

Best Advice

NEW YEAR EDITION

Informed Choice Ltd

JANUARY 2008

Special Points of Interest:

- The top five personal finance resolutions for you to consider.
- We recently saw the first interest rate cut for over two years.
- Over half of UK adults do not know what they would need to save for a comfortable retirement
- Informed Choice has been awarded the prestigious Chartered Financial Planners designation



Informed Choice Ltd becomes the 99th firm of Chartered Financial Planners in the UK, following our successful application to the Chartered Insurance Institute in December.

HAPPY NEW YEAR!

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

Within this issue we set out five important personal finance resolutions for 2008.

We also share some of the comments we received from the judges at the recent Gold Standard Awards where we received the Gold Standard for Independent Financial Advice.

The newsletter also contains news of the recent Bank of England Base Rate cut and the announcement of consultation of draft regulations to allow the investment of Protected Rights within SIPPs.

Our Best Advice column in this edition looks at the main considerations when looking at a wrap investment platform.

We finish the newsletter by sharing some news from Informed Choice.

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

Regards,

Martin

Martin Bamford BA (Hons) CFP APFS
Chartered Financial Planner
Joint Managing Director

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BEST OF THE BLOGS

The Informed Choice Blog at 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.

During December we posted eleven blog entries, on topics as diverse as fund manager performance bonuses to saving money in preparation for Christmas.

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



Informed Choice Ltd win the Gold Standard for Independent Financial Advice at the Gold Standard Awards 2007—one of only three IFA firms in the UK to receive this accolade.

Best Advice

FIVE PERSONAL FINANCE RESOLUTIONS FOR 2008

It's that time of year again - when people up and down the country are making resolutions for the year ahead. Here are some top personal finance resolutions for you to consider.

1 – Work out your budget. It still amazes me how many people we meet with who simply don't know how much money they spend each month (and what it goes on!). Working out (and sticking to) a monthly budget is all about spending less than you earn. If you achieve this, month on month, you will be in a better financial position at the end of 2008 than you were at the start.

2 – Sort out your financial affairs. If you don't have a Will, get one. You can write your own Will but there are some major risks involved with this DIY approach. It is better to use the services of a solicitor who specialises in estate planning. You should also think about what would happen to you and your family, from a financial perspective, in the event of death, critical illness, or an accident or long-term illness preventing you from being able to work.

3 – Look to the future. Starting a pension is likely to be a big priority for many people in 2008. We recently saw the biggest shake-up of pension rules in many years but this brought a great deal of retirement planning opportunities with it. It is now generally possible to make much larger pension contributions than under the old pre-April 2006 rules and these will attract income tax relief.

"Starting a pension is likely to be a big priority for many people in 2008."

4 – Pay less tax. No-one enjoys paying tax but many of us fail to take the simple steps that enable us to pay less tax. Each and every year we waste an average of £132 per taxpayer because we don't take some simple planning steps and maximise our tax allowances.

5 – Review your mortgage. Now is a good time to consider reviewing your mortgage. If your mortgage is on your lender's standard variable rate (SVR) you are likely to be able to make a reasonable monthly saving by switching to a more competitive interest rate or product. Because mortgages are a dynamic market the rates available are subject to change on a regular basis and some deals will only be available through an independent adviser.

GOLD STANDARD AWARDS—JUDGES COMMENTS

We recently received the comments from the Gold Standard Awards judging panel. Here is what they had to say about our winning entry in the Gold Standard Awards 2007:

"Bearing in mind this is a small IFA, the modest capital resources are adequate for the needs of the business," said the judges. "Likewise, the duplication of functions among senior management is inevitable in such a small business but they have clearly identified these roles and built them into their management structure."

The judges highlighted how an Informed Choice adviser who meets clients is the same adviser who provides the ongoing advice and care for their financial needs. "In other words, there is a total alignment of interests of Informed Choice and its clients, which feeds through into a truly, independent, high quality advisory firm," they continued. "Informed Choice releases that if its clients prosper, then so will its business. This is a simple rule that is sadly ignored by many businesses."

According to the judging panel, Informed Choice's processes and documentation become more impressive each year. "One of the most laudable aspects of the firm is the way in which it communicates issues to clients clearly and readably," the judges said. "Documents such as the engagement letter, which could be unreadable and technical, are un pompous and accessible while the service policy document is especially noteworthy."

BANK BASE RATE REDUCED BY 0.25% TO 5.5%

The Bank of England's Monetary Policy Committee last month voted to reduce the official Bank Rate paid on commercial bank reserves by 0.25 percentage points to 5.5%.

This is the first interest rate cut in over two years and seen by many analysts as necessary to prevent a rapid slowdown in the UK economy. Interest rates have risen five times since the middle of 2006 but remained on hold since July 2007.

Recent indicators suggest a fall in both consumer confidence and house prices. There have also been warnings from retailers about a slowdown in consumer spending during the traditionally profitable Christmas spending season.

We commented on the news:

"This move will be considered necessary to prevent the economy from skidding to a complete halt, or even moving into recession. It seems likely that economic growth will slowdown but by reducing interest rates, and taking the pressure off consumers slightly, the MPC should ensure that this slowdown is not too rapid.

Now represents a good opportunity for the 1.5 million people in the UK who are coming to the end of a fixed rate mortgage deal to seek independent mortgage advice and review their options. With the expectation of future rate cuts in the early part of 2008, a tracker rate mortgage might now be the most attractive option."

"Interest rates have risen five times since the middle of 2006 but remained on hold since July 2007."

PROTECTED RIGHTS IN SIPPS

"These new rules will make it simpler for pension investors to consolidate all of their pension funds within a single SIPP arrangement..."

The Department of Work and Pensions (DWP) has announced consultation on draft regulations to allow the investment of Protected Rights within Self Invested Personal Pensions (SIPPs). These new rules will make it simpler for pension investors to consolidate all of their pension funds within a single SIPP arrangement, enabling them to take control over the way their funds for retirement are invested.

The consultation period runs until 29th February 2008 and the consultation document can be found at <http://www.dwp.gov.uk/publications/dwp/2007/occ-pen-consult/pen-cosipocc.pdf>.

Commenting on the news, we said:

"This is great news for SIPP investors who want to have the flexibility to fully self-invest their protected rights benefits. Some insurance companies have been promoting the ability to self-invest protected rights using an insured personalised fund, but investors will appreciate the difference between this approach and real self-investment.

It is a shame that the consultation proposals could not go a step further and bring the restrictions on the shape of retirement benefits from protected rights into line with those for ordinary pension benefits."

Best Advice

BEST ADVICE: MOVING TO A WRAP

My adviser has recommended that I transfer all my existing ISA, PEP and Unit Trust holdings onto something that he calls a "wrap" It is going to cost me 3% of the value. He says he will then manage my funds for 0.75% per year. He tells me everyone is doing this and it means I will get better service, what do you think?

Has your adviser explained to you what a wrap is? Has he then explained how this move will enable him to manage your funds and provide a better service? It may well be that such a change will be of real value to you but I rather think that you deserve a more thorough explanation of why this may or may not be advantageous for you.

In the old world collective investment funds tended to be purchased directly from the fund managers and clients very often ended up with a collection of disparate investment funds. It was also the case that because consumers could only have one PEP and ISA from one provider each tax year that in many instances underperforming funds often formed part of the portfolio collection. Changing them was often expensive. Ground breaking "fund supermarkets" then emerged giving consumers greater choice and starting to drive down the cost of subsequent transactions. Wraps were a logical extension of this change helping to bring together all the investment and pension assets held by a client.

"More confident advisers know that what you probably value from them is advice and guidance rather than execution and implementation services."

A wrap is simply a piece of computer software. That demeans it somewhat but it is fundamentally true. This piece of software enables your adviser to aggregate all of your investment holdings together in one place and probably provides tools to enable him to examine your portfolio in more detail and advise you about any changes that might be suitable. The wrap probably also allows the future buying and selling of collective funds at lower cost than you might have to pay if you go directly to the collective fund providers. It may even be that you are able to gain access to your account on-line so that you can apply the Martini approach and "anytime anywhere" view your portfolio.

There are different levels of sophistication in wrap platforms and some have more functionality than others. Some allow access by the end user (you) and some do not. Some advisers by the way are very fearful about allowing client access to these arrangements simply because they feel that if you the consumer can access these accounts you may no longer need them as your adviser. More confident advisers know that what you probably value from them is advice and guidance rather than execution and implementation services.

I think that you also deserve an explanation as to what he means by "managing your funds" Of course it is the fund manager who "manages your funds" most IFAs are advisory based and need your permission before they can buy and sell units in collective funds. He probably means that he will be more easily able to make such recommendations to you rather than managing your funds in the more conventional sense.

Yes many people are indeed moving their existing holdings onto wrap platforms encouraged to do this by their adviser. This of course should only be done if the price that you have been quoted can be converted into some real value to you.

DO YOU KNOW HOW MUCH YOU NEED TO RETIRE?

According to some research published by Abbey Savings, us Brits don't know how much we need to retire on. Over half of UK adults do not know what they would need to save to enable them to fulfill their dreams and objectives in retirement.

The research found that women were less likely than men to know what they needed to save for retirement. In fact, six in ten women are pretty much clueless about their retirement needs. Another worrying statistic from the research was that over half of people who have already retired do not know how much they need to retire on.

16% of the people surveyed believed that a lump sum of £50,000 would be enough to retire on. This is despite the fact that buying an annuity for £50,000 would provide a maximum income of £3,568 per year - or £304 a month - for a male non-smoker aged 65; less than the annual GDP per capita in developing countries such as Algeria, Namibia and Botswana.

All of the media stories about a pension crisis in the UK ignore the fact that retirement planning is a very individual matter. There is no magic formula for deciding how much to save for retirement. Until you establish how much you are likely to spend each month during your retirement, it is virtually impossible to determine how much you should be saving, through pension or non-pension investment vehicles.

Do you know how much you need to retire?

INFORMED CHOICE LTD BECOME CHARTERED FINANCIAL PLANNERS

We have been awarded the prestigious Chartered Financial Planners designation by the Chartered Insurance Institute (CII), following our successful application in December.

This is the industry's gold standard for firms of financial planners. It confirms that we have satisfied rigorous qualification criteria in terms of retaining highly-qualified staff who subscribe to the membership conditions of the CII.

It also involves a commitment to continuing professional development and adherence to an industry standard Code of Ethics and Conduct. You can view the Code at www.cii.co.uk within the section on Membership.

When you use a Chartered firm you are dealing with proven professionals. The CII is empowered by the Privy Council to award Chartered status, and the award is only made in deserving cases. And while Chartered titles are steeped in history, they remain the benchmark of professional excellence and integrity.

Only the UK's premier financial planning firms qualify for Chartered status. In fact, we are only the 99th firm in the UK to receive the corporate Chartered title.



INFORMED CHOICE—NEWS IN BRIEF

- Informed Choice consultant Sandy Lowth has passed the CII exam (JO2) Trusts. This paper tests knowledge on the legal principles associated with the creation and management of a trust, the main types of trust that are common in the UK, and taxation considerations relevant to trusts.
- We are pleased to announce that Informed Choice joint managing director Martin Bamford has become a Chartered Financial Planner. This is a relatively new title that has only been available since February 2006.

To be awarded the Chartered Financial Planner status, an individual has to be able to demonstrate relevant experience, gain CII approved financial qualifications equivalent to first degree level, adherence to the CII's Code of Ethics and Conduct, and a commitment to continuing professional development.

- On Saturday 1st March 2008, Nick Bamford, Martin Bamford and Philip Sullivan from Informed Choice will attempt to walk from Sundial House in Cranleigh, Surrey to Shoreham-by-Sea, West Sussex - following the 44.3 km route of the Downs Link.

The Downs Link footpath and bridleway links the North Downs Way at St Martha's Hill, Surrey with the South Downs Way near Stenying, West Sussex and on via the Coastal Link to Shoreham-by-Sea. Most of the trail follows former railway lines.

We hope to raise over £1,000 for Facing the World - a children's charity which has been set up by some of UK's leading cranio-facial surgeons. It helps children with severe facial disfigurements in desperate need, living without hope in some of the world's poorest countries, receive the miracle of a new face and a life free from the stigma of disfigurement.

You can donate online at <http://www.justgiving.com/informedchoice>. Find out more about the charities we support at <http://www.informedchoice.ltd.uk/charity.htm>.

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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