

CONCEPT NEWS

September 2009



The New ISA Limits

In the 2008 Budget, the Chancellor announced changes to ISAs that became effective at the start of the 2008 tax year.

The highest profile was the change to investment limits as the Government eliminated the mini and maxi components.

Now, there are just two types of ISA – the cash ISA and the stocks and shares ISA – and your overall allowance for both in 2009/10 is £7,200 (or, from October, £10,200 if you are aged over 50). Within this, the limit for cash ISAs – or for the cash element within a stocks and shares ISA – is £3,600 (£5,100)

Within the limits, there is flexibility. You can, for example, now put the maximum £3,600 in a cash account and £3,600 in a stocks and shares account. Alternatively, if you place just £2,000 in cash, you can use the entire remaining balance - £5,200 – to invest in stocks and shares. If you don't need cash at all, you can put the full allowance into stocks and shares. You can also transfer existing cash ISA holdings to a stocks and shares ISA without impacting on your current tax year allowance. So, if you have £10,000 already sitting in existing ISA plans then this amount can be moved into a stocks and shares ISA, yet leave your allowance of £7,200 still available.

The only other change is we have finally seen the back of PEPs. Although no new money has been invested in PEPs since 1999, the distinction remained. PEPs are now part of the ISA regime and the plans can be consolidated under one product wrapper. Existing PEP holders should see little difference, but do check with us if you are unsure.

Investment – The make up of the FTSE 100

The FTSE 100 Index is made up of the 100 largest companies listed in the UK, comprising well over 80% of the entire UK stockmarket by value.

Established in 1984, the index has evolved to reflect the changing nature of the UK economy and our increasingly global society. When it was founded the Index was primarily composed of British companies with operations that were focused within the UK.

However, today, those top 100 companies derive much of their profit from overseas activities, giving the index an international slant that has helped it to move away from its domestic roots.

The UK stockmarket has a reputation for being focused on defensive stocks (companies that tend to be less sensitive to the economic cycle). However, this is far from the whole story – the FTSE 100 index has exposure to most areas of the global economy to varying degrees.

Nevertheless, it is still relatively concentrated around a few dominant themes – for example, the top 10 companies in the FTSE 100 make up almost 50% of the index. It is also dominated by three sectors – financials (even in the current climate), oil & gas and consumer goods. The FTSE 100 Index does appear to be relatively diverse. However, investors looking for exposure to all areas of the market will have to look at smaller companies for opportunities as well.

Contact us:

Concept Financial Planning Ltd, Capital Business Centre, 22 Carlton Road, South Croydon, Surrey, CR2 0BS
Tel: 020 8916 2288 | Email: advice@conceptfp.com | Web: www.conceptfp.com

Are you protected?

According to research examining the country's protection 'gap' suggests, half the UK population would be penniless within a month if their income dried up. The study, conducted by insurance giant AXA, suggests that half of us have very little in savings or investments and would struggle to cope if we were unable to work.

Just 45% of us have any form of protection insurance in place to cover our main income should it be taken away, and only a third of us believe we have enough provision in place to cover our mortgages.

Estimates suggest that the average monthly expenditure per household is around £450 yet 49% of us have less than £1,000 saved up and 72% save less than £100 a month. Despite this, people still expect to have to cover additional expenses in the future such as funeral costs (62%) and children's education (42%) with no extra financial provision over and above this amount.

Insurance products such as income protection and critical illness are designed specifically to provide financial support if illness, injury or, in the case of critical illness, a serious illness stop us from working normally. It comes as no surprise, given the current climate, that people also told the researchers they were reluctant to invest in such products but, as the figures show, not doing so could end up costing far more.



Annuities – The Current Landscape

Thanks to the credit crunch, the landscape for annuity products has changed. Market volatility, low interest rates and changing investor demand have combined to bring new products onto market while others have fallen by the wayside.

Annuity rates are dependant on interest rates, so recent base rate cuts have hit prospective payouts quite hard. As a result, as investors have looked to tease out additional income, impaired life annuities and so called 'postcode annuities' have become more popular. Other potential retirees have simply decided to defer buying an annuity for as long as possible.

Market volatility has also affected the so-called 'third way' annuity products, originally designed to fill the gap between annuities and unsecured pensions, allowing exposure to the stockmarket, but with capital and income guarantees. They have had a difficult time as the cost of maintaining the guarantees has soared with the increased market volatility.

However, the market is also opening up to new ideas – for example, one new (fixed term) product is offering a secure rate of income for a pre-agreed term and then returning a guaranteed amount to the investor on maturity, which can then be rolled over into another annuity or income producing product. This ensures investors are not locked into what are currently considered very low rates for the long term and instead allows them a 'second chance' to get what might be better rates in a more favourable future environment.

Issued by Concept Financial Planning Ltd which is authorised and regulated by the Financial Services Authority. The contents of this newsletter do not constitute advice and should not be taken as a recommendation to purchase or invest in any products mentioned. Before taking decisions, we suggest you seek advice. All figures and data contained within this document were correct at time of writing.

Registered Office: Chancery House, 3 Hatchlands Road, Redhill, Surrey, RH1 6AA
Registered in England – Registered Number 6247554