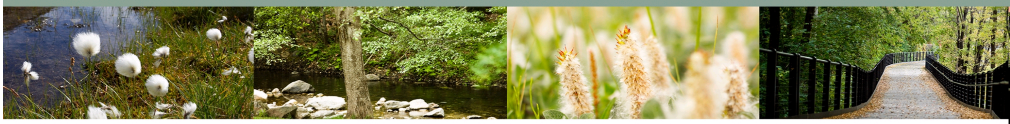
News & Views



Autumn 2011

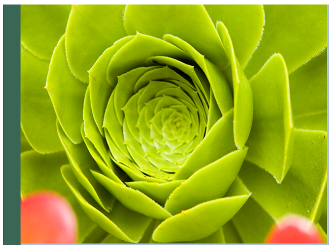
No more compulsory purchase

Britons could soon enjoy greater financial flexibility in retirement thanks to legislation advanced by the UK Treasury. From 6 April 2011, individuals are no longer be forced to buy an annuity with the proceeds of their personal pension scheme at any age. Instead, they will continue to have the options to save it or move to a drawdown (unsecured pension) arrangement in which their pension is left invested and money is taken directly from that pot.

This increase in flexibility ends a compulsory purchase system which was introduced by the previous government. Increasing life expectancy and the fact that older people are working longer, coupled with the current environment of low interest rates and therefore poor annuity rates, were making their original 75-year cut-off appear a little draconian.

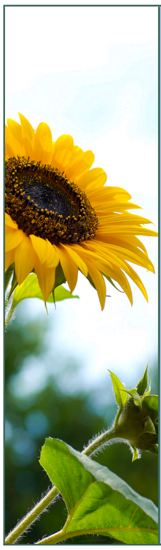
The National Association of Pension Funds (NAPF) welcomed the additional flexibility, though they do believe that the new rules will benefit mostly those with larger pension funds. Indeed, many people are still likely to choose an annuity simply to fix their income expectations and enable them to plan.

More fundamentally, however, the NAPF warned that most people are simply not saving enough into their pension schemes. They have therefore urged the government to do more to encourage and support strong occupational pension schemes and "creative, flexible" ways for individuals to save for their retirement in the first place.



Welcome to the first edition of our twice yearly newsletter, which includes news and developments in the world of finance.

If you have questions about any issue raised or any other matter please feel free to contact us.



Our Philosophy

When taking a journey, we tend to plot our route and work out how we’re going to get from A to B. Not just knowing what and where B is but when we want to reach our destination. What we can’t know is when or where we’re going to hit the congestion and more importantly how we’re going to navigate around it, indeed if at all.

That’s precisely what financial planning is and we refer to as 'planning for life'. Establishing that route from A to B and knowing what we’re going to do when something presents itself to throw us off course. This is where our work pays dividends by helping you to plan for such situations.

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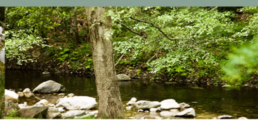
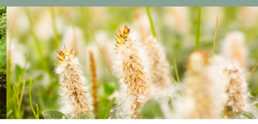
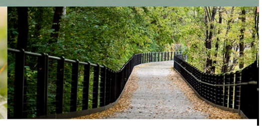
planning for life

An interesting start

When your new born child finally arrives, the very last thing you are probably thinking is how much they are going to cost you. However, according to the Liverpool Victoria Cost of a Child survey (2011), you are looking at a 21 year bill of over £210,000. One way to deflect some of the larger future commitments you might find yourself facing is to consider a regular savings arrangement. In many cases, at least to start with, deposit accounts are the first port of call and most banks even offer child-specific accounts. The benefit of these is they can allow irregular payments of spare money and you always know that your capital value is safe. However, the return you get is purely interest so you might want to seek out the highest rate you can find.

Inflation eases

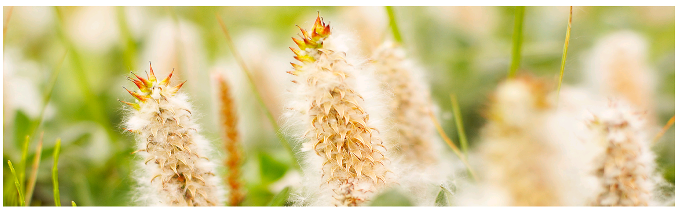
Inflationary pressures eased slightly during June, curbed by weak consumer spending. The Consumer Price Index rose at an annualised rate of 4.2% in the year to June, compared with 4.5% in the year to May. According to the Office for National Statistics, the decline was caused by lower prices for recreational goods such as computer games, toys, televisions, and digital cameras.

Nevertheless, the rate of inflation remains significantly higher than the Bank of England’s (BoE’s) government-set target of 2%, although policymakers expect inflation to fall more in line with the target after 2012. In the meantime, the BoE’s Monetary Policy Committee (MPC) continues to grapple with the conundrum of how best to cool inflationary pressures without derailing the UK’s sluggish economic recovery.

Interest rates have remained at a record low of 0.5% since March 2009; this is good news for borrowers, many of whom are enjoying an improvement in the availability and terms of mortgage deals. However, low interest rates spell bad news for savers, who continue to struggle with low interest payments. There is some dissent within the MPC – two members of the Committee voted for an increase in interest rates at the MPC’s June meeting, while seven members voted in favour of maintaining rates at 0.5%, believing that higher tax rates and cuts in public spending will have a naturally depressing effect on prices.

The British Chambers of Commerce (BCC) has pointed out that many of the factors fuelling inflation are beyond the control of the MPC: domestic inflationary pressures are being exacerbated by external factors, such as natural disasters in key commodity-producing countries. Producer price inflation accelerated between May and June; meanwhile, energy prices continue to rise and British Gas recently announced an increase in its tariffs. The BCC has urged policymakers to postpone any increases in interest rates until the fourth quarter of 2011 at the earliest.

According to a study undertaken by the British Retail Consortium (BRC) and Nielsen, prices in shops posted their strongest increase for two and a half years during June, rising by 2.9% year on year. The increase was fuelled by rising prices for food and commodities. Nevertheless, shop prices are rising more slowly than the broader measure of inflation: 39% of spending on groceries is on promoted goods, and the BRC believes that retailers are using discounts to generate sales at the expense of margins.



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