

# Best Advice

SPRING 2009  
EDITION

Informed Choice Ltd

## Special Points of Interest:

- We are starting to witness some early signs of investment market recovery
- It is important to understand the difference between financial planning and financial advice
- There are several conversations we would love to have in the second quarter of 2009
- Spotting a 'lemon' fund is the result of a defined investment research process

Welcome to the latest edition of our quarterly client newsletter—Best Advice.

In this issue we look at the findings of our latest Investment Committee meeting, the difference between financial planning and financial advice, some new micro-sites we have created.

We also talk about the conversations we would love to have this quarter and the 'lemon' funds you need to avoid.

We do hope that you enjoy reading this newsletter and we would welcome your feedback.

Regards,

**Nick & Martin**

Nick Bamford & Martin Bamford  
Joint Managing Directors



## BEST OF THE BLOGS

The Informed Choice Blog at [informedchoice.blogspot.com](http://informedchoice.blogspot.com) contains personal finance news, debate and opinion.

We also add news about Informed Choice and links to our media coverage in both the national and trade press.

The Blog allows readers to add their own comments to any

entry so do take a look and join in with the debate.

We have recently added a new feature which allows you to receive an email update when we post a new blog. Simply visit the Informed Choice Blog to find out more.

Please do take a look and add your comments to the blogs.

APRIL 2009



*We are proud to be a Chartered firm of Independent Financial Advisers. This means we have satisfied rigorous criteria relating to professional qualifications and ethical good practice.*

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*Informed Choice Ltd are one of only five IFA firms in the UK to hold the Gold Standard for Independent Financial Advice—the toughest and most sought after award in financial services.*

## Best Advice

### Informed Choice Investment Committee Q2 2009

The Informed Choice Investment Committee met on 30th March to debate and update our 'house view' for the various investment asset classes.

This meeting takes place quarterly and is an opportunity for us to make tactical adjustments to the various asset allocation models we employ for our clients, in order to take advantage of the current economic outlook.

You can read the full report from this Investment Committee meeting on our website at [www.informedchoice.ltd.uk/committee](http://www.informedchoice.ltd.uk/committee), but here is a brief summary of our current thinking.



Stock market turbulence is still prevalent amongst a continued global economic recession, but we are starting to witness some early signs of recovery.

Decisive fiscal action in the UK, US and other countries appears to be easing the flow of money and restoring some confidence in the troubled financial institutions at the root of this crisis. In the UK, the previously untested policy of quantitative easing combined with a series of rate cuts is gradually bringing down the cost of borrowing and improving the availability of finance.

There could still be a long way to go before we return to previous market numbers for the various investment types. Where stock markets have been recovering, they have been doing so quickly in the main which highlights the importance of not trying to time the markets.

Our Investment Committee meeting this quarter was an interesting debate around each of the main asset classes.

Interestingly the Committee was broadly in agreement about the outlook for each, and in summary we are quite positive about UK Corporate Bonds, International Corporate Bonds, UK Equities, North American Equities and Emerging Market Equities, but less positive about UK Gilts and Property.

We remain neutral when it comes to cash, UK index linked Gilts, European Equities, Japan Equities and Asia ex-Japan Equities.

What remains important is to have a long-term investment plan based around specific asset allocation and to conduct a regular review of the various funds in your investment and pension portfolio. The views of our Investment Committee result in tactical alterations to our strategic asset allocation models and then additional value can be created through the selection and maintenance of those funds most likely to deliver consistent results.

No adviser can accurately and consistently predict the top performing asset class or fund in any given timescale, but this sort of informed debate and consensus can we believe lead to desirable results for our investment clients.

## The difference between planning and advice

We are often asked about the difference between financial planning and financial advice.

The financial services sector could be accused of setting out to confuse the consumer because it tends to use interchangeable terms to mean different things to different people. You could equally have added into your question "What is the difference between financial planning, financial advice and *wealth management*?"

Each of the terms is popular as a title for the delivery of financial services but is typically used by "Independent Financial Advisers". My answer by its very nature must therefore be subjective.



Financial planning is a term used to describe a process of analysis (the process consisting of a number of steps) usually revolving around some calculations to determine if certain identified priorities, goals and objectives can be achieved based on realistic and stated financial assumptions.

One tool used to determine if these goals are achievable is the "lifetime cash flow forecast". This is a calculation that shows you when your money is going to run out and in a very simplistic example might demonstrate that you cannot retire at age 55 simply because you won't have enough money in your pension pot to fund the retirement lifestyle that you claim you want. The cash flow forecast is usually contained in a report that examines key aspects of your financial life, sets out the assumptions used and is based on the interaction between the consumer and planner in the establishment of the goals and objectives.

Some financial planners are so strong in their belief that financial planning is essential that they claim you cannot really take financial advice seriously until you have actually created a financial plan. Some go even further and link in aspects of human feelings and emotions that are borderline quasi-religious in their approach (excuse my cynicism- but it is healthy!)

Financial advice is generally considered more about the focus on certain aspects of a person's financial well being. There is crossover because as the title suggests advice is involved and the presumption is that advice must be based on the needs and wants, goals and objectives of the client. There may also be a presumption here that financial advice might be more closely linked to financial product solutions than financial planning but I am not aware of any academic research that suggests financial planning doesn't equally result in a "product solution"

Wealth management seems to be a popular title used quite extensively by intermediaries and others. From the purist perspective this is probably more about managing investments, savings and pension funds in such a way that the results make the consumer feel better about what they are achieving. Wealth management is probably used more commonly amongst advisers and managers who have a discretionary mandate over the management of the client's portfolio.

The reality is that most of what is on offer to the consumer is a combination of all of these three things. Establishment of goals and objectives is commonplace. This is sometimes followed (but not always) by forecasting of the possibility of these goals and objectives being achieved by existing arrangements. That is typically followed by the advice focused around suitable financial product solutions and one of those solutions might be the active investment of monies and labelled "wealth management".

## Best Advice

### New micro-sites from Informed Choice

This month sees the launch of a new series of 'micro-sites' from Informed Choice.

These are mini websites each tackling a different financial planning subject. To date we have created four of these:

**-[www.mytrusteeinvestment.co.uk](http://www.mytrusteeinvestment.co.uk)**

**-[www.mypensionsanddivorce.co.uk](http://www.mypensionsanddivorce.co.uk)**

**-[www.mycarefeesplanning.co.uk](http://www.mycarefeesplanning.co.uk)**

**-[www.myoptionsatretirement.co.uk](http://www.myoptionsatretirement.co.uk)**

The sites have all been built around a consistent template and each page includes a social bookmarking button, allowing visitors to share content with others by email or on a variety of social networking websites such as Twitter or Facebook.

Please do take a look and let us know what you think!



## Conversations we would like to have

Despite the current economic conditions we remain quite upbeat about the prospects for our business and the services of a professional financial planner in general.

During the second quarter of this year there are several conversations we are keen to have.

Firstly, we would like to speak with people in Surrey and the South East who are disappointed with their current financial advisers.

A number of the new enquiries we have received over the past few months have been from clients who have heard nothing from their existing advisers over the past year. We, perhaps unfairly, dub these as 'ostrich advisers', who bury their heads in the sand when investment conditions get tough.

Secondly, we are keen to speak with other professional advisers such as solicitors and accountants. At the start of the year we created a new role for our Consultant Philip Sullivan who is now working with us as our Head of Business Development. In this role, Philip is introducing the Informed Choice service to professional advisers throughout the South East of England and developing business relationships with these people.

Finally, we would like to speak to existing financial advisers who either want a new home or are seeking an exit from the retail financial services sector.

There is a great deal of change coming in our sector over the next couple of years, with the introduction of higher mandatory qualification standards, higher capital adequacy requirements and the removal of 'funded' commission, all necessitating the movement to fees and professional services.

As a firm we have been through the transition from 'old' to 'new' model, in anticipation of these regulatory changes. As a result we feel well positioned for the future and we would like to grow our business by a) recruiting new advisers and b) acquiring the client banks of retiring advisers.

If you know anyone in this position please ask them to take a look at our recruitment website which can be found at **[www.adviseradvantage.co.uk](http://www.adviseradvantage.co.uk)**.

## The 'lemon' funds leaving a bitter taste

Nobody can claim to have enjoyed the last twelve months of investment performance.

Every main investment asset class, with a few exceptions, have suffered at the hands of falling stock markets, plummeting property prices and generally negative investor sentiment.

Whilst we are starting to see some signs of recovery, markets remain volatile and uncertain. It would be a very bold person to call the bottom of the stock market right now or speculate on its direction in an attempt to make short term gains.

However, even against the backdrop of falling or volatile investment markets, there are some steps you can take to ensure a positive longer term outcome for your investment and pension portfolios.

Here at Informed Choice we have spent years building a very detailed fund selection process. Unlike other firms we look at a lot more than simply past performance. Our research process includes factors such as risk-adjusted returns, cost, consistency and measures of volatility. By going this step further we aim to deliver superior outperformance to our clients over the longer term.

But equally as important as identifying those funds that stand the best chance of being the winners in the future is the ability to spot the likely losers. We call these 'lemon' funds and every six months we turn our fund research process upside down in an attempt to spot them.

On this occasion we have selected the 327 investment funds we believe are likely to leave a bitter taste in the mouths of investors. Rather shockingly, we estimate that over £36bn of investor money currently sits within these funds. Our LemonAid report certainly contains a large number of household names and even some investment funds rated by independent ratings agencies.

The good news is that having a defined investment research process in place makes it easier for us to identify these 'lemon' funds and recommend suitable replacements. Modern financial products, often based around a fund supermarket, make it relatively straightforward to make switches and maintain a healthy investment or pension portfolio.

Much of the work we have been doing over the past year has been engaging with new clients who feel let down by their current financial adviser. This is typically because nothing has been provided by way of an ongoing service or review of financial plans.

During the good times, when investment markets are going up, financial advisers apparently have no problem speaking to their clients and delivering positive performance figures. It is during these more challenging economic times that the frequency and quality of contact dries up.

We pride ourselves on the level of ongoing service we provide to all of our clients and the fact that we never shy away from delivering bad news when there is bad news to deliver.

Understand why your investments or pension funds have fallen in value is essential to ensure you make the right decisions now for your future prosperity.



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## INFORMED CHOICE—NEWS IN BRIEF

- The **Money Marketing Financial Services Awards 2008** took place in March and Informed Choice was on the short list of seven firms for the coveted IFA of the Year award. Our team attended the award ceremony at the Grosvenor House Hotel in London with nervous anticipation, but sadly we did not win on this occasion.

Our congratulations go to RSM Bentley Jennison, a member of RSM International, who were awarded the title. It was a fantastic achievement to reach the final stages of such a major award, particularly as the smallest firm on the shortlist (and the only firm of Chartered Financial Planners to reach this stage!). We will look carefully at any feedback we receive from the judging panel and ensure that our entry next year is even more compelling.

- We recently published a **free e-book to Redundancy Financial Planning** which is available to download from the news and resources section of our website. This free e-book joins the existing guide to reviewing your personal pension and will soon be joined by guides to retirement options and care fees planning.
- Within the next month we will be announcing **the addition of two new team members**. Firstly, we are appointing a non-executive director to join our board and help direct our strategic plans for the future. Secondly, we will be appointing a new adviser who will be working with clients in Bedfordshire, Hertfordshire and Buckinghamshire. Please keep an eye on our website for these announcements as they happen.
- During 2008 we used the leading email marketing tools from Constant Contact to publish and distribute our monthly email newsletter. Informed Choice has now been **recognised as a Constant Contact All Star**. Less than 15% of the 250,000+ worldwide users of Constant Contact received this status in recognition of their permission-based email marketing and list management best practice.

We have recently moved this email newsletter from a monthly to weekly version, so do let us have a note of your email address so we can add you to the list of recipients if you do not already get this in your email inbox every Monday morning!

- Informed Choice has been based at Sundial House in Cranleigh for over a decade and clients who meet us here often comment about the building. Earlier this year we received a more **detailed history of the building** and the people who created it. You can read more about this at <http://informedchoice.blogspot.com/2009/01/brief-history-of-sundial-house.html>.

### Important Note:

This newsletter is provided for general consideration only and the information contained herein is not to be acted upon without professional independent financial advice.

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