holden & partners

H&P Review

EURO IN CRISIS

Shares volatile, dividends resilient

Focus on Retirement

To Fix or Not to Fix

Making a decision on Fixed Protection for pensions

New Pension Scheme

Helping people save more for their retirement

WORLDWISE INVESTOR

Our new website launches

ISSUE 4

> *The key, as always for investors, is to hold a fully diversified portfolio so that there is not over exposure to any one asset class or area.*

Welcome to the fourth edition of H&P Review. Since our first edition, economic conditions across the world and particularly in Europe have if anything worsened. This means that equity markets are likely to remain volatile for the foreseeable future. Whilst there has been a lot of focus on Greece and possibly Italy defaulting and precipitating a collapse in the Euro, there has as yet been no such event. It is this continuing uncertainty which creates market volatility.

Significantly, despite the volatility, dividend payments have remained consistent with yields of 4-5% attainable in many good blue chip companies. Following the banking collapses in 2008, many blue chips dramatically reduced costs with the result that these companies are now much leaner and significantly more profitable. It is this issue of profitability which is crucial. Investors and not just those seeking income should always remember the significant role that dividends play in equity returns.

There will always be ups and downs with stock market investments however these peaks and troughs can certainly be made more bearable by the role of the dividend. It is worth noting that the total return (i.e. with dividends) of the FTSE 100 over ten years from 31st October 2001 – 31st October 2011 has been 62.42% against a total price appreciation of 10%. Over five years from 31st October 2006 – 31st October 2011 the picture is equally compelling – the total return of the FTSE 100 over years has been 11.17% against a price appreciation of -9.54%. However tempting it may be to sell equity positions in volatile times, it should be remembered that markets do recover and that timing the market can be a dangerous game.

The key, as always for investors, is to hold a fully diversified portfolio so that there is not over exposure to any one asset class or area. A sensible cash buffer should also be maintained and clients should take care to ensure their risk in this area is limited to £85,000 per institution per person so that they are within the limits of the Financial Services Compensation Scheme.

In order to ease the administrative burden of multiple accounts, we would suggest that investors also consider National Savings. Whilst the interest rate may not be the most competitive, the peace of mind factor relating to holding savings backed by HM Treasury cannot be underestimated.

In this latest edition of H&P Review we look at our new website for ethical and environmental investors – World Wise Investor whilst we also consider whether those clients with significant pension pots should take advantage of Fixed Protection. Finally, we feature articles on Lasting Powers of Attorney and our attainment of Chartered status.

If you would like or prefer to receive a PDF version of our magazine in the future please email us at ewinn@holden-partners.co.uk

Chartered Financial Planners

Holden and Partners are delighted to have recently been awarded the prestigious status of Chartered Financial Planners by the Chartered Insurance Institute. **Article by Mark Pate.**

This is a reflection of our professionalism in what is a demanding and fast changing market. To gain this recognition we have to demonstrate our commitment to the continuous professional development of all our staff. This helps to ensure that we are providing the highest possible levels of advice to our clients. All advisers and staff must work in an ethical manner that places clients' interests at the heart of the advice process.

The Financial Services Authority (FSA) has been very clear that they view advisory firms improving their professionalism as a key driver to improving the delivery of financial advice and products in the UK.

Currently there are fewer than 300 firms in the UK with Chartered Financial Planner status. This is out of a total number of approximately 5,000. At Holden & Partners we are proud to have three Chartered Financial Planners in our team.

We do feel that in time this will become the benchmark that clients expect. If, for example, you were looking for an accountant you would expect them to be a Chartered Accountant and we believe this is the direction UK financial services will take.

At Holden & Partners we are committed to continually improve both our skills and knowledge base. The result should be a commensurate improvement in client satisfaction. We consider that the attainment of Chartered Financial Planner status is a further demonstration of this commitment.

Junior ISA launches

On 1 November 2011, the Junior ISA became available to all children resident in the UK under the age of 18 who do not already have a Child Trust Fund (CTF). The Junior ISA allowance will be £3,600 for the remainder of the 2011/2012 tax year and will be index linked from 2013/2014. This allowance can be split between a Cash ISA and a Stocks & Shares ISA, with no limitation on how it will be split. The CTF limit will be raised to match the Junior ISA limit at the same time.

In this issue

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To Fix or Not to Fix
Fixed Protection

It's now time for people to start thinking about whether to apply for Fixed Protection, to counter next year's reduction in the pensions' Lifetime Allowance ("LTA"). You must apply, through HM Revenue & Customs, by 5 April 2012. **Article by Andrew Johnston.**

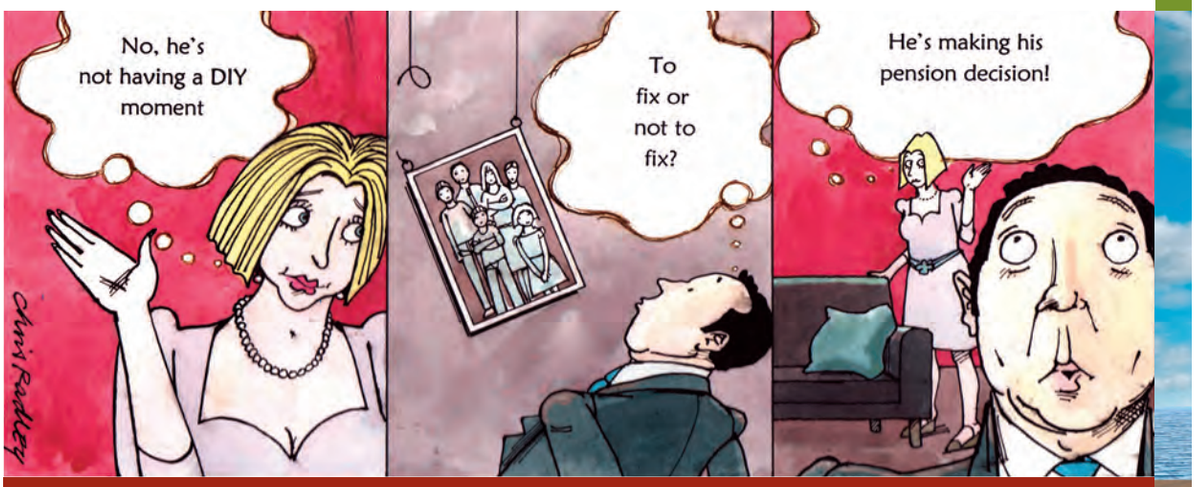
From 6 April 2012, the LTA for registered pension savings, currently £1.8 million, will be reduced to £1.5 million. Although the LTA could be increased in the future, with current strains on Government finances, this is unlikely to be for some time. Pension values in excess of the LTA, when taking benefits (at retirement or death pre retirement) will incur a tax charge of 55% (if paid as a lump sum) or 25% (if paid as income – which in itself is then taxable under PAYE rules).

Fixed Protection allows you to maintain the £1.8m, but only if you:

- Do not accrue pension benefits from 6 April 2012
- Transfer between pension schemes which meet the permitted rules
- Do not already have Enhanced or Primary Protection

Whether or not to apply for Fixed Protection leads to several questions and planning issues. It may vary from a relatively simple decision to being one which is highly complex requiring detailed analysis. Therefore, if you have any concerns that you may be affected by the reduction in the LTA action needs to be taken now. A final caution, with the introduction of auto-enrolment from September 2012, if you have elected for Fixed Protection, you must make your employer aware of this, as part of the auto-enrolment requirement is to automatically add qualifying employees to the Company's chosen scheme. This would 'bust' Fixed Protection.

Illustration by Chris Radley



- If you opt out of an employer sponsored pension scheme, will the employer offer 'non – pension' alternatives to compensate for a loss of benefit
- If no 'compensation' is available, would you still be better off, after the tax deduction, by remaining in the scheme
- If you are a long way off from retirement, the uncertainty over future LTA increases, may mean that investment growth pushes you over the LTA limit.
- If you have Enhanced and or Primary Protection, Fixed Protection may provide higher benefits (such as Tax Free Cash). You will need to revoke these protections before applying for Fixed Protection
- Lastly, if you are a high earner in a Defined Benefits Pension, the added issue over the reduction in the Annual Allowance, may mean you will suffer a tax charge on excess 'deemed' contributions and also be caught by the LTA

A New National Pension Scheme

Helping people save more for their retirement

More than half of workers are not aware that they could be automatically enrolled into a new national pension scheme starting in October 2012 and many are likely to be surprised when employers start taking deductions from their pay, research from HSBC has found. The National Employment Savings Trust (NEST) is being introduced next year by the government to help people save more for their retirement.

Option to opt out

It will involve workers who are not already a member of a 'Recognised Workplace Pension Scheme'. Employees will be auto-enrolled by their employers and will be given the option to opt out. The employer will have to eventually pay a minimum of three per cent (initially this is being phased in starting from one per cent paid by the employer and one per cent by the employee) of 'qualifying (band) earnings'. The overall minimum contribution will eventually be eight per cent and if the employer pays the minimum of three per cent the employee will have to pay five per cent (with one per cent of this coming from tax relief).

HSBC found that 23 per cent of people, when told about NEST, said they didn't like the idea of some of their wages being paid into the scheme.

New auto-enrolment

The new auto-enrolment obligations will impact on employers of all sizes and will be phased in between 2012 and 2016. Employers will have responsibility for paying contributions into a pension – both from them and the employees – as well as communicating with staff and ensuring the pension scheme is compliant.

The hope is that these new auto-enrolment obligations will help the estimated seven million workers who are not putting money aside for their retirement to start saving for tomorrow, today.

While the NEST scheme is available to all employers, it has features that may make it suitable for some and less desirable to others.

worldwiseinvestor.com

Our new website dedicated to ethical and environmental investing

We are proud to announce the launch of our new website dedicated to ethical and environmental investing called 'Worldwise Investor'. The website generates high quality news and performance data on the universe of 130 ethical and environmental funds. In the past, although we've had a significant proportion of our clients take an interest in environmental and ethical investing, many have told us of their frustration at the lack of clear and useful information available online.

The aim of Worldwise Investor is to break new ground by providing people with a fully accessible and user friendly site covering news, views, and performance on ethical and environmental funds. We think you'll find the website a great way to review your investments whilst also keeping you up to date with the latest developments in this growing market.

"The launch of worldwiseinvestor.com builds upon the expertise developed producing our **Guides to Climate Change and Ethical Investing** over the past four years" Mark Hoskin, Managing Partner at Holden & Partners says, "Population growth and the developing markets are putting growing pressures on our natural resources. The full implications of which have not been understood by many in the investment community. We hope this website will help investors to gain greater knowledge and understanding of these issues with the aim that they become more informed about their future investments"

The site launched on 12th October and is a free resource. It categorises funds under difference themes, such as: Water, Clean Energy, Forestry, Agriculture, Carbon, Environmental, multi-thematic, UK ethical, Global Ethical, and users of the site can see average performance data for each, as well as current news and information.

What can I see when I'm registered?

You can see all funds in the fund library and filter them to display by type, theme or by those that impose ethical screens. You can view performance data on funds at a glance or for more detailed information you can click on a chosen fund to see how it is managed, its objectives and related news.

When you're registered, you will find the 'myWorldwise' area of the site particularly useful because you can bookmark favourite funds and themes and see their performance and related news. We can also send you weekly updates by email with any news to save you having to check regularly for developments.

We hope you will find the website interesting and useful. Please let us know what you think about it by emailing us at: amurphy@holden-partners.co.uk

Find worldwise in social media

If you're interested you could also see what we're posting about ourselves by following us on Twitter at: **www.twitter.com/worldwiseinvest**

or by becoming a fan of our Facebook page at: **www.facebook.com/worldwiseinvestor**

> *We hope this website will help investors to gain greater knowledge and understanding of these issues with the aim that they become more informed about their future investments.*

Article by Arabella Murphy.

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Lasting Powers of Attorney

Planning for the future

The benefits of drawing up a will are widely recognised. Less well known are the opportunities to plan for the common scenario where at some point in the future you become incapable of managing your own affairs. This becomes increasingly important as the risk of mental incapacity grows through age.

When somebody loses their mental capacity without having signed a Lasting Power of Attorney ('LPA') there is only one way of dealing with their assets or looking after their medical needs. That is to apply to the Court of Protection for the appointment of a Deputy. This is a costly, time consuming and inflexible process. Moreover, the person who has lost capacity will not be in control of choosing who should have responsibility for looking after their affairs at a time when it is vital that they are dealt with both efficiently and sympathetically.

The completion of an LPA will avoid these difficulties and an appropriate time to consider this may be when dealing with your will and or other estate planning. If it is not dealt with then, there is a risk that the next time the topic is discussed could be too late. There are two types of LPAs. The first is known as a Property and Financial Affairs LPA. This is intended to grant attorneys authority to deal with an individual's assets and finances. The other type of LPA is known as a Health and Welfare LPA which is intended to give attorneys authority to deal with an individual's medical and welfare issues.

LPAs give individuals the opportunity to ensure that authority to deal with certain issues is delegated to specific relatives, professionals or friends in the event that medical capacity is lost in the future. Before signing an LPA an individual will have to make a number of decisions such as how many attorneys are required and, if more than one, whether they should be able to act separately or jointly. Other considerations are if substitute attorneys should be appointed in the event of the death or incapacity of an original attorney and whether attorneys should have any restrictions imposed on their powers, for example limiting the authority to particular assets.

Before an LPA can be validly used by an attorney it must be registered with the Office of the Public Guardian. In many instances it is not appropriate to wait for capacity to be lost before initiating the registration process. The document takes at least six weeks to be returned and this delay means that the LPA may be unavailable at a time when it is most needed.

A Health and Welfare LPA cannot be used by an attorney (as a matter of law) until capacity has been lost. This is not the case for Property and Financial Affairs LPAs, so it may be appropriate to consider inserting a restriction to prevent an attorney using this type of LPA until an individual has lost capacity, typically as evidenced by two medical practitioners.

If you have an Enduring Power of Attorney ('EPA') which was signed prior to the change in legislation on 1 October 2007 then there is no need to sign a new LPA as EPAs remain valid. Typically an EPA will not be registered and, although it is possible to use an EPA (which does not contain a restriction) without it being registered, once capacity has been lost, it becomes ineffective until registered. Four years on, LPAs are now common place and the initial concerns surrounding change have subsided.

The key point for individuals to consider (who do not have an LPA) is what would happen in the event of a loss of capacity and what the impact on relatives and loved ones would be. We do know that an effective LPA would certainly make some aspects of such a situation easier to deal with.

Article by Matthew Woods of Withers Solicitors.

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