

# theadviser

for an independent view

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## Taking the plunge

Decision making can be a painfully laborious task when considering complex products. It is certainly the case when it comes to assessing financial products, primarily because of the vast choice available, different features between products and inherent risk factors to consider.

Seeking impartial advice to make the right decision, on the right product for your particular circumstances, is a key element towards ensuring all your needs, objectives and circumstances are considered. That's why we are bringing you our latest newsletter; containing relevant and topical articles that may help you, when considering future financial choices.

If you would like to discuss anything raised in this issue or talk about any changes affecting your financial circumstances, please complete the enclosed "Call Me" slip, email or telephone us on the usual numbers.



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# Parents are Priceless



### Have you ever wondered what is the true value of a parent?

In a recent study conducted by insurers Legal and General, the true value of the work carried out by a Mum was estimated at £32,812 per year - that's a staggering £8000 higher than their previous study in 2005!

These figures reflect the cost of replacing the domestic work done by a stay-at-home Mum. Interestingly, the average Dad was valued at £23,296 - 40% lower and clearly demonstrating the level of dependence most households place on the role of a mother.

Alan Ferguson from Legal & General commented "Mums are a rock for many families, making sure the home runs smoothly,

the children are looked after and often holding down a job of their own."

The study also revealed some worrying statistics: just 53% of Mums have Life Insurance and only 26% have Critical Illness cover.

**Could most households afford the cost of £32,812 per year for someone to replace a full-time Mum (not to mention any loss in earnings) should the worst happen?**

In these times of economic uncertainty, most families are trying to curb spending and cut costs. So consider a further fact the research revealed: in 2001 the average cost of raising a child was £53 a week but by 2009 this had risen to £132 a week.

Add the cost of replacing the domestic and childcare services that are part and parcel of parenting (by Mum or Dad) and life insurance or critical illness cover may suddenly feature more highly on your financial planning "to do" list.

Parents can't be replaced but how many of us consider the practicalities should a disaster occur? Life insurance premiums have dropped significantly in the last 12 years\* so can consumers really avoid adequately protecting their family from their worst nightmare?

**Contact us today to discuss the options available for your specific circumstances and arrange a no obligation review.**

Source: \*Moneyfacts 19 June 2009: Time to take cover.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE



# Measure for Measure

**A wide range of factors affect the economic climate but when it comes to determining the health of the UK economy very specific key indicators grab the headlines.**

Below we've provided guidance and commentary on some of those currently under most scrutiny:

**UK housing market** - a key indicator that also profoundly influences the everyday lives and decisions we have to make for our personal goals and future objectives. House values can affect our borrowing and decisions on whether to move home.

They also provide useful information on the financial health of demographic groups, e.g. people in a first-time buying situation or those looking to

downsize: both of which, in turn, influence the spending activity within the country.

Data from the Council of Mortgage Lenders\* showed mortgage lending for new purchases in 2009 was 23% higher in June than May, indicating better liquidity in the mortgage market and improved confidence on the part of house buyers.

The Land Registry also indicated growth in house prices for England and Wales\*\*, reporting a 1.7% increase in house prices in July - the strongest monthly growth since

July 2004 and third month in a row resulting in positive movement.

**Stock Market** - perceived as a daily indicator of how the economy is doing, and can demonstrate trends established by in-depth analysis of previous months and years' data. The growth in the FTSE100 in July and August has certainly provided welcome relief for the City and a positive trend for the six months February to August.

**GDP** - Gross Domestic Product is a measure of how much money was made in

the UK economy and is a "real time" indicator. The quarterly statistics issued by the Office for National Statistics provide a valuable indication of the health of the economy and, according to the Institute of Chartered Accountants, GDP for the UK is expected to rise by 0.5% during Q3 2009\*\*\*; potentially signalling a recovery from the recession for the UK.

In our next edition we'll consider how unemployment figures, retail sales, inflation and interest rate statistics influence and affect the view of the economy.

PROPERTY PRICES MAY FALL AS WELL AS RISE.

INVESTMENTS MAY FALL AS WELL AS RISE AND PAST PERFORMANCE IS NOT A GUIDE TO THE FUTURE.

Sources: \*CML website: [www.cml.org.uk/cml/media/press/2354](http://www.cml.org.uk/cml/media/press/2354) \*\*Land Registry website: [www.landregistry.gov.uk/HPI](http://www.landregistry.gov.uk/HPI) news

\*\*\*The Institute of Chartered Accountants, Press Release, Business confidence turns positive indicating 0.5% GDP growth in Q3 (21/08/09) Sources quoted are from 2009 and figures are correct as at September 2009.

## Death of an Adviser?

Since the credit crisis took hold in 2007, mortgage lending has declined significantly. The Financial Services Authority\* states that "New lending peaked in Q3 2007 at £102bn before progressively declining to £33bn in Q1 (2009)". This was partly due to a decline in house prices and buyer reluctance to move but also various restrictions on borrowing placed by lenders.

More recently a worrying trend is emerging, as some lenders have begun offering more competitive deals directly to consumers; effectively excluding brokers from offering the widest range of deals.

Some may argue direct deals benefit consumers but caution is needed as these are often

being sold on a 'non-advised' basis. This may not pose a problem for those who consider themselves to be "financially aware" but less astute consumers risk purchasing inappropriate products and there is already evidence supporting these concerns for investment based products.

Teresa Fritz (Principal Researcher at Which?) recently noted an increase in complaints they have received from elderly people, in relation to investment products being mis-sold by bank advisers: "The bank advisers were not actually explaining to them that if the stock market goes down, the investment would reduce."

This comes on the back of figures from the Financial Ombudsman Service (FOS) registering an increase in complaints, again from elderly

consumers: "We have seen an increasing number of complaints about investment advice provided by high street banks to older consumers."

In the wake of the complaints against bank advisers on investment products, consumers considering direct deals may question if they will really receive sound advice when purchasing direct mortgage products.

Truly impartial advice can be provided by independent advisers. Donna Hopton of CherryFind (the online portal for consumers seeking impartial mortgage or financial advisers) adds:

"Truly impartial advisers can search a wide range of providers to find products that are exactly suited to clients' needs. We encourage consumers to use



*cherryfind rather than simply looking at products from a specific provider, and thus restricting themselves to what that single company offers. All advisers on cherryfind have made a firm commitment to provide what really is best for the client. The site is free to use, yet receiving impartial advice can save consumers money."*

**If you are considering any financial products, we guarantee your specific needs and circumstances will form the basis of any advice we offer - why not give us a call.**

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. Source: \* FSA website: [www.fsa.gov.uk/Pages/Doing/Regulated>Returns/IRR/statistics](http://www.fsa.gov.uk/Pages/Doing/Regulated>Returns/IRR/statistics). FOS quote provided 27/08/09. Teresa Fritz quote provided 03/09/09.



# Help! I can't pay my mortgage

With redundancies on the increase, many homeowners are worried about not being able to afford their mortgage repayments. What can you do if you are concerned?

## 1. Speak to your lender

Explain your situation to them. This may allow them to help you by offering payment holidays, an interest rate freeze or a temporary reduction in the repayment amount.

If the lender is not aware of your situation they cannot fulfil their duty to "treat you fairly" when dealing with your case. If you're uneasy about speaking with your lender consider asking a third party to help (friend, family member or us).

## 2. Check your policies

Do you have payment protection cover? Mortgage Payment Protection Insurance (MPPI) can include cover to protect against unemployment. Check your current policies or consider purchasing a policy (NB: Terms & Conditions may apply).

If you have cover - check the policy wording carefully. If you're not sure if you are covered we can help you decipher the policy wording and advise you accordingly.

## 3. Affordability

Be realistic and cut back on unnecessary spending. Your home is a priority and continuing to make regular repayments will work in your favour in any dealings with lenders.

## 4. Talk to an expert

Various agencies can help by giving independent advice, providing support and offering solutions. The Citizens Advice Bureau (CAB) or charity run organisations, such as Shelter, are worth contacting. They can provide guidance and help you access any benefits you are entitled to.

New Government schemes (Homeowners Mortgage Support, Mortgage Rescue Scheme and Support for Mortgage Interest) may also help.

## 5. Lodging

The number of homeowners renting out spare rooms doubled in the last year\* and the Governments Rent-a-Room Scheme may provide tax savings. You should contact your lender and insurer when considering this option, as restrictions may apply.

## 6. Sell your home

Consider downsizing or moving to rented accommodation.

## 7. Talk to us

We will objectively assess your situation and offer impartial advice on solutions and options that are open to you.

Source: \*Abbey website: [www.abbey.com](http://www.abbey.com)

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

## Product Focus

# Income Protection

**How would you cope if your income suddenly reduced because of job loss, being diagnosed with a long term illness or you had a serious accident?**

Many people believe Social Services would take care of them but entitlement rules and limitations on benefits can make this a limited option. It may also take a while before benefits are paid, so time can be an issue too.

One alternative is to take out income protection, which can deliver payments more quickly, at a time when you most need them. Here we focus on the three main types of income protection available:

### Payment Protection Insurance (PPI) -

Designed to protect against accident, sickness or unemployment to repay certain debts, such as loans and credit cards, policies usually pay out for up to 12 months (some up to 24 months). These were often sold at the "point-of-sale" (when you take out the loan or credit card) but may be purchased separately, at far better rates.

### Mortgage Payment Protection Insurance (MPPI) -

These policies are similar to

PPI although the benefit is intended to meet mortgage repayments as opposed to other unsecured debts.

### Permanent Health Insurance (PHI) -

Many employers offer limited cover in the event of illness. These policies are designed to complement these benefits in the event of long term illness, incapacity or disability (most do not cover unemployment). Of course, for the self employed PHI is essential.

PHI policies pay out until you return to work or the policy ends (e.g. at retirement age). Some offer benefits such as counselling, assistance to get back to work or supplement your income if you can only return to work by taking a lower paid position or part-time role. All providers and products have different terms and conditions so we suggest full scrutiny is imperative, should you require any assistance please contact us.

**We would be happy to discuss your circumstances and the different options available to you.**

Clients should check with their employer for details of any employer benefit schemes before purchasing income protection policies.



## 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.

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

Entries can be submitted using this page or a photocopy and should be sent with your name, address and telephone number to: Cherry Find, Dairy Barn, Hall Road, Clippesby, Great Yarmouth, Norfolk, NR29 3BL. Entries must be submitted by post only and received by the Promoter no later than midnight on 15th December 2009. Correct entries to be placed in a draw and the winner selected at random on the 2nd January 2010. Participants must be over 18 and only one entry is allowed per household. Winners will be notified by post before 31st January 2010. The Promoters decision is final. Promoter: Cherry Find, Dairy Barn, Hall Road, Clippesby, Great Yarmouth, Norfolk, NR29 3BL.

# Where there's a Will...

Are you one of the people who plan to get around to making a will "one day"?



For over 70% of people that day never arrives,\* despite a will being one of the most powerful documents you can have in life.

Excuses apart, take a moment to consider the benefits of a will:

**Guardianship:** It can secure guardianship for children under the age of 18 and establish a trust fund to finance the guardianship process.

**Ring-fencing Children's Inheritance:** If a parent dies and the survivor remarries, under English law, the new spouse takes precedence over the children from the previous marriage for inheritance matters. A Property Trust established in a new will can ring-fence the inheritance children will take from their natural parents.

**Inheritance Tax:** It is a highly efficient vehicle to mitigate against IHT.

**Long-term Care Costs:** Using a Property Trust (where a jointly owned property is split in two) can halve any liability a couple has, if either has to go into long-term care.

**Gifts in Trust to Children:** Rather than paying everything to the children at adulthood (age 18 under English law), these allow for payments to be phased over a number of years.

**Gifts to Charities:** Under English law gifts to UK-registered charities are tax-free.

**Other Gifts:** From Fabergé eggs to Scalextric sets, your will can bequeath specific items to loved ones.

A will should be part of financial planning and regularly reviewed with your Financial Adviser to ensure IHT-saving powers and trusts are still performing. Reviews are important from a statutory perspective too; allowances change, as does the law relating to certain asset classes and trusts.

If you wish to arrange a visit for the review of an existing will or to consider the drafting of a new one, please call us.

Thanks to Hugh Schoenemann of Willpower GB Ltd for helping to compile this article.

Source: \*Living In - Will Aid news release 8/10/2008

THE FINANCIAL SERVICES AUTHORITY DOES NOT REGULATE TAXATION AND TRUST ADVICE OR WILL WRITING.

## 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:	<input type="text"/>
Address:	<input type="text"/>
	<input type="text"/>
	<input type="text"/>
Postcode:	<input type="text"/>
Email:	<input type="text"/>
Tel:	<input type="text"/>
Best time to call:	<input type="text"/>
Signature:	<input type="text"/>

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.