoothing out the ups and downs of the stock market.

### TAX EFFICIENT INVESTING

You can save in investment funds, investment trusts and insurance products, and receive an extra tax benefit if you invest through a tax "wrapper" such as an Individual Savings Account (ISA) or a pension.

To clarify the relationship between the wrapper and the investment, imagine that the assets e.g. shares, are the ingredients, the product, the investment fund or investment trust, is the cake, and the ISA or the pension is the wrapper or box around the product which protects it from paying certain taxes.

### INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

ISA stands for Individual Savings Account. This is effectively a tax wrapper within which you can hold a range of different investments.



The big advantage of ISAs is that returns are tax-efficient (since April 2004 the ten per cent tax credit on UK dividends cannot be reclaimed), which means you are not subject to most income tax and all capital gains tax on the proceeds.

You can currently invest up to £7,200 (2008/09) in a single tax year. The tax year runs from April 6 to April 5 and your annual allowance cannot be rolled into the next financial year, if you do not use it within that time.

Maxi and mini ISAs have now been abolished. Existing mini cash, tessa-only ISAs and the cash component of maxi ISAs have been re-classified as cash ISAs. In the same way, mini stocks and shares ISAs and the stocks and shares component of maxi ISA have been re-classified as stocks and shares ISAs. Personal equity plans (Peps) have also become stocks and shares ISAs.

You can open one cash ISA and one stocks and shares ISA each tax year. Up to £3,600 can be invested in a cash ISA. The remainder of your £7,200 (2008/09) allowance can be invested in a stocks and shares ISA. You do not have to put any money in a cash ISA: instead the full £7,200 can be invested in a stocks and shares account.

Various non-cash assets can be held within a stocks and shares ISA. These include unit trusts, open ended investment companies, investment trusts, exchange traded funds, shares or bonds.

As a result of the rule changes, savers who initially invested in a cash ISA can transfer that money into a stocks and shares account. However, you cannot move from equities into cash.

**CHILD TRUST FUNDS**

The Child Trust Fund (CTF) is a tax free way of saving for children. Every eligible child receives a voucher worth at least £250 to invest in a CTF.

**PENSIONS**

The government provides tax incentives to encourage you to put money aside for your retirement. You or your employer can get back tax, within certain limits, when you contribute to a pension scheme.

**EMPLOYER RUN PENSION SCHEMES**

It may be that you are part of a pension scheme which is run by your employer. If so, the money will be managed by professionals who may invest in investment funds and/or directly in cash, bonds, equities and other assets.

**PERSONAL PENSIONS**

If you are not part of a company scheme, you may want to set up your own personal pension. These schemes will offer a limited number of funds. A SIPP (Self-invested Personal Pension) is a type of pension, which offers you complete control over your assets.

You choose where to invest your money and you have an unlimited choice of assets and funds. There are restrictions on when and how you can withdraw money once it is in a pension fund.

Talk to us about how we could help you to develop your investment strategy and ensure that you achieve your lifetime goals, please email or contact us for further information.



# NOTHING IS CERTAIN BUT DEATH AND TAXES

IT'S NOT ONLY THE SUPER-RICH THAT ARE SUBJECT TO INHERITANCE TAX

*Benjamin Franklin once said that "nothing is certain but death and taxes," and thanks to inheritance tax (IHT), they're not only certain they're intrinsically linked.*

IHT is currently charged at 40 per cent, and is payable on your estate once your net assets exceed, in the current 2008/09 tax-year, £312,000 or £624,000 for a couple who are married or in a civil partnership.

Once only the domain of the super-rich, wide scale home ownership and rising property values have meant that more and more people may become subjected to IHT every year.

To reduce your exposure to a potential IHT liability, assets can be given away under either of the following:

- Annually within an allowance or from excess income
- As philanthropic gifts
- More than seven years before your death

However, there are other ways that you can alleviate the burden of IHT when passing on your wealth to your children and grandchildren. Talk to us about how we could help reduce or eliminate a potential IHT liability.

**WILLS**

By drawing up a will, you can ensure that your wealth is distributed according to your wishes and this creates the foundation for your IHT reduction strategy.

**GIFTS**

When you're looking to reduce your taxable estate, the first thing you should consider is whether you can afford to distribute any of your assets before you die in the form of gifts.

The Alternative Investment Market (AIM) and OFEX

AIM and OFEX shares could also offer you an IHT shelter, as well as a means of reducing capital gains tax.

If you have concerns about IHT and would like to discuss your current situation, please email or contact us for further information.

“ IHT is currently charged at 40 per cent, and is payable on your estate once your net assets exceed, in the current 2008/09 tax-year, £312,000 or £624,000 for a couple who are married or in a civil partnership. ”

# INVESTING FOR GROWTH, INCOME OR FOR BOTH

WHAT ARE THE OPTIONS AVAILABLE TO YOU?

There are a wide range of investment funds available to choose from. You should consider whether you are primarily investing for growth, income or for both.

If you want some income, but no risk to your capital, you may wish to consider choosing a money market or cash fund, which means a professional investor will be working to get the best available interest rates.

If however, you are willing to take some risk with your capital, you could choose a fund that invests in bonds, which aims to provide a rate of interest that is higher than available with cash. Alternatively, there are equity funds which invest in shares of companies seeking to generate income rather than capital growth and that aim to pay out higher than average dividends. Other funds which offer a mixture of both shares and bonds are known as managed funds.

Alternatively, if your objective is long term growth, if appropriate, you may choose a fund which only invests in shares.

## ACTIVE OR TRACKER?

All funds which invest in shares are subject to the ups and downs of the stock market. A "passive" fund or "index tracker" is designed to follow the value of a particular index (e.g. the FTSE 100). In general, an "active" fund manager's aim is to reduce risk and generate better returns than the index for long term investors, through in-depth research and a long term outlook on companies' development.

## WHICH INVESTMENT STYLE?

You might also want to think about whether the fund is "aggressive." This usually means that it invests in fewer companies and is, therefore, potentially more risky than a fund adopting a more cautious approach, which is typically likely to have a wider range of underlying investments. Some funds invest mainly in small companies, which also generally implies that they are higher risk than funds investing in larger, usually more established companies.

## FUND FOCUS

In the case of share and bond funds it is important to consider the focus of the fund: some funds specialise in, for example, a geographical area (e.g. North America) or in a particular sector (e.g. technology).

You might want to start with a broadly based fund and then, if you are able to invest more over time, you could choose to add more specialised funds to your overall portfolio.

## MIXED FUNDS

These are funds which diversify between different types of investment, meaning they invest in a mixture of cash, bonds, shares, pooled funds, property and derivatives.

“ There are a wide range of investment funds available to choose from. You should consider whether you are primarily investing for growth, income or for both. ”

## PROTECTED FUNDS

There are other types of fund which are "protected" or "guaranteed" to limit losses if the market goes down, or to give you assurance that you will get back at least a certain amount after a specified length of time. It is unlikely that such funds will grow as fast as unprotected funds when the stock market is performing well, as you have to pay for the cost of protection.

## SOCIALLY RESPONSIBLE FUNDS

These are funds which invest only in companies which meet certain "ethical" criteria, for example avoiding tobacco companies or those which test on animals.

## FUNDS OF FUNDS

Funds of funds and manager of managers are designed to give investors a chance to invest in a range of funds. A fund of funds is where the fund in which you are invested invests in several other funds. A manager of managers chooses several managers to manage different parts of a pool of money.

## MONEY MARKET FUNDS

Money market funds are designed to offer higher returns than a building society account but still have the same level of security. They invest in bank deposits and are generally called "cash funds." Some invest in short term money market securities.

## PROPERTY FUNDS

Property funds invest either directly or indirectly in property or property-related assets. A fund that invests directly will buy physical property such as a shopping centre in order to generate rental income. This type of fund will purchase more liquid asset such as property derivatives, REITs or shares in a property company.

This is a general guide to help you to think about your investment needs. It is not designed to provide specific advice. If you are unsure of your financial position or about which type of investment is right for you, please email or contact us for further information.

# STATE PENSION HAPPY 100TH BIRTHDAY

*It is 100 years since the very first State Pension was introduced. Lloyd George introduced State Pensions in August 1908 when the Old Age Pensions Act was passed.*



The first State Pensions guaranteed a minimum income to people over seventy. They received up to five shillings (25p) and were means tested.

Since then, the State Pension has changed a great deal but continues to provide financial security to the retired and elderly.

State Pension is paid to entitled people who claim it having reached State Pension age. It is based on National Insurance (NI) contributions and it is made up of different elements.

## STATE PENSION AGE

The State Pension age is currently 65 for men and 60 for women. The State Pension age for women will increase gradually from 2010, so that by 2020 it will be 65.

The increase in the State Pension age will not affect women born on or before 5 April 1950. Women born between 6 April 1950 and 5 April 1955 (inclusive) will have a State Pension age between 60 and 65. Women born on or after 6 April 1955 and before 6 April 1959 will have a State Pension age of 65.

The State Pension age for both men and women is to increase from 65 to 68 between 2024 and 2046, with each change phased in over two consecutive years in each decade. The first increase, from 65 to 66, will be phased in between April 2024 and April 2026; the second, from 66 to 67, will be phased in between April 2034 and April 2036; and the third, from 67 to 68, between April 2044 and April 2046.

## WHAT ELSE SHOULD I KNOW?

The Pensions Act 2007 and the Pensions Act (Northern Ireland) 2008 have made changes to the State Pensions system.

If you are a married woman and cannot get a full basic State Pension because you do not have enough qualifying years based on your own National Insurance (NI) contributions, you may be able to get a State Pension based on your husband's NI contributions. You can only do this

if he is already getting a basic State Pension and you are aged 60 or over.

If you are a widow, widower or surviving civil partner, you may be able to get a basic State Pension based on your late husband's, wife's or civil partner's NI contributions.

If you are already a widow, widower or surviving civil partner you can get up to 100 per cent of your late husband's, wife's or civil partner's additional State Pension.

If your husband or wife or civil partner reached State Pension age before 6 October 2002, you will receive up to 100 per cent of their SERPS pension or Additional State Pension when they die.

If your husband, wife or civil partner is due to reach State Pension age after 5 October 2002 but before 6 October 2010, if they die before you, you will receive a maximum of between 90 per cent and 60 per cent of their SERPS pension. The exact amount will depend on when, in this period, they reach State Pension age.

If your husband or wife is due to reach State Pension age on or after 6 October 2010, you will receive up to 50 per cent of their SERPS pension if they die before you.

The maximum amount of additional State Pension built up after 6 April 2002 under the State Second Pension that a surviving husband, wife or civil partner can inherit will be 50 per cent.

If you are divorced or your civil partnership has been dissolved and you cannot get a full basic State Pension based on the qualifying years from your own NI contributions, you may be able to get a basic State Pension based on your former husband's, wife's or civil partner's NI contributions. They do not need to be getting their State Pension.

If you carry on working after claiming your State Pension, your earnings will not affect how much State Pension you get. But if you get an increase

for a dependant, their earnings may affect how much increase you get for them.

If you put off claiming your State Pension for at least five weeks when you reach State Pension age, you can earn extra State Pension. The weekly amount of your State Pension will be higher, but you will not get any State Pension for the weeks you put off claiming.

From April 2005, if you put off claiming your extra State Pension for at least 12 months, you may be able to choose between extra weekly pension and a one-off taxable lump-sum payment when you do finally claim.

“The State Pension age for both men and women is to increase from 65 to 68 between 2024 and 2046, with each change phased in over two consecutive years in each decade.”

## NEED MORE INFORMATION?

Please email or contact us with your enquiry.

If you would like us to email a copy of our digital magazine to someone you know, please email us with their details and we'll send them a copy.



# HAVE YOU ACCUMULATED A NUMBER OF DIFFERENT PENSION PLANS?

## CONSOLIDATION OF YOUR RETIREMENT FUNDS COULD BRING BENEFITS

Most people, during their career, accumulate a number of different pension plans. Yet maintaining separate plans can be inappropriate and complicated and lead to lost investment opportunities, exposure to undue risk, higher costs, and more.

Talk to us about how we could potentially help you avoid these problems, if appropriate to your situation, by working with you to consolidate your retirement funds into one wrapper. As part of our approach, we will:

- Help you review your existing pension plans
- Identify and fill any funding gaps
- Define the right asset mix for you
- Develop the investment solution and retirement strategy that best suits your needs

In addition, we can ensure that your overall asset allocation is consistent with your goals. With many plans to maintain, it can be difficult to assess whether you have the right asset mix, or if your investments are too cautious or too risky.

We will also ensure that you are clear about whether your level of contributions and overall retirement funds are appropriate. It is important to insure that you'll have enough to meet your goals, but not so much that you're exposed to a tax liability.

“Most people, during their career, accumulate a number of different pension plans. Yet maintaining separate plans can be inappropriate and complicated and lead to lost investment opportunities, exposure to undue risk, higher costs, and more.”

### NEED MORE INFORMATION?

Please email or contact us with your enquiry.

If you would like us to email a copy of our digital magazine to someone you know, please email us with their details and we'll send them a copy.

# PROTECTING YOUR FAMILY'S LIFESTYLE

## OBTAIN THE RIGHT ADVICE FOR YOUR NEEDS

The right protection plan can protect your family's lifestyle if your income suddenly changes due to death or illness. That's why obtaining the right advice about the products, including the most suitable sum assured, premium, terms and payment provisions is essential. We take the time to understand your unique needs and circumstances so we can provide you with the most suitable protection solutions in the most cost-effective way. Do you have these in your protection portfolio?

### WHOLE OF LIFE PLANS

These plans are ideal if you want to ensure that a guaranteed lump sum is paid to your estate when you die.

### CRITICAL ILLNESS PLANS

If you fall seriously ill, a critical illness plan can protect you and your family from the associated costs.

### INCOME PROTECTION PLANS

If you're unable to work, an income protection plan can pay you a monthly income until you return to work or reach your predetermined retirement date.

### LEVEL TERM PLANS

These enable you to protect your family from the cost of covering your fixed liabilities.

### FAMILY INCOME BENEFIT PLANS

These plans protect your family from financial hardship if you die by replacing your income.

### DECREASING TERM PROTECTION PLAN

Protects your family from the cost of decreasing liabilities such as mortgage repayments if you die within the term of the plan.

With so many different insurance policies available, it can be difficult to know which ones will best protect your family from financial hardship. To discuss your situation, please email or contact us.

## CREDITS AND BENEFITS TO BE AVAILABLE IN ONE PHONE CALL

## CUSTOMERS WILL NOT HAVE TO SIGN AND RETURN ANY CLAIM FORMS

From this October, pensioners will be able to claim Pension Credit, Housing Benefits and Council Tax Benefit in one phone call. The change means that many customers will not have to sign and return any claim forms.

The phone call will last for about half an hour but customers stand to be on average £50 a week better off.

For now, customers can make one free phone call to claim Pension Credit and don't need to fill in any forms.

The phone number is 0800 99 1234 and lines are open Monday to Friday 8am to 8pm.

### NEED MORE INFORMATION?

Please email or contact us with your enquiry.

If you would like us to email a copy of our digital magazine to someone you know, please email us with their details and we'll send them a copy.

# UNCOVERING THE JARGON

## GETTING TO GRIPS WITH THE LANGUAGE OF INVESTMENT

### ACCUMULATION UNITS/SHARES

With this type of unit/share any income earned on your investment remains accumulated within the price of your units/shares, increasing the value of your holding.

### ACTIVE MANAGED FUNDS

Funds which aim to outperform a benchmark index, such as the FTSE 100. The aim is for the fund manager to invest the fund's assets in such a way that the fund will generate better returns than its benchmark.

### AUTHORISED CORPORATE DIRECTOR (ACD)

The term used to describe the manager of an OEIC fund. An ACD has the same role and responsibilities as their unit trust equivalents, known as a fund manager.

### ANNUAL MANAGEMENT CHARGE (AMC)

A fee paid to the fund manager once a year which covers the cost of investment management and administration. It is normally 0.75 per cent - 1.5 per cent p.a. and is charged to the fund. The AMC forms part of the total expense ratio (TER) of a fund.

### ANNUAL REPORT

Includes details of the fund's investments and how it has performed with more general financial information relating to the fund. It is available from your fund manager at the end of each financial year.

### ASSETS

The "building blocks" in which a fund invests, for example stocks and shares, cash, fixed interest securities and property funds.

### ASSET ALLOCATION

A term to describe how your money is invested. In most cases, the fund manager will spread money across a range of different assets and companies in order to diversify your holdings and help to spread risk.

### AUTHORISED INVESTMENT FUND

A unit trust or OEIC that is regulated by the Financial Services Authority (FSA) for promotion to the general public in the UK. All unit trusts and OEICs which are on sale to a retail investor in the UK are authorised by the FSA.

### BALANCED FUNDS

A type of fund which restricts its investment in equities, to a maximum of 85 per cent of the fund's holdings. The remainder can then be invested in other types of investments such as bonds. This type of fund aims to benefit from the performance of its other investments when equities are not performing well and vice versa.

### BENCHMARK INDEX

A stock market index, such as the FTSE 100, which is used by fund managers as a standard to measure the overall performance of their funds. Fund managers try to outperform any gains made by their fund's benchmark index.

### BID PRICE

Unit trusts and OEICs can have separate prices for buying and selling units/shares. Such funds are known as dual-priced. The bid price is the price at which units/shares are sold and are lower than the offer or buying price.

### BID/OFFER SPREAD

For dual-priced funds this is the difference between the buying and selling prices of your units/shares. The buying or offer price is normally higher than the selling or bid price as it will include an initial charge to be paid to the fund manager for setting up and administering your units/shares.

### BLUE CHIP

Large well established companies which are generally considered to be stable. In the UK, such British companies are usually listed on the FTSE 100 index.

### BONDS

Also known as fixed interest securities, bonds are investments which pay a fixed rate of interest and have a fixed term. Governments or companies may issue them. Those issued by governments are known as gilts. Not to be confused with investment bonds issued for individual investors usually by insurance companies.

### CANCELLATION PRICE

For dual-priced funds this is the lowest possible price at which an investor can sell units/shares back to the manager under FSA regulations. It excludes exit charges. The cancellation price represents the proceeds the fund would receive if the fund's assets were sold.

### CAPITAL

The amount of money you initially put into your savings or investments before it receives any interest or capital growth. In a fund "capital" can also refer to the assets held by the fund excluding any income the fund may receive.

### CAPITAL GAINS TAX

Tax paid to HM Revenue and Customs on any increase in the value of your savings or investments. The tax is payable on the profits you make when you sell your units/shares. There is an annual exemption limit; for the current 2008/09 tax year, this is £9,600.

### CAPITAL GROWTH

The increase in the value of your investment, excluding any income.

### CASH

In saving and investment terms "cash" refers to a bank or building society deposit account in which your capital is secure. It can also refer to money market funds.

### CASH FUNDS

Alternative name for money market funds.

### CAUTIOUS MANAGED FUNDS

Funds which restrict their investment in equities to a maximum of 60 per cent of the fund's holdings. The remainder is then invested in other types of assets such as cash and bonds. This type of fund is considered to be more 'cautious' than funds which invest more in equities, as their portfolios are diversified across less risky investments.

### CHILD TRUST FUND (CTF)

A government initiative to provide children who receive child benefit with a long-term savings account. Eligible children will receive a voucher worth at least £250 to invest in a CTF. In addition, up to £1,200 a year extra can be invested in each account and the money cannot be withdrawn until the child reaches 18 years of age. Accounts can invest in a whole range of assets.

### CLOSED ENDED FUNDS

Unlike unit trusts and OEICs, which are open-ended, these are funds which only have a fixed number of units/shares in issue at any time. The price of units/shares in such funds, which include Investment Trusts, will fluctuate according to investor demand rather than as a result of changes in the value of their underlying assets.

### COLLECTIVE INVESTMENT SCHEMES

Funds which pool investors' money and invest on their behalf. This term refers to unit trusts and OEICs.

### COMPOUNDING

The process by which your investment grows in value over time with reinvested interest or dividends.

### CORPORATE BONDS

Fixed interest securities issued by public companies.

### CREATION PRICE

For dual-priced funds this is the highest possible price at which an investor can buy units/shares from the manager under FSA regulations. The initial charge is not included. The creation price represents the cost of buying the fund's assets.

### CREDIT RATINGS

Ratings provided by specialist credit agencies which assess the likelihood of companies being able to meet their financial obligations. Ratings range from AAA (the most secure) to D (the least secure); the greater the credit risk the lower the rating.

### CREDIT RISK

Usually used when referring to investment in bonds, credit ratings agencies estimate the likelihood that the issuer of the bond will not be able to keep up your interest payments or repay your capital at the end of the holding period. 'Triple A' or 'investment grade rated' are considered to be the lowest credit risk while non-investment grade also known as junk bonds and are rated triple B-D are the highest credit risk.



**CURRENCY RISK**

When the manager buys investments in currencies other than Sterling there is a risk that the value of those investments will change due to changes in currency exchange rates.

**CUSTODIAN**

Usually a major banking group, the custodian is appointed by the fund's trustee or depositary to safeguard the fund's assets.

**DEFAULT RISK**

The risk that a company may not be able to pay you back the money you have invested.

**DEPOSIT ACCOUNT**

A bank or building society account which earns a steady rate of interest and in which your original capital is secure. The interest rates paid vary depending on the length of time you are prepared to lock your money away for.

**DEPOSITARY**

Responsible for overseeing the fund manager's activities in relation to an OEIC. Usually a large bank, the depositary must be independent of the fund manager where the fund is authorised by the Financial Services Authority. It acts in the interests of the investors, owning the investments in the fund on their behalf. It also ensures that the fund is invested according to its investment objectives and that the manager complies with the regulations. The unit trust equivalent is known as the trustee.

**DERIVATIVES**

A general term for futures and options.

**DISCOUNT BROKER**

A service provided by an intermediary where no advice is taken. Also known as an "execution only" service, the broker will buy a product on behalf of an investor after the investor has chosen which product they would like to purchase. Discount brokers usually waive or

discount the initial charge, as no advice has been provided. This service is often available by post and rather than pay commission you are charged a one off transaction charge.

**DISTRIBUTIONS**

Income paid out from a unit trust or OEIC in the form of interest or dividends.

**DIVERSIFICATION**

A term used to describe the spreading of risk by investing in a number of different companies and assets. Doing so will mean that you won't have all of your eggs in one basket.

**DIVIDENDS**

Income paid on shares out of company profits.

**DIVIDEND DISTRIBUTIONS**

Income paid out by unit trusts and OEICs that invest mainly in equities.

**DUAL PRICING**

Both unit trusts and OEICs can be dual-priced, such funds have an offer price at which you buy, and a lower bid price, at which you sell. The difference between the two prices is known as the bid/offer spread. The buying price is normally higher than the selling price as this includes the initial charge to be paid to the fund manager.

**EFFECTIVE YIELD**

Method for calculating bond income which takes account of all expected cash flows from a bond over its lifetime.

**EQUITIES**

Shares in a company (see also stocks and shares).

**EQUITY EXPOSURE**

Usually expressed in percentage form. This illustrates the proportion of a fund which is invested in stocks and shares (equities).

**ETHICAL FUNDS**

Also known as Socially Responsible Investments (SRIs). These funds aim to avoid investing in activities which

may be harmful to society, such as tobacco production or child labour. Some funds also aim to actively invest in companies which promote ethical policies such as recycling.

**EX-DIVIDEND (XD)**

For funds, the period between its accounting date and when it pays out its income. If you buy a unit trust or OEIC in this period, you do not get the income, but if you sell, you do.

**EXEMPT FUNDS**

Refers to funds that are only open to institutional investors which are exempt from paying capital gains tax, such as pension funds and charities.

**EXIT CHARGE**

Also known as a redemption charge. A charge taken by some fund managers when you sell your units/shares. In many cases, the charge will only be applied if you sell within, say, five years. Exit charges are usually applied instead of, rather than in addition to, an initial charge.

**EXPECTED INCOME YIELD**

An estimate of the income that you might earn in the coming year if you bought units/shares at the current price.

**EXPENSES CHARGED TO CAPITAL**

Expenses incurred by the fund can either be taken out of the income received by the fund or from the fund's capital. Charging expenses to capital will increase the amount that can be paid out to investors as distributions but will reduce the capital value of the fund.

**FAIR VALUE PRICING**

This is the manager's best estimate of the value of one or more securities at the valuation point of the fund, with the intention of producing a "fairer" dealing price, where there is doubt over the validity of those prices.

**FETTERED FUNDS**

See "Funds of funds."

**FINANCIAL OMBUDSMAN SERVICE (FOS)**

Customers with a complaint against a financial services firm can make a complaint to the FOS who will investigate on their behalf. If the company no longer exists or has become insolvent complaints should be referred to the Financial Services Compensation Scheme (FSCS).

**FINANCIAL SERVICES AUTHORITY (FSA)**

The UK regulator for the financial services industry, which includes investment management companies, banks, building societies and insurers. The FSA has four statutory objectives; to maintain confidence in the UK financial system; to promote public understanding of the financial system; to secure the right degree of protection for consumers and to help reduce financial crime.

**FINANCIAL SERVICES AND MARKETS ACT 2000**

The Act of Parliament which gave the Financial Services Authority its regulatory powers from 2001. These powers include supervision of regulated activities, the control of financial promotion, and the authority to regulate, investigate and discipline the financial services industry.

**FINANCIAL SERVICES COMPENSATION SCHEME**

This scheme exists for claims against an authorised financial services company when it is unable to pay claims against it as it is insolvent or no longer trading. For companies still in business claims must be referred to the Financial Ombudsman Service.

**FIXED INTEREST SECURITIES**

Assets which provide regular, fixed, interest payments and are issued by companies and governments. They include gilts and bonds.

**FORWARD PRICING**

This is the most common method of pricing for authorised investment funds. Once the manager has received your instruction to buy or sell units/shares, the price of those units/

shares will be determined at the next valuation point of the fund.

**FREE STANDING ADDITIONAL VOLUNTARY CONTRIBUTION (FSAVC) SCHEMES**

Funds which permit people who are part of a company pension scheme to make additional contributions to a separate stand-alone scheme that can continue when you change employer.

**FTSE 100 INDEX**

British index on the London Stock Exchange which comprises the leading 100 UK Companies.

**FTSE 250 INDEX**

British index on the London Stock Exchange of the largest 250 companies by market capitalisation after those listed on the FTSE 100.

**FTSE ALL SHARE INDEX**

British index on the London Stock Exchange of all UK listed companies. Incorporates companies from the FTSE 100, FTSE 250 and FTSE Small Cap indices.

**FTSE SMALL CAP INDEX**

British index of the smallest companies by market capitalisation.

**FUND MANAGER**

Manages the unit trust in accordance with the fund's objectives and decides which assets to hold in order to meet those objectives. In an OEIC the manager is referred to as the Authorised Corporate Director (ACD).

**FUNDS OF FUNDS**

Fund of funds are designed to increase diversification by investing in other funds.

**FUTURES**

Agreement to buy or sell a fixed amount of a particular asset at a fixed future date and a fixed price.

**GILTS**

Bonds issued by the UK government. Also known as gilt-edged securities.

Along with bonds can be referred to as fixed interest securities.

**GEARING**

The amount a fund can "gear" is the amount it can borrow in order to invest. In unit trusts and OEICs borrowing is limited to 10 per cent of the fund's value and is usually for the purpose of managing cash flow, rather than to increase the fund's investment exposure.

**GROSS INCOME**

Dividends and interest paid out to you before income tax has been deducted.

**GROSS REDEMPTION YIELD**

Usually used in bond investments. This yield seeks to indicate the total return you might receive from both income and capital growth (or loss) if you hold your investment over a ten-year period.

**GUARANTEED FUNDS**

Funds in which the manager promises to provide a specific minimum return, backed by a legally enforceable arrangement with a third party to guarantee that promise.

**HALF-YEARLY REPORT**

Also known as the "interim report." It will include details of the fund's investments and how it has performed with more general financial information relating to the fund (see also Annual Report). Your fund manager will send it to you during the financial year for the fund(s) that you hold.

**HEDGE FUNDS**

A fund, which uses an assortment of trading techniques and instruments to meet an objective of providing positive investment returns irrespective of the performance of stock markets.

**HISTORIC PRICING**

Where the price at which you buy or sell your units/shares is calculated at the last valuation point i.e. the fund manager uses the price set before they received your instructions.

**ICVC**

Investment Company with Variable Capital. Another term used to describe an OEIC. This term is used rarely but you may come across it in formal documents relating to an OEIC.

**INCOME**

The return on your investment that arises from dividends and interest earned by the fund.

**INCOME TAX**

A tax payable to HM Revenue and Customs on any income you receive whether it is wages or income from investments and savings. Different rates of income tax apply; the one you pay depends on how much money you have coming in.

**INCOME UNITS/SHARES**

This type of unit/share pays out to you on set dates each year any interest or dividends your investment makes.

**INDEX/INDICES**

A grouping of shares or fixed interest securities on the stock market which are often similar in size or represent similar industries. For example, the FTSE 100 index represents the largest 100 UK companies by market capitalisation.

**INDEX TRACKING FUNDS**

Funds which aim to mirror the progress of a stock market index, e.g. the FTSE 100, by buying and selling shares in the same proportions as represented on the index. These are also sometimes called tracker, index or passive managed funds.

**INDIVIDUAL SAVINGS ACCOUNT (ISA)**

A tax efficient means of saving that replaced PEPs and TESSAs in April 1999. See "Tax Wrapper" for more information.

**INFLATION**

A general rise in the level of prices on the high street. This is measured by the retail price index.

**INFLATION RISK**

The risk to your savings caused by rising inflation. If inflation rises but interest on your savings doesn't keep up it can reduce the spending power of your money. A £1 coin will always be worth £1, but what you can buy with that coin will reduce with increased inflation.

**INITIAL CHARGE**

A charge that is paid to the fund manager when you invest to cover their expenses, such as commission, advertising, administration and dealing costs.

**INSTITUTIONAL INVESTOR**

Institutions which invest, such as company pension schemes, as opposed to private individuals.

**INSTRUMENT OF INCORPORATION**

This document forms the legal constitution for an OEIC fund and dictates much of how the fund will operate. The unit trust equivalent is known as the Trust Deed.

**INTEREST**

An amount, in percentage form, which a bank or building society will credit to you if you save with it in a deposit account or savings account. The amount paid to you will be a percentage of whatever capital you have in your account. Gilts and bonds also pay income in the form of interest.

**INTEREST DISTRIBUTIONS**

Income paid out by unit trusts and OEICs that invest predominantly in gilts and bonds.

**INVESTMENT FUNDS**

A general term for unit trusts and OEICs.

**INVESTMENT GRADE BONDS**

These bonds have a low risk of the company that issued them being unable to repay them. The most secure forms are known as "triple A" rated bonds. See "Credit Ratings."

## INVESTMENT TRUSTS

Similar to unit trusts and OEICs in that they provide a means of pooling your investment but with a different structure and governed by different regulations. They are closed-ended funds and public listed companies whose shares are traded on the London Stock Exchange.

## JUNK BONDS

These bonds have a high risk of the company that issued the bonds being unable to repay them. They are lower rated, with a poor credit rating often as low as D. They are also referred to as "Non-investment grade bonds."

## KEY FEATURES DOCUMENT

A document which must be offered to investors in Non-UCITS Retail Schemes (NURS) before or at the point of purchase. It summarises key information about the fund and provides details on risk and an illustration of the effects of charges both to the investor and the fund.

## LIFE INSURANCE PRODUCTS

Products which guarantee that a sum of money will be paid out to you after a set term or upon death.

## LIMITED REDEMPTION FUNDS

Funds which restrict when you can cash in your investment, usually by only having set redemption dates.

## MANAGER

See "Fund Manager."

## MANAGER'S REPORT

See "Annual Report" and "Half-Yearly Report."

## MARKET CAPITALISATION

The value of a company obtained by multiplying the number of its issued shares by their market price.

## MARKET RISK

Investing in the stock market means that you can benefit from its growth potential. However, there

is also a risk (market risk) that you could lose your money if the stock market in which you have invested falls in value.

## MONEY MARKET FUNDS

Funds which invest in cash investments, such as bank deposits. Often referred to as "cash funds," they offer higher returns than a building society account but still have the same level of security.

## MULTI-MANAGER FUNDS

Multi-manager funds are designed to increase diversification by outsourcing a pool of money for investment to a number of appointed managers.

## NATIONAL SAVINGS AND INVESTMENT (NS&I) PRODUCTS

This range of products was created to provide a secure means of saving backed by the government, whilst providing the Exchequer with a source of funding. Products available through NS&I include premium bonds and cash ISAs.

## NET INCOME

Dividends and interest paid out to you after income tax has been deducted.

## NON-INVESTMENT GRADE BONDS

These bonds have a high risk of the company that issued the bonds being unable to repay them. They are lower rated, with a poor credit rating often as low as D. They are sometimes referred to as 'junk bonds.'

## NON-UCITS RETAIL SCHEMES (NURS)

Unit trusts and OEICs which are based in the UK and sold only to UK investors. Such funds differ from UCITS funds in that they cannot be sold into Europe and they have different investment restrictions. The fund documentation also differs and at the point of purchase you may be given either a Key Features Document or a Simplified Prospectus.

## OEICS

Open-ended investment companies. These are very similar to unit trusts, but are constituted as companies rather than trusts. They are the established structure in many other European countries and can be single or dual-priced.

## OFFER PRICE

Some unit trusts and OEICs have separate prices for buying and selling units/shares. The offer, or buying, price is usually higher than the bid, or selling, price as it includes an initial charge.

## OPEN-ENDED FUND

Funds such as unit trusts and OEICs which expand and contract by issuing or cancelling units/shares depending upon demand.

## OPTIONS

Provide the opportunity (a 'right' rather than an obligation) for the buyer to purchase or sell a certain number of shares, at a future date and a known price.

## OVERSEAS FUNDS

Unit trusts and OEICs which are based outside of the UK (but within Europe) and which are authorised by the Financial Services Authority and sold into the UK via distributor status.

## PERSONAL EQUITY PLANS (PEPS)

Tax efficient savings and investment plans which were replaced by ISAs in April 1999. As of April 2008 all PEPs were reclassified as ISAs.

## PORTFOLIO

Refers to investment holdings. It can either refer to the holdings within a particular fund or the range of investments held by an individual investor.

## POUND COST AVERAGING

Investing on a regular basis can iron out stock market fluctuations and can help you to avoid investing all of your

money when the market is at its peak. Saving regularly enables you to buy more shares when the market and prices are low and less when the market and prices are high. Over time the cost of your units will even out and it is likely that you will end up paying below average prices for your units. This is known as pound cost averaging.

## PREFERENCE SHARES

These are similar to bonds in that they usually pay a fixed rate of income. However, they pay it as a dividend rather than interest and are subject to the issuing company making sufficient profits.

## PROTECTED FUNDS

Funds other than money market (cash) funds which aim to provide a return of a minimum amount of capital back to the investor, with the potential for some growth. Unlike guaranteed funds, they do not back their promise with a guarantee.

## PROVIDER

A financial company, in the case of unit trusts and OEICs, a fund management company, which provides financial products to members of the public.

## REDEMPTION CHARGE

See "Exit Charge."

## REDEMPTION DATE

Usually associated with gilts or bonds, the redemption date is the date set in advance when the gilt or bond will be repaid by the issuing government or company and you will receive your capital back.

## REDEMPTION YIELD

See "Gross Redemption Yield."

## REGULATOR

See "Financial Services Authority."

## REPURCHASE

The sale of units/shares back to the fund manager to realise/cash in the investment. It is also referred to as a redemption, although not to be confused with the redemption of a gilt or bond.

## RETAIL INVESTOR

Term referring to members of the general investing public.

## RETURN

The amount of income, capital growth or both that is generated by your investment.

## RISK PROFILE

This relates to how much risk you are prepared to take with your money. Generally the more risk you take, the higher the potential gain, but the more likely it is that you could lose some or all of your capital. Your risk profile may depend on your financial circumstances, as some people are able to take more risk than others.

## RISK RATING

See "Credit Rating."

## RUNNING YIELD

Also known as income yield. The amount of income generated by a bond or gilt fund at the current time.

## SECTORS

Unit trusts and OEICs are divided into a variety of categories, known as sectors, to keep together funds of a similar type so that investors can compare funds with similar objectives and investment strategies. Categories include 'Money market' funds, 'European' funds, 'North American' funds etc.

## SECURITIES

Another name for investments such as stocks, shares and bonds.

## SHARES

The name given to a part of a company owned by an investor – the investor buys shares in the company. Is also used to describe the OEIC equivalent of a unit.

## SHORT REPORT

Consumer friendly version of the long form annual report and accounts which focus on the fund's activities over a given period. A version of the short report is sent out by the fund manager to all investors in a fund, with the longer version available on request.

## SIMPLIFIED PROSPECTUS

Offered to all investors in UCITS funds (and in some cases NURS funds) before the point of purchasing units/shares. This document formally sets out details of the fund including its investment policy, charges and distribution dates. See also "Key Features Documents."

## SINGLE PRICING

Some OEICs and unit trusts have a single price at which investors both buy and sell. The initial charge is shown separately and is charged in addition to the unit/share price.

## SOCIALLY RESPONSIBLE INVESTMENT FUNDS

See "Ethical Funds."

## STAKEHOLDER

A government initiative which allows investors to access some investment products, including pensions, in a controlled risk, low cost way.

## STOCKS AND SHARES

Also known as equities, this is the name given to a part of a company owned by an investor.

## TAX WRAPPER

An extra layer which surrounds an investment product, sheltering it from paying certain taxes. Such wrappers include pensions, ISAs, PEPs and TESSAs.

## TESSA

A type of cash account set up by the UK government in 1991. Interest earned on savings in a TESSA were exempt from paying income tax providing you held

the account for at least five years. TESSAs were closed to new business in 1999 and were replaced by cash ISAs.

## TOTAL EXPENSE RATIO

A calculation of costs expressed as a percentage. TERs provide investors with a clearer picture of the total annual costs for running a unit trust or OEIC. It consists principally of the "manager's" annual charge, but also includes the costs for other services paid for by the fund, such as the fees paid to the trustee/depositary, custodian, auditors and registrar.

## TRACKER FUNDS

See "Index Tracking Funds."

## TRUST DEED

This document establishes the legal constitution, structure and organisation of a unit trust. The OEIC equivalent is known as an instrument of incorporation.

## TRUSTEE

Responsible for overseeing the fund manager's activities in relation to a unit trust. Usually a large bank, the trustee must be independent of the fund manager where the fund is authorised by the Financial Services Authority. It acts in the interests of the investors, owning the investments in the fund on their behalf. It also ensures the fund is invested according to its investment objectives and that the manager complies.

## UCITS

A fund that can be marketed in all countries in the European Union. UCITS stands for 'Undertakings for Collective Investments in Transferable Securities' and is a European Directive which has been adopted in the UK. UK based UCITS funds are OEICs, with unit trusts abiding by the non-UCITS Retail Schemes (NURS) rules due to trust law being unrecognisable by other European Member States.

## UNFETTERED FUNDS

See "Multi-Manager Funds."

## UNITS

Unit trusts are divided into "units" of equal value, therefore an investor buys units in the unit trust. The OEIC equivalent is known as a share.

## UNIT LINKED POLICIES

These are insurance products where you pay a premium which is then invested in a fund holding a range of assets, usually including equities and fixed interest securities. Part of the premium paid pays for life assurance. Unit-linked policies are similar to with-profits products but do not invest in as many assets.

## UNIT TRUST

Private individuals pool their contributions with others, which combine to form a large fund. The fund invests in a spread of different assets to minimise the risk of loss. Also known as collective/pooled investments or investment funds. Unit trusts can be both single and dual-priced.

## VALUATION POINT

The name given to the time of day that unit trusts or OEICs are valued and then priced.

## WARRANTS

A security that offers the owner the right to purchase the shares of a company at a fixed date, usually at a fixed price.

## WITH PROFITS

A with-profits fund is a pooled insurance product. With-profits funds pool together premiums paid by a number of investors, which the insurance company then invests in a very wide range of assets. (See "Unit-Linked Policies").

## YIELD

The amount of income generated by a fund's investments in relation to the price. Equity funds will quote net (after tax and charges). Fixed interest securities will quote gross.

“By having a range of different investments you can spread your risk, rather than holding ‘all your eggs in one basket.’”

# TAKING CONTROL OF YOUR PENSION INVESTMENTS

## TAX-EFFICIENT WRAPPERS PROVIDE A WIDE VARIETY OF OPTIONS

*Many of us depend on our pension for our future security and financial well-being. After our homes, a pension is likely to be our largest single amount of invested capital. As the population as a whole is living longer and has more elaborate plans for retirement than ever before, ensuring you achieve the right level of income in retirement is vital.*

Self-invested personal pensions (SIPP) are an ideal way for individuals to control their own pension investments. The flexibility and investment choice provided by these schemes has made them an increasingly popular choice.

A SIPP is a tax-efficient wrapper in which you can select your own investments from a wide variety of options. Rather than investing in one of a limited range of funds, you can spread your money across a whole range of different types of investments of your choice. The types of investments you are able to invest in will be subject to both HM Revenue & Customs (HMRC) and any limits set by the SIPP policy.

You are in control of your pension investments at all times. Depending on your personal objectives and needs, you can change or add new investments whenever you like. Please be aware, however, that it may take longer to realise the value of some assets than others.

SIPPs offer the same tax benefits as other personal pension plans. Personal contributions into a SIPP receive income tax relief, and the investments within a SIPP are able to grow free of capital gains tax. In some circumstances the value of the fund can be passed on to your beneficiaries free from inheritance tax, provided no benefits have been drawn.

By having a range of different investments you can spread your risk, rather than holding ‘all your eggs in one basket.’ You can invest in a wide range of investments permitted by HMRC. The SIPP wrapper is separate from the contents and as such, has distinct, often fixed charges.

Today we accumulate a number of pensions over our working life. Transferring all your pension arrangements into a SIPP means that you can have one company carrying out your pension administration, and could if appropriate to your situation reduce both the reporting and paperwork.

A SIPP allows you to choose from the full range of options at retirement, from purchasing an annuity to taking a managed income withdrawal from your fund.

### NEED MORE INFORMATION?

Please email or contact us with your enquiry.

If you would like us to email a copy of our digital magazine to someone you know, please email us with their details and we'll send them a copy.

There may be changes to tax rules in the future, and any benefit will depend on your individual circumstances so it is important to obtain professional advice. Please email or contact us for further information if you would like to review your current provision for retirement planning.

# SHAREHOLDER PROTECTION

## COULD YOU RETAIN CONTROL OF YOUR BUSINESS?

*When you run a business typically your main focus is directed towards the day-to-day operations and trading position, but have you ever considered the impact of a shareholder dying or becoming seriously ill?*

Shareholder or Partnership Protection is available to people who are in business with others in a limited company or a partnership. It allows for sufficient funds to become available in the event of the death or serious illness of a shareholder. This will ensure that the company can continue to operate unhindered while the ongoing shareholder or their family receive fair compensation for their share of the business. It also enables you to retain control and ownership of your business.

It is essential to provide a safety net following the loss of a shareholder, for the continued financial security, business stability, and continuity, particularly for private limited companies where there may only be a small number of principal shareholders.

If overlooked and without prior planning for such an event, shares could end up going to the deceased's family, which has no interest in the business and would prefer a cash sum. The company or other shareholders will usually want to retain control by buying lost shares, but may not have the resources to do so. In addition, the shares may be taken over by someone who does not share the company's objectives and may even be a competitor.

### DID YOU KNOW? YOU CAN:

- make provision for a cost-effective form of life assurance cover.
- provide cover for a defined term.
- pay out a predetermined lump sum in the event of death during the term of cover.
- include critical illness cover.
- implement a business trust and cross-option agreement.

Shareholder Protection sets out the procedures and policies to help ensure that you retain control, and have the necessary funds to do so. This means that you can arrange for the most appropriate transfer of shares to the surviving shareholders, or the company, at a fair commercial price.

Insurance policies set up solely for this purpose will ensure the funds are available to purchase

the shares and that funds set aside for other purposes will not have to be used.

The key benefit to the business is that it prevents the sale of shares to hostile parties, or competitors, and documentation enables all transactions are made tax-efficiently.

The dependants of the critically ill or deceased shareholder also remain financially secure and the business stability and continuity is maintained. This has the positive effect that there is a retained confidence for both employees and customers.

“The dependants of the critically ill or deceased shareholder also remain financially secure and the business stability and continuity is maintained.”

Protection should be arranged under an appropriate trust from inception and in conjunction with an appropriate partnership agreement.

**Buy and Sell Agreement** - the advantage of this is that the partners or directors know exactly what will happen, but there are distinct inheritance tax disadvantages as generally Business Property Relief is not available.

**Cross Option Agreement** - this gives the surviving partners or directors an option to buy the deceased's share within a

specified period, usually six months. The disadvantage of this is that it is based on options rather than obligations. The advantage is that it does not prejudice the availability of Business Property Relief.

The partners or directors have an obligation to effect and maintain life policies on their own lives. A regular review is therefore necessary, and costs can be apportioned between partners or directors.

A variety of plans are available to protect the profits of the business, loans and investments.

## NEED MORE INFORMATION?

Please email or contact us with your enquiry.

If you would like us to email a copy of our digital magazine to someone you know, please email us with their details and we'll send them a copy.



## PROTECTING THE BUSINESS AGAINST FINANCIAL LOSS REQUIRES PRIOR PLANNING

*In most organisations, it is possible to identify certain individuals whose contribution is particularly important. Their loss could result in the loss of profits, which could ultimately lead to the business not being able to service or repay outstanding loans, or may lead to plans being curtailed for expansion.*

Key man life Insurance cover is a policy taken out to protect a business against the financial loss of the key people who drive the business or against the financial repercussions of losing them. These key people are typically those whom without the business could financially suffer.

Business owners logically insure their equipment, or their company cars, but what about the most important assets of your company, "the key people," the directors, partners, shareholders, integral managers, or key IT development specialists or development operators.

Key person insurance will enable you to protect profits that may see a serious fall without that person. In addition, this insurance can provide an income to the company whilst the key person is away from work or to train or recruit their replacement.

Monies can also be made available to the remaining directors, shareholders or partners in order for them to buy out the shares from the original owner. These shares may otherwise fall into the wrong hands such a wife or husband who knows nothing about your business.

The insurance payout could also be made available to anyone involved in guaranteeing business loans or other banking facilities.

The damaging effect of losing a key person may go well beyond just the cost of their replacement. They could be the sole reason why the business is doing so well. So it is logical that insurance to cover any loss of profits is an important consideration for business owners.

Families of the deceased or long term ill may also want to sell their stake in the business to someone unfit to hold such a high position within the company. Or a member of the family may want to take up a place on the board and make decisions within your company. Insurance policies can be set up to provide the necessary finance to buy the shares from the original shareholder or their family.

Business's will often have loans or will have raised finance, which will often require a guarantee or charge on their personal property. Lenders may well and often do call in the loan at this time. An insurance product can be structured to pay off this loan and free the business and possibly the family from this financial burden.

“Key man life Insurance cover is a policy taken out to protect a business against the financial loss of the key people who drive the business or against the financial repercussions of losing them.”

# THE DAMAGING EFFECTS OF LOOSING A KEY PERSON

# VENTURE CAPITAL TRUSTS

## NOTHING VENTURED, NOTHING GAINED

Established to encourage investment in vibrant smaller companies, Venture Capital Trusts (VCT) are usually large funds (£10m to £50m), which means they are able to spread their investments over a number of companies, typically 30 to 50 per trust.

### VCT INVESTMENT RULES

- Companies chosen must be quoted on the London Stock Exchange
- These companies must meet the same qualifications as single Enterprise Investment Scheme (EIS) companies
- 70 per cent of funds raised must be invested in qualifying companies within three years of raising the money
- The remaining 30 per cent can be invested in whatever the manager chooses
- No more than £1 million can be invested in one company in any single tax year
- Two investments in the same company must be separated by at least six months
- Investments in any one company must be less than 15 per cent of the total amount invested
- At least 10 per cent of any one qualifying investment must be in ordinary shares
- Across the portfolio, at least 30 per cent of holdings must be in ordinary shares
- VCTs cannot retain more than 15 per cent of the income received from shares and securities
- For investments of up to £200,000 in any one tax year, you could receive a 30 per cent income tax rebate if you hold the shares for at least five years. Dividends are tax-free on both the income that you derive from the underlying investments and

capital gains realised inside the VCT portfolio. There is also an exemption from capital gains tax on the shares sold at a profit.

VCTs can offer you significant tax benefits, but you should be aware that there are higher risks involved than with most typical equity funds. The secondary market for VCTs tends to be illiquid, as selling the holding in the open market can be difficult unless the VCT has a planned wind-up within the prospectus. In addition, there is no tax relief on shares sold at a loss.



# BANK OF MUM AND DAD

## FORCED TO TURN TO BANK OF SONS AND DAUGHTERS TO FUND LONG TERM CARE

*The generation who have relied on 'The Bank of Mum and Dad' may unwittingly become 'The Bank of Sons and Daughters.' As parents fail to save for long-term care fees, children may be forced to forgo their inheritance to pay for care or stop working to look after elderly parents. The findings are revealed in a study released by Saga Care Funding Advice Services.*

Only one in ten adults have seriously discussed long-term care funding with their parents and almost half (47 per cent) underestimate its cost. This is despite figures showing that care home fees are set to double in the next twenty years\* meaning that all adults could face huge bills for either their own care or that of their parents. Most worryingly, over half of people (56 per cent) with parents in their 60s have not discussed ways to meet the cost of long-term care at all, despite them being in the key age bracket where solutions need to be discussed and plans made.

The Saga study also revealed a series of underestimations and misunderstandings in how people anticipate their parents would pay for long-term care. The annual cost of care is between £25,000 and £30,000; however, 47 per cent of people underestimate the bill by as much as £20,000 a year. Even considering these massive miscalculations, over half of people

(57 per cent) think it likely that any potential inheritance will be 'eaten up' funding long-term care.

Once informed of the true cost of care, over a third (36 per cent) of adults think that parents will be forced to turn to the 'Bank of Sons and Daughters' as they will not be able to afford their own care. A quarter expect their parents will have to be looked after by a family member to save money and over one in ten (11 per cent) feel that they or their siblings will have to foot the bill directly. More surprisingly, 64 per cent of people would consider caring for elderly parents themselves in order to protect an inheritance or family assets, even stopping work to do so.

\*Forecast commissioned by Laing & Buisson November 2007 exclusively for Saga Research carried out by Opinium Research for Saga Care Funding Services between 17th and 21st of July 2008 amongst a UK representative sample of 2,209 respondents.

“ Only one in ten adults have seriously discussed long-term care funding with their parents and almost half (47 per cent) underestimate its cost. ”

### NEED MORE INFORMATION?

Please email or contact us with your enquiry.

If you would like us to email a copy of our digital magazine to someone you know, please email us with their details and we'll send them a copy.



# INVESTMENT PLANNING

## THE EXPECTATION OF GREATER REWARD

*Your investment goals and the question of time should determine your investment plan. Generally, the longer it is before you need your money, the greater the amount of risk you are able to take in the expectation of greater reward.*

You don't want to find yourself having to sell just when the price has fallen. If you plan to spend the money soon, say in a few years, perhaps to celebrate an anniversary, or if you are nearing retirement and are planning to take an immediate income from your pension fund, you will want to safeguard the value of your money.

The value of shares can go up and down in the short term, and this

is difficult to predict, but long term they can be expected to deliver better returns. The same is true to a lesser extent of bonds. Only cash offers certainty in the short term. Broadly speaking, you can invest in shares for the long term, fixed interest securities for the medium term and cash for the short term.

As the length of time you have shortens, you should assess and consider changing your total risk

by adjusting the "asset mix" of your investments. It is often possible to choose an option to "lifestyle" your investments, this is where your mix of assets is risk-adjusted to reflect your age and the time you have before you want to spend your money.

Talk to us about how we could help you to decide what investments are appropriate to your particular situation based on your future goals. Please email or contact us for further information.

“ The value of shares can go up and down in the short term, and this is difficult to predict, but long term they can be expected to deliver better returns. ”

### NEED MORE INFORMATION?

Please email or contact us with your enquiry.

If you would like us to email a copy of our digital magazine to someone you know, please email us with their details and we'll send them a copy.