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NEWSLETTER MARCH/APRIL 2009

truestone asset management news

Tax year end reminder

it's still not too late to use your allowances

As the 5th April approaches once again, it is wise to check that you have made the most of all the tax allowances the government provides. This will reduce the amount of tax due in the current tax year. Consider the following opportunities:

Investment planning

- Use your Individual Savings Account (ISA) allowance, currently £7,200 per person per annum. This can be invested with returns exempt from income and capital gains tax (CGT). Remember other family members may each have an allowance - 16 year olds can take out cash ISAs whereas 18 year olds can invest in stocks and shares ISAs.
- You have an allowance of £9,600 this tax year before you need to pay tax on capital gains. If this is unused you might want to consider if there are any capital gains it might be sensible to realise this year.
- Child Trust Fund (CTF) – a top up of up to £1,200 can be made per child per tax year.

There are other tax efficient investments that might be suitable for experienced investors.

- Venture Capital Trusts (VCTs) invest in small, often unquoted companies. They offer an income tax reduction of 30% of the amount invested up to £200,000 in any one tax year. VCTs also offer exemptions from tax on capital gains and dividends. There are conditions which apply in order to get these benefits such as holding the investment for at least five years, and bear in mind small company investments are often seen as having a higher level of risk.
- Enterprise Investment Schemes (EISs) are similar types of investment, focusing on unquoted companies and offering 20% income tax relief on new ordinary shares up to £500,000 in any one tax year.

You should seek independent advice before considering any of these opportunities.

Inheritance Tax planning

- Maximise use of the inheritance tax (IHT) exemptions, including the annual exemption of £3,000 per individual, which can increase to £6,000 if last year's allowance has not been used (£12,000 for a married couple).

- Review existing life insurance policies to see if they should be written into trust, as millions of pounds are paid unnecessarily in inheritance tax on these types of policies every year.
- If you have surplus income, this can be gifted on an ongoing basis to reduce your IHT liability. This entitlement is not dictated by tax year deadlines but gifting will not be allowed if it materially affects your standard of living.
- Ensure suitable wills are in place, and effective use of available nil-rate bands is achieved.

For guidance on making use of these allowances please contact your consultant or call 0845 362 8425

New investment opportunities emerge

Investment Director, Tony O'Dwyer identifies a number of investment opportunities that may be bucking the present recessionary trends in global financial markets.

As you well know 2008 was a tumultuous year for investment markets; we have seen dramatic falls on global equity markets, commercial property values have fallen and corporate bonds continued to be in the doldrums. In fact of the traditional asset classes, only government gilts and cash posted positive results for investors.

We anticipate investment markets to remain uncertain throughout 2009 but through our research we have identified certain sectors that we believe have the potential to make gains in the medium term.

Oil

During 2008 oil prices hit an all time high of approximately $150 per barrel but yet ended the year below $40 per barrel. We do not expect oil prices to remain at this level for anything but the very short term and over the course of the year they should increase as oil producers reduce supply.

Gold

Gold is often held as an investment as a hedge against a weakening US dollar. With the contraction in the world economy and a loosening of US monetary policy, demand for the dollar has decreased. With potential weakening of the dollar we anticipate demand for gold as an investment to increase.

Timber

Forestry combines elements of both real estate and commodity investment. It is however different in that the assets purchased (trees) generally continue to 'grow' and therefore increase in value.

Infrastructure

Many developed economies are committing vast amounts to public spending plans in an attempt to stimulate their economies. China and America have, between them, allocated almost $1.5 Trillion to infrastructure projects. With similar commitments, albeit on a smaller scale, made by British and European governments, we expect private companies that operate in this sector to benefit.

Currency

The turbulence in the global equity and bond markets has been accompanied by dramatic movements in the currency markets; during March 2008 the exchange rate between GBP and US$ was more than £1:$2. Subsequently Sterling has weakened to approximately £1:$1.40. Dramatic changes like this are evident across a number of currencies and we believe that there may well be a return to "normal" exchange rate levels during the course of the year. For investors this may present an opportunity.

If you wish to find out more about these opportunities please contact your consultant or alternatively contact Angus Branfield on 0845 362 8425

Act now to protect your business with a business protection audit

Angus Branfield, head of the Truestone Private Clients Service explains why a business protection audit is so crucial.

What is business protection?

Quite simply business protection is a means of protecting a business if a key worker, partner or director becomes ill or dies. It can protect against both financial (keeping the business going) and ownership (who has control) issues that can arise from such unforeseen circumstances.

Why is it recommended?

If the unexpected happens it aims to provide a plan and funding to keep your business trading, replace key workers, protect corporate debt, and buy out a shareholder if they become critically ill, or a shareholder's estate if they die.

Key people

Every business has key personnel who are vital to its success and prosperity. It might be the sales director, or it might be a specialist craftsman. Every business is different, but directors will know which staff members are vital.

Shareholders/Partners

If a partner in a business dies, there may be other problems. Apart from their loss to everyday business activity, there may be imperative reasons to buy out their shareholding so that it does not pass to outside investors who do not share the vision of the company's future. Such unforeseen events could lead to crises, reduced revenues and even, in some cases, business collapse.

Business Protection is designed with the aim of protecting your business in circumstances like these. You can choose the benefits you need and tailor them with additional features, such as the choice of fixed or renewable terms, or have index-linked benefits so that they stay in line with increases in inflation, or waiver of premium during periods of incapacity. In addition, you can change your benefits as your business needs change.

Audit

Our Business Protection Audit assesses your current planning, undertakes a liability review and we then make a recommendation. Truestone will work with your existing tax and legal advisers to set up any trusts and other legal agreements considered necessary.

Business Protection covers the individual people you nominate in your policy or policies. If one of these people dies, is diagnosed with a terminal or critical illness or is unable to work as a result of accident or sickness, the recommended provider pays benefits in one of three ways:

- For life cover and critical illness protection, a lump sum is paid on death or after diagnosis of one of the specified illnesses
- For business loan protection, a lump sum is paid. However, this may be on a reducing basis to match your loan commitments
- For income protection, the benefit is paid monthly, direct to the company

To find out more about a Business Protection Audit contact your consultant or call Angus Branfield on 0845 362 8425

The rise of voluntary benefits

Competitive employee benefits packages have always been an important tool for retaining and motivating key employees. However in a tough economic environment it will become increasingly difficult to provide those benefits on a fully funded basis. As a result employers are turning to voluntary benefits to help solve this dilemma.

Voluntary benefits normally comprise a range of specially negotiated deals and discounts which are open to employees to use as they choose. Truestone Employee Benefits uses its negotiating power to put such programmes in place. Ed Smithson, Director, says 'typically businesses will ask us to put together a package of insurances which could include:

- Life assurance
- Private medical insurance
- Critical illness insurance
- Dental insurance
- Health cash plans
- Travel insurance
- Personal accident cover

'However most employers also aim to provide some lifestyle benefits as well such as health screening, gym membership, bike to work schemes, childcare vouchers plus other retail offers and discounts. All in all employees can end up making some very valuable savings on things that they genuinely need.'

A client recently implemented a voluntary benefits scheme where we were able to arrange savings of up to 70% on certain benefits. In particular employees were able to receive better deals because Truestone was able to source insurance policies at group scheme rates. And of course the company was able to make a major saving on its employee benefits expenditure.

Ed goes on to point out that some benefits can be taken using a salary sacrifice arrangement which means that for those benefits the employee can save on tax and both the employee and the employer can save paying National Insurance Contributions.

To find out more about implementing a voluntary benefits scheme call Ed Smithson on 0845 362 8426 or email ed.smithson@truestone.co.uk

You may be insured - but is your family protected?

Most of us understand the value of life insurance and do take out some form of cover to protect our loved ones should the worst happen to us, especially if we are the main earner in a family.

Unfortunately the next step is normally to file the policy document, tick the 'job done' box and promptly forget about it.

Client Director, Simon Bullock explains why that might leave your family exposed at the worst possible time.

When I first met my client, I will refer to him as Mr A, it became clear that the success he had enjoyed in his career had raced ahead of the financial arrangements he had in place to protect his family. So I took the client and his partner through a review of the cover he had in place and the cover he now needed.

Mr A had taken out sufficient cover to meet the amount outstanding on his mortgage but had not catered for the day to day needs of his family. So we focused on a number of steps to highlight any actions required.

Simon Bullock, Client Director

Step 1

Does the cover match the need?

There are many types of cover available. Policies that pay out if a critical illness is contracted or policies designed to meet medical expenses are two examples. In most cases I find people need cover first and foremost to replace a regular income.

Mr A agreed they needed life cover and insurance that would pay out should he or his partner be unable to work.

It is important to remember that it is not just the main breadwinner in a family that needs cover. Mr A recognised that without the support of his partner to look after their young family, he would wish to reduce his working hours and accepted that he would be far less able to earn a high income.

Step 2

Calculate the amount of cover needed

The amount of cover is normally calculated on the basis of an annual income multiplied by the number of years that the income is required. Then an allowance is made for the expected returns from investing the proceeds of the policy.

Mrs A needed an income of £60,000 per annum while she was bringing up their children. To deliver this income, a sum of approximately £1 million was needed as a lump sum.

Step 3

Adjust timescales to fit liabilities

Many policies taken out, particularly those in early life will run to dates that don't fit with new financial responsibilities such as children and mortgages. The cover provided by life policies should always aim to fit the period when the policyholder has financial liabilities.

I was able to re-schedule the life cover required by Mr and Mrs A to fit in with the years when their children would be dependent and finish when retirement was planned.

Step 4

Ensure the cover offers value for money

The premium you pay to obtain a certain level of life insurance cover will depend on your age and your health (in other words how long the insurer believes you have to live) plus the insurer's allowance for a profit margin. Premiums for the same level of cover will vary from year to year and across companies, depending on conditions in the insurance market and views on life expectancy. Although health issues can be a complicating factor, pure life cover can be viewed as close to a commodity product.

We fully expect the large life assurers we recommend to be around to honour these contracts so our role is to focus on finding the most competitive rates for your circumstances.

It is important to be aware that some life insurance policies cover only limited risks. For example many insurers and banks offer accidental life insurance cover. These policies only pay out in the event of death as a result of an accident. This is a relatively rare event and therefore even if the cover is inexpensive it may not represent good value.

Mr A decided to cease paying for inexpensive accidental life insurance which helped him afford the vital income protection cover which would provide for his partner and children should he be prevented from working through illness or injury.

Step 5

Setting policies in trust

Mr A wished to ensure that the proceeds from his policies would provide for his partner and their children when they most needed financial support. By writing life policies in trust he was able to avoid the complications of having the proceeds being caught up in probate.

This was also a first step towards addressing his potential exposure to inheritance tax.

Cover in place after the review

As a result of the review Mr A was able to:

- Change the type of cover he held so that it would meet the needs of his family
- Cease paying for poor value or inappropriate cover
- Increase the amount of cover to a more appropriate level without a significant impact on monthly premiums

Step 6

Review

I recommend to my clients that even when there are no significant changes in personal circumstances, life and income protection policies are reviewed every three years. This allows your consultant to check whether your premium is still competitive and the amount of cover is still appropriate.

For a complete and comprehensive assessment of your situation contact your consultant or call 0845 362 8425

www.truestone.co.uk

Mortgage deals reviewed

The Truestone Private Finance review of the most competitive mortgage deals as at 2nd March showed the following were available for a loan of £200,000.

Terms and conditions will apply to each loan and they will be subject to availability and status, so please call Ian Handley or Nanditha de Silva for more information.

Call 0845 362 8428 or email nanditha.desilva@truestone.co.uk or ian.handley@truestone.co.uk

2 year Fixed

- 3.19% + 2% arrangement fee which can be added to the loan
- Repayment over 25 years: £958.31

2 year Fixed

- 4.18% + £599 arrangement fee which can be added to the loan
- Repayment over 25 years: £1,075.65

4 year Fixed

- 3.99% + £995 arrangement fee which can be added to the loan
- Repayment over 25 years: £1,054.57

2 year Tracker

- 3.04% + 2% arrangement fee which can be added to the loan
- Repayment over 25 years: £952.59

3 year Tracker

- 3.69% + £1995 arrangement fee which can be added to the loan
- Repayment over 25 years: £1,021.74

Lifetime Tracker

- 3.74% + £995 arrangement fee which can be added to the loan
- Repayment over 25 years: £1,037.75

Your home may be repossessed if you do not keep up repayments on your mortgage.

If you decide to use the services of Truestone Private Finance, there will be a fee for mortgage advice. The precise amount will depend on your circumstances. You have the option to pay us a fee and receive any commission which we are paid by the lender. If you choose this option, we estimate that the total amount will be 1% of the loan amount. For example on a £100,000 mortgage you will pay £1,000.

Savings crunch

The reduction in interest rates is now being reflected in the rates for cash savings.

It is clear to all that the financial strength of the deposit taker to whom you trust your savings is paramount, and often more significant than the interest rate. For the purposes of this chart we have only used UK banks that have A+ (or higher) credit ratings. Whilst higher rates may be available elsewhere from smaller providers or Irish banks (covered by the Irish government guarantee) these have been excluded.

Many savers who have relied on savings interest to boost their income from products such as National Savings and building society accounts are now feeling the crunch.

We would be delighted to discuss your specific requirements and alternative options that might be suitable for you. Please contact us on 0845 362 8425

Type	Rate	Provider	Financial Strength	Access
Instant Access	3.00% Variable	ING	AA-	Web, Phone & Post
	3.00% Variable	Abbey	AA	Phone & Branch
Cash ISA	3.50% Variable	Abbey	AA	Web, Phone & Post
	3.50% Variable	Natwest	AA	Web, Phone & Post
Term	3.75% 1 year fixed	Cheshire Bank	A+	Web, Phone & Post
	5.50% 1 year variable	Abbey	AA	Branch

Sources: **www.standardandpoors.com, www.moneyextra.co.uk and www.moneyfacts.co.uk** as at 6th March 2009