Best Advice

AUTUMN 2008 EDITION

OCTOBER 2008

Informed Choice Ltd

Special Points of Interest:

- It is now possible to transfer protected rights pension funds to a Self Invested Personal Pension
- The recent crisis on the global financial markets has highlighted issues surrounding the safety and security of pension funds
- Gordon Brown has announced that the Financial Services Compensation Scheme (FSCS) limit for savings will be increased to £50,000

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

Within this issue we look at the things you should consider before transferring your protected rights pension fund to a Self Invested Personal Pension.

We also take a closer look at the issues associated with the safety of pension funds and publish news of the new £50,000 compensation limit for savers.

Our new online investment platform for clients is now available and within this newsletter we describe how this works.

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

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 owns 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.

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.

Inside this issue:

Informed Choice Ltd are one of only three 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

PROTECTED RIGHTS AND SIPPS

It is now possible to transfer protected rights pension funds to a Self Invested Personal Pension (SIPP). However, just because it is possible does not mean that it is something you must or should do.

The marketing of this option has already begun and it will be easy to be seduced by the messages about control and greater investment choice.

Whilst these are attractive points to consider, transferring to a SIPP is not the right choice for everyone. Before you consider this option, take note of the following top tips:

1 - Seek impartial independent and specialist financial advice. You should expect to pay a fee for this advice as a commission based adviser has an added incentive to recommend a transfer, although they should still ensure that any advice is suitable.

2 - Consider if there are any exit charges from your protected rights product provider. This could be a charge imposed at policy level (a difference between the fund value and transfer value) or at investment fund level, such as a market value reduction on With Profits funds. Get a valuation of your current pension plan and ask for both a current and transfer value.

3 - Check the entry cost for moving monies into your SIPP. Some SIPP providers charge an explicit fee for transfers in.

4 - Consider the change in any investment risk that you are taking with your pension fund. Are you moving from a low risk fund (e.g. cash or fixed interest) to higher risk equity funds.

5 - Make sure that your overall investment goals, objectives and attitude towards investment risk are matched by the underlying investment funds you have selected within your SIPP.

6 - Consolidation of pension plans makes sense sometimes from an investment management perspective. It also makes it easier to predict and project the future value of your pension benefits. And yes, it also makes the paperwork easier, but do not consider this in isolation without considering all of the relevant factors.

7 - Take your time. Just because you *can* do this from 1st October does not mean you *must* do it then. The old adage about 'repenting at leisure' springs to mind. However, if you are in a poorly performing fund with your protected rights then you might want to transfer to your SIPP if there are no better alternatives available from your current provider.

8 - Get an illustration of projected benefits at retirement from both your current provider and the SIPP provider. Compare these to determine whether ongoing charges from the SIPP are better or worse.

9 - Take this opportunity to review all of your retirement plans and ask yourself the important question - are you saving enough to provide the retirement income you need?

These are all important factors to consider ahead of a decision to transfer protected rights pension monies to a Self Invested Personal Pension. Think about each of them carefully before making a decision to transfer.

IS MY PENSION FUND SAFE?

The recent crisis on the global financial markets has highlighted issues surrounding the safety and security of pension funds.

As your pension fund is likely to be your main source of income in retirement, understanding how it might be affected in the event of a company collapse or stock market decline is essential.

If you have money in a bank or building society deposit account then you probably already know about the Financial Services Compensation Scheme. This provides a safety net to ensure that up to £35,000 of your deposit with each separately licensed bank is fully protected. For joint accounts this is extended to £70,000.

There are, of course, some potential issues with this compensation scheme.

Some banks have various brands under the same regulatory authorisation, so simply spreading your money around the banking system might not extend your protection.

If your bank did go bust then it could take some time to pay compensation, up to six months from the declaration of default.

The Financial Services Compensation Scheme (visit www.fscs.org.uk for more information) also covers 'long-term insurance', which includes invested pensions and pensions in payment. The compensation limit for this is 100% of the first £2,000 and 90% of the remainder of the claim, with no upper limit.

Occupational pension schemes are subject to different rules.

The Pension Protection Fund (www.pensionprotectionfund.org.uk) was established to pay compensation to members of eligible defined benefit pension schemes where the employer became insolvent and there are insufficient assets in the pension scheme to cover liabilities.

Compensation limits under the Pension Protection Fund vary from 100% compensation if you have reached normal retirement age or 90% compensation if you are younger.

Of course 'safe' means more than just risk to your actual pension fund.

When talking to our clients about risk, we also talk about inflation risk, shortfall risk, interest rate risk and income risk.

Investing your pension fund in a diversified range of different investment asset classes and conducting a regular review - at least once a year - with an independent financial adviser, are both good ways to reduce risk when it comes to your retirement planning.

"Of course 'safe' means more than just risk to your actual pension fund"

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NEW £50,000 SAVINGS COMPENSATION LIMIT

Gordon Brown has announced that the Financial Services Compensation Scheme (FSCS) limit for savings would be increased to £50,000 (from £35,000). Note that this has not actually happened yet - the FSA are still consulting on this move - but there is unlikely to be any political opposition.

This comes in the same week that the Irish Government has announced an unlimited savings guarantee for a two year period.

The banks covered are Allied Irish, Bank of Ireland, Anglo Irish Bank, Irish Life and Permanent, Irish Nationwide Building Society and the Educational Building Society.

This all means that UK savers have more options available to them, if they are concerned about the financial security of their savings.

They could spread their savings between different financial institutions to take advantage of the FSCS compensation limits. Remember that FSCS applies per individually licensed bank, and some banks have a number of different brands under the same FSA authorisation.

Alternatively, they could put all of their savings with a financial institution that is completely guaranteed by HM Treasury. This means National Savings & Investments and, strangely enough, Northern Rock.

Savers with Northern Rock will be given plenty of notice when this Government guarantee is removed. However, they are now closing some of their more competitive savings accounts due to fears of beaching anti-competition rules because they have been attracting so much money.

Finally, they could put their money with an Irish Bank. Some of the Irish banks allow access to UK savers. If you have savings with the Post Office, you will automatically benefit from the new two year unlimited compensation limit in Ireland, as several Post Office accounts are run by Bank of Ireland. This includes their Instant Saver account, Growth Bonds, Five Year Saver and Cash ISA.

Any saver or investor with more than £50,000 should see this all as an opportunity to seek professional independent financial advice. Even if you just want a chat about your options, please feel free to get in touch.

THE INFORMED CHOICE WRAP

Wraps are a new way to administer your pension and investment assets. Put simply, they are an online portfolio management system that allows our clients to view their financial holdings holistically.

Using a wrap enables us to devote more time to providing you with financial planning advice and helping you to make those important decisions about building, managing and protecting your wealth.

Here at Informed Choice we have been using a variety of investment platforms for several years. We have recently decided to make use of the award-winning First NZ Capital/Standard Life Wrap.

This will enable our clients to view all of their investment holdings in a single location, via a secure online log-in facility. Once assets have been added to the Informed Choice Wrap, we can help our clients to apply a consistent investment approach to their money.

You can find out more about the Informed Choice Wrap at www.informedchoice.ltd.uk/wrap.

STOCK UP ON CHAMPAGNE BEFORE CHRISTMAS

Referrals from existing clients and advocates are our most important sources of new client enquiries. We are always delighted to talk to your friends, family or colleagues to discover if our professional services could be of benefit to them.

If your recommendation subsequently results in us appointing a new client we would like to say 'thank you' by sending you one of the following gifts:

- A bottle of vintage Champagne
- A box of the finest hand-made French chocolates
- Gourmet food and wine hamper

You can choose from this selection of gifts to suit your own tastes.

To make your recommendation please visit www.informedchoice.ltd.uk/refer.htm, email us at refer@icl-ifa.co.uk or call us on 01483 274566.

DON'T RELY ON FUND RATINGS WHEN INVESTING YOUR MONEY

The publication of our first half-yearly *LemonAid* report - highlighting the under performing investment funds that are likely to leave a bitter taste in your mouth—revealed the weakness of fund ratings when selecting funds.

LemonAid was an excuse to show off our in-house investment fund research capability. We are very proud of our fund selection process and *LemonAid* gives us the opportunity to turn it upside down; to identify the funds with the worst rather than the best potential for future returns.

Within the report we identified 270 'lemon' funds across the different investment sectors, out of a possible 1,790 funds open to investors. What was really interesting was the inclusion of 19 'rated' funds, including two funds that continue to carry the 'AAA' rating from S&P.

"It is not enough to look at fund ratings in isolation"

It is not enough to look at fund ratings in isolation. Whilst independent fund ratings can play a part in the fund selection process, there are always exceptions and the occasional fund that can slip through the research net.

If you invest your money in funds and rely on the ratings agencies then you are likely to be disappointed. A more thorough analysis of funds should include a detailed look at past performance, risk adjusted returns, consistency and cost.

Of course intelligent investing should start a long time before fund research and selection. What is far more important is establishing your financial objectives, understanding your attitude towards investment risk and creating a strategic asset allocation model for your money. After all, this is where academic research tells us that the bulk of the variance in investment returns comes from over the long term.

INFORMED CHOICE—NEWS IN BRIEF

Brilliant Investing on audio CD

Martin Bamford of Informed Choice has had his latest book, *Brilliant Investing*, published as an Audio Book. The new 2 CD Audio Book is available from Amazon and all good book shops.

The Audio Book, produced by Red Audio, is an abridged version of Martin's original work. *Brilliant Investing* is a comprehensive guide to investing your money and making excellent investment decisions.

The contents of the book and the audio book are based on our investment philosophy here at Informed Choice.

Exam Fever at Informed Choice

As a firm, we are very proud of our status as Chartered Financial Planners. It means that we have satisfied rigorous qualification criteria in terms of retaining highly-qualified staff. But the learning never stops. As the autumn approaches, five of our team are now embarking on further professional qualifications.

Nick and Andrew are both studying to become Certified Financial Planners (CFP). There are currently fewer than 850 CFP professionals in the UK. For Andrew, obtaining this qualification will mean that he can apply to be a Chartered Financial Planner as well.

Martin is now studying to complete the Investment Management Certificate (IMC). The qualification of choice for fund managers, this will give Martin the analytic knowledge he needs to further enhance our investment advice process.

Sandy is studying for a pensions exam to complete the qualification requirements to become a Chartered Financial Planner. Philip is studying for an investment exam to continue making progress towards the Diploma in Financial Planning.

The 21st most influential financial adviser in Britain

Martin has been named as one of the most influential financial advisers in Britain, for a third year running. The annual survey, publishing by Professional Adviser magazine, lists the top 50 most influential industry figures who are close to the heart of the profession and have been instrumental also in its progress and development.

Martin was named in 21st place this year and described as a 'rising star'.

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