theadviser

for an independent view

July 2009

Informed choices...

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Most people will agree that it's easier to make choices if they have a clear understanding of the pros and cons of a product or service.

Some of the most important decisions they have to make during their lifetime relate to financial matters. These can have a profound effect on achieving long-term goals and well-being, so it's vital to have the right information to make "informed" choices.

We are therefore delighted to provide you with our latest newsletter containing articles on topical issues that may help you resolve some of your future financial choices.

We hope you find the content both interesting and thought-provoking. If you would like to discuss any of the subjects raised in this issue please complete the enclosed "Call Me!" slip, email or telephone us on the usual numbers.

Independents Day!

Never underestimate the TRUE value of impartial financial advice.

Whether you're looking for a new mortgage, want to protect your loved ones or just want overall advice about your financial situation, it's essential to ensure you know what kind of advice you are getting and that you always seek out the best.

Broadly speaking, there are 3 types of advice available to consumers:

Impartial Advice:
where advisers make recommendations on products after researching a wide range of products from many different providers;

Multi-tied Advice:
where advisers are only able to recommend the products of a limited selection of providers;

Tied Advice:
where advisers can only advise on the products of a single provider.

Consumers often don't realise their adviser may be tied to a particular provider or selection of providers. For example, a trip to a tied adviser may not only limit the products available to you but may even mean that you end up paying more than you need.

In any 'one-size fits all' environment, it's not always possible for an individual's circumstances to be fully taken into account, whereas truly impartial advisers can offer completely impartial solutions.

All the advisers listed on **www.cherryfind.co.uk** have formally promised to give advice that is tailored to an individual's needs, i.e. to place your needs above ALL else. Put simply, **impartial advisers work for YOU, the client** - rather than for the company which employs them (or indeed the company's shareholders) - so it makes sense for you to choose an adviser you are happy with from the outset.

Donna Hopton at **cherryfind** commented *"We recognise the value of truly impartial advice. Before any adviser can be listed on our website, they have to commit to abide by the 'cherry Promise': to act ethically; to provide caring and impartial advice and to be honest, without compromise.*

All cherryFind listed advisers pledge to fulfil a code of conduct that goes beyond the obligations set by the Financial Services Authority (FSA – the industry regulator)."

As a professional adviser I also endorse the principles of impartiality, treating customers fairly and remaining honest without compromise. So next time you are searching for a financial product, why not give us a call?

cherryFind™
www.cherryfind.co.uk

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE
We do not normally charge a fee as we are usually paid by the lender. However, you have the option to pay us a fee and receive any commission which we are paid by the lender. If you choose this option, we estimate that the fee will be £400.

Economic Overview

As the green shoots of Spring give way to blossom and colour across the country, what are the prospects for economic growth in the UK?

Recent reports from some economists have speculated that recovery may occur in the not too distant future.

The feeling of optimism is clearly reflected in the media; citing the recent (May) results of the Chartered Institute of Purchasing and Supply's (CIPS) services survey* which posted the first positive rating for the index since April 2008. With services accounting for 75% of the UK economy, some analysts view the results as an indicator the UK economy may finally have turned a corner.

This may be supported by the latest figures from the Halifax** who announced at the start of June that house prices increased by 2.6% during May; the biggest jump in prices since October 2002.

There are still mixed messages from certain areas: in June, supermarket giant Morrisons promoted the fact it is now attracting half a million extra new customers each week; ironic timing, as it coincided with the company's decision to discontinue the staff Final Salary Pension Scheme from July.* Their aggrieved staff will be in good company as Barclays made the same announcement just 24 hours before.*

For many, reports of heightened consumer activity affords contrary reading, coming on the heels of a monthly business survey by the Chamber of Commerce that indicates a majority of firms plan to cut or freeze employees' wages. There is still plenty of dismal reading out there, depending on where you choose to look.

Economists had begun to predict the British housing market had neared its low point earlier this year; at the same time that the Centre for Economics and Business Research reported it believed mortgage approvals could start to increase in the summer.

At the start of June the Bank of England announced figures which showed the number of mortgages approved for home buyers rose in April; the third consecutive monthly increase and the highest figure for 12 months.

The mixed fortunes across the UK still make it difficult to predict if the supposed green shoots will survive or wither under the heat of a summer of discontent.

Is it too early to talk about recovery? Maybe, but yearning for it can only make the current climate feel more bearable.

*Sources: Daily Mail & Telegraph – 4 June 2009 Sources quoted are from 2009 and figures are correct as at May 2009.
**Source: Halifax House Price Index, Lloyds Banking Group, 4 June 2009.
PROPERTY PRICES MAY FALL AS WELL AS RISE. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

To fix or not to fix...

Severe fluctuations in mortgage rates over the last 20 years resulted in a trend by consumers to avoid taking a risk with interest rates by buying into Fixed Rate deals. Has anything changed to alter that view over recent months?

A succession of drops in the Bank of England (BoE) Base Rate has certainly made lenders' Variable Rates more appealing; quite a contrast to 12 months ago when staying with your existing lender meant a significant hike in your mortgage payments on finishing a Fixed Rate contract.

When Fixed Rate deals ended, consumers could find themselves paying around 2% above the BoE Base Rate; 2 years ago that could have been 7.75%*! Today consumers emerging from Fixed Rates are encountering Variable Rates as low as 2.5%**.

So why should consumers consider using a Fixed Rate deal now? A lot depends on your attitude to risk. Some industry experts believe interest rates, and in particular Fixed Rates, are set to rise; those enjoying lenders Standard Variable Rates may panic switch when (and if) this occurs. **If you can't afford a future hike in mortgage payments and are concerned about your rate changing, now may be a good time to review your mortgage situation.**

Fixed Rates may not appear attractive at present but they are unlikely to fall much lower and the fall in property values is likely to restrict availability of remortgages. **For the more risk averse, fixing now may be a prudent decision.**

Keeping on track....

Consumers currently benefiting from low tracker rates, who are happy to ride the storm a little longer, could take advantage of their current position and consider making overpayments. It could be a viable option for reducing mortgage liability and improving loan to value ratio. This should help to increase their rate availability when they come to switch at a later date. It's also worth considering that any early repayment charges associated with your current rate could potentially make switching a very expensive decision. To gain the best advantage in this situation it is wise to keep an eye on interest rates and property prices.

Whatever your current circumstances and perspective it is always worthwhile maintaining a dialogue with a mortgage adviser to ensure that you are in the best situation now and in the future. We are able to let you know what rates are available and how you may be affected in the future should the climate change, so give us a call to discuss your options.

* Halifax - Standard Variable Rate 7.75% Bank of England base rate 5.75% at 17 July 2007. ** Cheltenham & Gloucester – Standard Variable Rate 2.5% Bank of England base rate 0.5% at 9 June 2009. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Buying life insurance for less

Life insurance premiums have fallen significantly over the last 10 years which should be good news for most people. But consumers still need to source their insurance carefully to take advantage of this situation.

An article in respected financial publication "Moneyfacts" reported Term Assurance rates have reduced by over 50% in some cases (average male non-smokers premiums dropping by 53%* since 1998).

What's behind this dramatic reduction, when costs for many other products and services are rising?

Moneyfacts Editor of Investment Life & Pensions, Richard Eagling stated: *"Longer life expectancy, coupled with increased competition in the term assurance market has driven prices down to all time lows, but for non-smokers there are signs that rates may have bottomed out. Consumers looking to take advantage of the huge savings on offer should proceed with caution, as life insurance companies assess risk differently. Some policies are as much as five times more expensive - so why waste money needlessly?"*

The cautionary note is well-founded. Life Insurance premiums may be at historic lows but consumers face an overwhelming choice of providers in the hunt for competitive rates.

Moreover, not all demographic groups can take advantage of this trend. While non-smokers have seen a decrease in premiums, some providers have increased premiums for other risks, such as obesity and dangerous occupations (including the Armed Forces). Those with existing medical conditions may also face increases in premiums.

Consumers looking to take advantage of the revised rates should review their existing policies, while considering their current financial situation and commitments. This is quite straightforward and we would be delighted to help you assess whether or not your current cover is adequate for your requirements, especially if you have recently increased your levels of borrowing.

There are often significant variations in the policy provisions of providers so reviewing policies with a qualified adviser is crucial; to determine if your existing cover is correct for your current circumstances. We would be able to consider these provisions when searching for any additional cover that might be required.

If you want to review your current arrangements or your circumstances have changed and the new rates may be of interest, simply call us to arrange a meeting.

*Source: Moneyfacts – 24 July 2008: Cost of life insurance halves in a decade.
Clients who decide to replace existing policies should ensure that their new cover is in place before cancelling any existing policies.
YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Product Focus

Trust your adviser!

According to Scottish Widows, in their most recent survey*, 1 in 5 adults with a mortgage does not have any mortgage protection.

This means that, at the time 2.2 million people did not have insurance to cover the largest asset they owned!

Reassuringly, it also means that 80% of mortgage holders in the UK had purchased some form of mortgage related insurance, however, how many of them are aware that they also need to protect policy proceeds against a potential taxation backlash?

In the event of death, some or all of the policy proceeds may be subject to Inheritance Tax. By writing the policy "in trust" policyholders can ensure that (in the event of a claim) the insurer pays the proceeds directly to the beneficiaries so it does not form part of the deceased's estate. This can significantly reduce the tax burden placed on an estate following death.

If you think you may be affected by this situation you should contact your adviser. The process is quite straightforward: we can help you put your policy in trust by contacting the insurer, requesting a Trust Application and assisting you in completing the documentation.

If your policy is in place to cover your mortgage and you have a partner, it is wise to have it written in trust. This can ensure that instead of your estate receiving the money and using it to pay off a mortgage; the money can be paid directly to your partner, allowing them to use the money in the best way for them. It also speeds up the payment as it avoids the need for probate.

Savings on Inheritance Tax depend on the value of your estate and how your Will is structured, so reviewing your Will and taking into account any changes in your financial circumstances and future wishes is also an essential part of the process.

*Source: Scottish Widows survey of 2,037 adults, 08/2005
YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE
The Financial Services Authority does not regulate taxation and trust advice or will writing

Making money in a market downturn

From **"teach yourself making money from property"** by Martin Roberts of BBC TV's 'Homes Under the Hammer'

"....ways to ride the storm

What happens when the market takes a downturn and property prices stagnate or fall? What happens if interest rates rise?

All markets move in cycles with periods of expansion and contraction. Property markets are no different, and it is absolutely normal that prices peak and then level, contract and bottom out before recovering and growing again. The UK property market was in a period of decline in the early 1990s and more or less bottomed out by 1995.

As property investors, we should take a medium-to long-term view of any transaction and so periods of contraction should be entirely expected and in actual fact, can be welcomed. While prices are reducing, it creates a buying opportunity, and provided that we believe that all other factors about property stack up, you can expect that prices will increase again in the future.

If you already have a portfolio of property, the downturn in prices will affect you only if you need to sell. Many people lost money during the early 1990s when house prices fell dramatically, but these people were those who had to or chose to sell up. While many other homeowners had 'negative equity' on paper, they stayed put and in time prices recovered again. Let me ask you: If you had the chance now to buy, even at the 'inflated' prices just before the 1990 crash, would you?"

Please call me!

I am interested in discussing my financial circumstances with you and would like you to call me as soon as possible. By providing the details below I consent to you contacting me.

Name: ....

Address: ....

....

.... **Postcode:** ....

Email: .... **Tel:** ....

Best time to call: .... **Signature:** ....

Please place this slip in an envelope and send it to:
PKS, Addison Gardens, Odiham, Hants RG29 1AS

Data Protection: We will use the information you have supplied to us to communicate with you in line with Data Protection guidelines: to keep you informed by email, telephone, fax, post or other reasonable means on services which we consider may be of interest to you. If you would prefer not to receive such information please advise us. All personal information will be treated with utmost confidence and will not be disclosed to any third parties, except where required by law, or where your consent has been received.

Competition

To win an Ipod Shuffle 4GB, simply complete the Sudoku challenge, return it to the address below and you will be entered into this month's draw.

	4	1						
7		9	8	1				
				7		2		4
2	6	8	4	9		5		
			3		5			
		5		6	1	4	7	8
4		2		3				
				2	8	6		3
						8	5	

Entries can be submitted using this page or a photocopy of this page and should be sent with your name, address and telephone number to: CherryFind, The Stables, Little Coldharbour Farm, Tong Lane, Lamberhurst, Tunbridge Wells, Kent, TN3 8AD. Entries must be submitted by post only and received by the Promoter no later than midnight on 28th August 2009. Correct entries to be placed in a draw and the winner selected at random on the 30th September 2009. Participants must be over 18 and only one entry is allowed per household. Winners will be notified by post before 31st October 2009. The Promoters decision is final. Promoter: CherryFind, The Stables, Little Coldharbour Farm, Tong Lane, Lamberhurst, Tunbridge Wells, Kent, TN3 8AD