

2008 – Time to take stock

Quarter 1
2008

Something New

First and foremost, welcome to the first of our new-look client newsletters. We hope you like the feel and format, and find the issues that we discuss interesting and informative. Of course, if there are any topics you would like to see us include in future issues either regularly, or periodically, then please let us know.

In the coming weeks, hot on the heels of this new publication, we will be launching a new look company website. Here you will find details of the company, our services, as well as all up to date news and promotions. Please check back to www.stangaskin.co.uk to see the new site.

Time to take stock...

The New Year can be a good time to think about pensions, investments and family protection. People often make resolutions this time of year, and we suggest that you consider making the review of your finances one of yours!

If you haven't seen an adviser recently, please feel free to make an appointment to review your current position. As part of your review, you may wish to address the following points:

- **Are you saving enough for retirement?** Have you been increasing your savings as your income has increased? Each year, there is less time to save and for your money to grow (tax-efficiently), and your savings should increase as your income does.
- **Are your investments in the right place?** Is your money held in ways that give you the best to chance to meet your short and long-term objectives?
- **Is your mortgage costing you too much?** Have you recently come off a fixed rate, or are you coming off a fixed rate this year? Planning ahead can stop you paying more than you need to.
- **Are you protected if you are unable to work?** If you are ill or injured and can not work, is adequate protection in place to not only cover your mortgage, but also other costs of livings?

- **Would there be enough for your family to live on if you were to die?** Life assurance is far less expensive that it once was, so you could be able to save money, or put in place very cost-effective cover.

Please contact us on 01473 255948 should you wish to arrange a review of your affairs with one of our advisers.

Don't forget your ISAs!

The end of the 2007/8 tax year is fast approaching, and you therefore have until 5 April to use your ISA allowance for this year, before it disappears. For those clients looking to consider using their ISAs before the end of the tax year, we have put together an ISA information pack. To obtain a copy, or to discuss your personal investment situation with an adviser either call the office on 01473 255948 or get in touch with us via the website.

Despite the recent stock market volatility, we firmly believe in the long-term benefits of equities & other investments, and the benefits of tax-efficient ISA investing. However, we appreciate that short-term market volatility can lead to nervousness and therefore we have chosen to profile three funds in the information pack that have a track record of performing well in all market conditions, for you to consider investing in.

Lump sum Maxi ISA investments can also be drip-fed ("phased") into your selected funds over 6 months in order to smooth any volatility.

NEW RULES ARE COMING! – From April 2008, the rules relating to ISAs and PEPs are changing. Mini and Maxi ISAs are disappearing, the investment limits are being increased to £7,200 per tax year (max £3,600 in cash), and monies in existing Cash ISAs can now be moved into other investments without affecting the tax status.

These changes bring plenty of opportunities to consider and amend your ISA and PEP planning, so please look out for further information in the next edition of the newsletter.

What's going on?

Market Commentary –Year End 2007

The economic picture changed dramatically over the course of 2007. Whereas the year started with a backdrop of strong global growth, it ends with worries over inflation and a recession which threatens to commence in the US and boil over to other nations.

	3 Months	1 Year
FTSE 100 TR	0.43	7.36
FTSE 250 Mid TR	-2.97	-2.46
FTSE A British Govt All Stocks TR	4.35	5.27
FTSE All Share TR	-0.35	5.32
FTSE All Small (X It) TR	-12.46	-17.62
FTSE Europe ex UK TR GBP	3.03	15.72
FTSE World TR GBP	0.42	9.45
IPD UK All Property Monthly TR	-8.54	-5.48
LIBOR GBP 1 Month	1.26	4.75
UK Retail Price Index	1.39	4.05

Source: *Lipper Hindsight, bid-bid, net income reinvested*

The turning point seems to be the sub-prime worries coming to the fore in the summer, which led to a contraction in available credit to both consumers and businesses. As a result, growth forecasts are being scaled back, and consumer confidence appears weaker. Inflation, also seems to be a growing concern, driven by high demand for energy, commodities and foodstuffs in Asia (particularly China).

We feel that this uncertain backdrop will lead to greater periods of volatility in markets, which will at times cause concern for investors, but also present opportunities. At times like these, the fundamentals of having a well diversified portfolio, and investing for the long-term can be paramount.

In the last quarter, we witnessed widely varying returns from different areas of the market. Mid-sized and smaller companies in the UK, continued to show significant weakness compared to their larger blue-chip peers. Commercial Property also gave up further ground, and certain funds investing in this sector have started to impose restrictions on investors looking to sell their positions.

Conversely, government bonds continued to rally, given the nervousness towards other major investment sectors.

News in brief

CGT Changes – In his pre-budget announcement, the Chancellor announced sweeping changes to the Capital Gains Tax regulations. Taper relief has been replaced with an 18% flat rate, leaving business owners and long-term investors potentially worse off. There may be alterations before these changes come into force in April 2008, but if you would like advice on any action you should take prior to this, please let us know.

Income Tax Changes – Also coming into force in April is the reduction in the basic rate of income tax, from 22% to 20%. This was announced by Gordon Brown in his last budget as Chancellor, however accompanying this is the abolition of the 10% starting rate, meaning that those on lower incomes look set to be worse off under the new regime. The new personal allowance for 2008/9 on which no tax is paid has been set at £5,435 for those under 65 (up from £5,225), after which tax at 20% will now be paid.

The changes to the basic rate of tax will also have an impact on the level of tax relief given on personal pension contributions. Basic Rate tax relief is given at source on any personal contributions and therefore after April, the level of relief will also fall by 2%.

Thought for the day

What is the real rate of inflation? No two people's spending patterns are the same, and therefore the "real" rate of inflation is different for every individual. What is for sure is that whilst the Government and Bank of England uses the Consumer Price Index to measure inflation, and sets a target of 2% based on this, current "real" rates are running much higher. The Office for National Statistics has a useful calculator on its website (www.statistics.gov.uk/pic) which shows what your own personal "real" rate is running at, based on your own spending patterns.

For help and advice on how to protect your savings, investments and pensions from the effects of inflation, please contact an adviser.