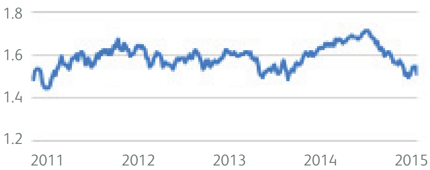
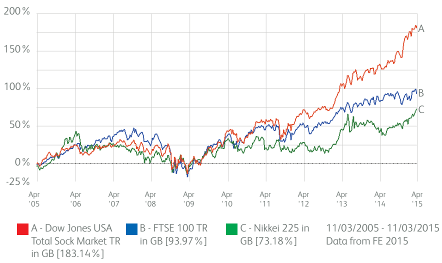
2plan®
wealth management

What is the British Pound worth vs. Euro?

What is the British Pound worth vs. Dollar?



World stock market performance over last ten years.



financial Newsletter

Edition 15

KEY FACTS & FIGURES – The UK Economy		
BoE Base Rate	0.5%	Apr. 2015
Unemployment	5.7%	Jan. - Mar. 2014
Inflation (CPI)	0%	Apr. 2015

Agenda

1. Key economic and market update
2. Junior ISAs
3. Independence
4. A diverse and long-term approach to investments pays off in the long-run
5. Protecting your business with key person insurance
6. Pensions - the new landscape

Base rate remains stable

The Bank of England's Monetary Policy Committee has again voted to keep base rate at 0.5%.

Inflation

- UK inflation rate fell to 0% in February, the lowest since records began, official figures show.
- Lower prices for food and computer goods helped to cut the rate from 0.3% in January, official figures show.
- February's figure is the lowest rate of Consumer Prices Index (CPI) inflation since estimates of the measure began in 1988.
- The drop in the CPI measure was sharper than many analysts had expected, with most expecting a rate of 0.1%.
- The February figure means that the cost of living is the same as it was a year earlier.

Britons should not fear a rise in interest rates when they come, says BoE member

The Bank of England is prepared to raise interest rates "in the near future" if inflation picks up.

When the time does come for the first rise in interest rates, the Bank's rate-setting monetary policy committee (MPC) believes higher borrowing costs would support the UK's economic recovery rather than thwart it.

Interest rates have been held at an all-time low of 0.5% since March 2009.

Wages are set to rise above inflation this year for the first time since 2007

Wages are set to rise above inflation this year for the first time since 2007, according to economists at Ernst & Young.

The firm said the wage rise would be consistent with a "very gradual tightening of monetary policy" from early 2016.

Unemployment Rate decreases

- UK unemployment has fallen by 102,000 to 1.86 million in the three months to January, official figures show.
- The unemployment rate remains at 5.7% but the number of people in work is at an all-time high, the Office for National Statistics (ONS) said.
- The number of people claiming Jobseeker's Allowance also fell to 791,200, its lowest level since 2008.
- Average earnings in the three months to January, including bonuses, rose 1.8% compared with a year earlier.

Junior ISAs

From the start of the new financial year, 6th April 2015, parents in the UK will be able to transfer money held in Child Trust Funds into Junior ISA accounts.

Child Trust Funds (CTFs) were launched a decade ago as a means of encouraging saving. But, in 2010, the then new Conservative government announced that CTFs would be replaced by Junior ISAs, although further contributions could be made to existing CTF accounts.

There were limitations in place, however, that meant savers were not able to transfer between the accounts - and so 6 million people had to keep their CTFs, which have often been criticised for high charges and poor returns.

On first inspection, CTFs and Junior ISAs appear quite similar in that they offer the same tax perks and parents can save the same amount into each. For the 2014–15 tax year parents could invest £4,000 into a CTF or Junior ISA. This has increased to £4,080 in the 2015-16 tax year.

In both cases, parents choose a cash or investment account. The key difference is that far fewer providers offered CTFs, so the choice of funds was more limited.

The reality is that Junior ISAs offer more choice than CTFs, and better value, whether it's higher interest rates on cash accounts, or lower fund management charges.

According to HMRC, around 75% of CTFs are in "stakeholder" accounts, as they were the default investment option. Most, though, are tracker funds, with charges capped at 1.5%. In reality, most providers charge the full 1.5% fee – which makes it expensive for a tracker fund.

It's possible to invest in a tracker through a Junior ISA for less than half this fee, with some commentators claiming that this could boost returns by around £3,500 over 12 years, assuming parents invest £4,000 a year.

The main advantage is seen by parents that save substantial sums on behalf of their children. On a regular children's savings account, it is potentially taxed at the parent's marginal rate subject to interest received from other investments that are held.

On an investment in a Junior ISA, the main benefit is that no Capital Gains Tax (CGT) is due on these funds. And the investments grow in a largely tax-free environment - just like with a standard ISA, where share dividends are paid net of 10% tax.

Neither Junior ISA nor CTF funds can be accessed until the child's 18th birthday, at which point they get control of this money themselves. Your child won't have to cash them in at this stage and they can be left to continue to grow within this tax-free wrapper.

Junior ISAs can also be viewed as a great opportunity to encourage your children and young dependents to get involved in saving money and begin to really understand the value of money from an early age.

Speak to your 2plan wealth management IFA to take advantage of the new annual allowance for Junior ISA.

Independence

2plan wealth management is one of the UK's leading national Independent Financial Advisers (IFAs), providing clients with highly valued independent financial planning advice.

There are two distinct kinds of financial adviser recognised by the Financial Conduct Authority (FCA): independent advisers and restricted advisers.

Being independent - as opposed to restricted - means that your 2plan wealth management IFA can research and select financial products from right across the market, with the aim of finding the right solution for you. Therefore, if required, we can research and arrange any product through any provider; unlike a restricted adviser, who will, as the name suggests be 'restricted' to limited types of products or providers. Why would you want to settle for anything less?

2plan wealth management and its IFAs put you, the client, at the heart of everything.

As IFAs we work on your behalf; whereas restricted advisers, by their very definition, work on behalf of the company they may be tied to. That means they will look to sell you a limited set of providers' financial products and solutions, thereby not giving you a full view of the market and the potential options available to you. We work for you – not the providers. And that is a very important distinction.

We are also clear and upfront with you about our fees and charges. We place forming long-term professional relationships with our clients ahead of profit, providing anongoing service rather than quick fixes that may not benefit you in the long-term.

2plan wealth management advisers pride themselves on truly understanding your finances, personal circumstances and financial aspirations. We build trust and long-term professional relationships with you – whether you are an individual or a business – and focus on your financial goals.

We are sensitive and empathetic when it comes to understanding your personal circumstances and will be there for clients not just in the good times but in the difficult ones, too.

We also understand that you will want to ensure a smooth transition from one generation to the next. We relish the opportunity to help you provide for you and your family, and welcome the chance to work with them to create a financial plan that they can journey along smoothly.

Our over-arching philosophy is to ensure that a positive experience is at the heart of everything we do and our advisers are dedicated to building trusted and lasting long-term professional relationships with all their clients to help them attain their financial goals.

We look forward to working with you – and your family or your business and those you wish to pass your assets on to – now and in the years to come.

A diverse and long-term approach to investments pays off in the long-run

The volatile nature of financial markets is a persuasive factor when it comes to arguing for a long-term approach to investing.

A long-term approach is certainly something we subscribe to at 2plan wealth management. While a short-term approach might possibly bring quick rewards, those unlikely rewards are far outweighed by risk, if your goal is to create financial stability, comfort and peace of mind for you and your loved ones.

The art or skill of sound investment planning sits at the heart of helping you to reach your key financial objectives. 2plan wealth management's dedicated risk profiling tools and whole of market investment solutions will enable your 2plan wealth management IFA to develop - in consultation with you and taking into account your attitude to risk - a range of strategies designed to match your aims.

When investing in the stock market, it is important to bear in mind that it is not something that can be easily predicted. If it were, we'd all be millionaires many times over!

Short-term volatility is not necessarily indicative of a long-term trend. A market can be highly volatile on a daily basis but show long-term patterns of growth or stability. Some investments may well fluctuate wildly in the short term, but there is no need to panic and doing so can be very counter-productive. Timing the market is nigh on impossible and staying invested over the long-term has historically paid off.

The advantage of long-term investing is found in the relationship between volatility and time. Investments held for longer periods tend to show fewer signs of volatility than those held for shorter periods. The longer you invest for, the more likely you will be able to weather low market periods.

Asset allocation is one of the keys to long-term investment success and 2plan wealth management's strategy is based upon using various asset allocation strategies as opposed to chasing the 'top performers' over measurable timescales. It is important not to put all your eggs in one basket or opt to throw your lot in with a short-term stellar performer.

Rather than trying to pick a single investment type, a mix of asset classes may lessen your investment risk and improve the potential for long-term returns. 2plan wealth management IFAs are always keen to remind their clients that not all investment types perform in exactly the same way during similar time periods. As such, applying a multiple investment strategy pays off by reducing risk and enhancing the potential the best returns.

Newspaper headline writers may like to sensationalise fluctuations in the market, but the seasoned investor - and indeed your 2plan wealth management IFA - knows that there will be up days and down days during every market cycle. Although short-term fluctuations seem random, the stock market tends to reflect the overall growth and productivity of the economy in the long run. That is why it is important not to dip in and out but to stay invested. Jumping ship in a panic and missing even a few of the stock market's best performing days can result in significantly lower returns than the market index. And, often, a few very good days account for a large part of the market's total return. Being out of the market means you can potentially miss out on market surges that can greatly improve your overall return and long-term prospects.

All of this sounds highly skilled and possibly a little daunting. But it need not be. Your 2plan wealth management IFA is highly experienced when it comes to long-term investing and will be at pains to ensure that everything is simplified and that you are clear on the advice they are giving you.

Your 2plan wealth management IFA will agree your asset allocation with you based on your individual financial goals, attitude to risk and investment horizon (the total length of time that an investor expects to hold a security or portfolio).

As independent financial advisers 2plan wealth management is not tied to any particular provider and can advise you on products from the whole financial market. That means you'll be offered the most suitable solutions for your individual needs and circumstances.

Using our sophisticated but simple-to-use tools, all the guesswork is eliminated and replaced with an integrated and complete advice process. Our advisers can then monitor your investments and, by way of regular reviews, provide ongoing advice as necessary.

Ultimately, we are here to protect your long-term interests and ensure that you are in the best position to safeguard your financial future and protect you and those you may wish to pass your money on to. History - and our own extensive experience - clearly demonstrates that, over the long-term, a well-diversified portfolio will create a positive return and also the best - and most reliable - chances of providing a pleasing return above the rate of inflation.

Protecting your business with key person insurance

Every business has key players - the employees whose skills and expertise are the cornerstone to the success of the business.

But what if, with no warning or hindsight, one of your key employees was to fall critically ill, or even pass away? Would your business be able to cope with the loss?

It's something that many business owners may never take into account. However, if your business relies on an individual – whether that is in the design of new products, the generation of new business or if their specialist skills are crucial to the business' success – then it's a type of cover that becomes vital to consider.

It is worth contemplating what would happen if one of your key employees were to fall ill and be no longer fit for work. Losing a director or top sales person, for example, could have a huge impact on business turnover and profits, and the cost to recruit and train a new employee to fill their shoes could be enormous. Key Person Insurance ensures that you have enough capital to cover any potential costs that might arise from this loss.

Key Person Insurance is a type of specialised life insurance with added critical illness cover taken out by a business to cover the life of a key employee.

Taking out a policy means that if this person were to die or fall critically ill (meaning they are no longer able to work), the business would be paid a lump sum.

Alternatively, another type of protection to consider is Partnership/Director Share Protection, which safeguards the ownership of the company in the event of the death or critical illness of you, your business partner or a key director. This protection involves a legal agreement regarding future ownership to ensure your business is secure.

With a range of Key Person Insurance and Partnership/Director Share Protection policies on the market, it can be difficult to know where to start - or even to know if this type of insurance is right for you. That's where a 2plan wealth management IFA can help, researching and recommending solutions from right across the financial advice marketplace. As truly independent advisors, 2plan IFAs can ensure that you're getting the right policy for your individual business needs.

Pensions - the new landscape

If there is one consistency in pensions advice, it is that pensions are a long-term investment.

People that have embraced this concept are therefore understandably concerned about the raft of pension changes changes that have taken place in April 2015 that took everybody – including some regulatory bodies – by surprise when they were first announced by the Chancellor, George Osborne in March 2014.

The significant change that the Chancellor announced that has been introduced in April 2015 is the removal of the compulsion to purchase an annuity with an individual's defined contribution pension pot.

Typically, media headlines have focused on the extremes: from 'cash in your pension and take a cruise' to 'pensioners will be plunged into poverty by spending their pension early'. The reality is that the new pension rules provide an unprecedented level of flexibility for pension holders and savers.

Yet, with so many options and products to choose from, there is a risk of falling for temptation or potential pitfalls by impulsively picking one option that might not be right for you in the long-term. You should approach any pensions options with your eyes wide open.

And that is why it is more important than ever to engage with an IFA who can make the most appropriate recommendation for you.

The major focus in the media so far in relation to the new pensions freedoms has been on George Osborne's decision to allow people to take cash from their pension as they would from a savings account. This represents a very attractive proposition for those with numerous large pots of cash to draw from.

But our ultimate goal at 2plan wealth management is to ensure that our clients do not jeopardise the pot of money they need to live off in retirement. A recent calculation by Aviva says that the average person in Britain is underestimating when they will die by as much as ten years, meaning there is a danger of running out of your own money and having to live off state benefit in the last decade or so of your life. We do not want this to happen to you, which is why your 2plan wealth management IFA will assist you in making the most suitable decision for your circumstances.

FCA Director of Policy, David Geale, recently stated that from research that the FCA had conducted, up to 65% of people in an income drawdown policy could find themselves running out of money.

We stress to all our clients the importance, above all else, of securing their income for their retirement. Think about what your bottom line is and what you will need to live off and make sure nothing can endanger it. Your 2plan wealth management IFA will be more than happy to advise on and help you with your options.

Buying an annuity is the most common way of turning all your pension savings that you've built up over the years into an income that will last you the rest of your life.

It is vital that you shop around to get the best annuity rate, as you could miss out on a boost to your income if you fail to do so.

According to Which? - the consumer champion - shopping around for an annuity can increase your retirement income by as much as 30%. Which? also says that, each year, people in Britain throw way a combined £1bn in pension income through not shopping around.

Your 2plan wealth management IFA can research the whole annuity market for you, and make a recommendation based on your goals. They will contact your current pension provider for your policy information, and ensure that your funds are transferred quickly. Arranging an annuity is a complicated process, so you will really feel the value of having a 2plan wealth management IFA at your disposal to make recommendations and show you what you need to do at each stage.

Whatever route you choose to go down with your pensions options, be sure to create a guaranteed income for your retirement, protect and safeguard it before you do anything else.

All of the above adds up to a potent mix of investment and income opportunities that didn't exist before. It also presents a range of new pitfalls that could result in a poor outcome longer-term. That's why independent advice such as that provided by a 2plan wealth management IFA is vital, giving you the ability to understand all the options and use them to access your money now whilst ensuring long-term financial security.

If you would like to discuss any of these topics in more detail, please feel free to contact me to make an appointment. If you have friends, family members or colleagues who you think would be interested in these topics, please pass this newsletter to them.

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The information contained in this newsletter is based on 2plan wealth management Ltd's current understanding of tax laws as at April 2015. These laws are subject to change at any time and 2plan wealth management Ltd cannot be held responsible for any decisions made as a result of this newsletter. Tax advice is not regulated by the Financial Conduct Authority.

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