WEALTH PERSPECTIVES

Issue 3 | May 2013

What is a platform?

And how it can help you to make the most of your savings

THE CULT OF THE STAR FUND MANAGER IS OVER!

Investors are becoming savvier to the need to diversify and control their risk

THE RETURN *of* RISK?

Global stock markets have surged, riskier bonds have rallied, while safer assets have struggled

TAYLOR BURKE PARTNERSHIP

CAERUS Capital Group

WELCOME TO THE THIRD EDITION *of* WEALTH PERSPECTIVES

Welcome to the third issue of our Client magazine, Wealth Perspectives. In the following pages, Industry experts from leading Pension and Investment Financial Services companies share their views on the issues that affect your finances.

Tom Elliot, from **J P Morgan Asset Management**, looks at the key events that have shaped the markets in the last six months.

Keith Carby, Chairman and CEO of CAERUS Capital Group looks at why these, and changes to the tax and benefit system, make it important to have a professional monitoring your finances regularly.

Ronan Kearney from **CAERUS Portfolio Management Limited,** discusses the developments in the Discretionary Fund Management (DFM) Sector and how DFMs could be the answer to keeping your portfolio aligned to your needs even in turbulent market conditions.

Phil Carroll from **Skandia,** takes a look at the opportunities and threats that have emerged from the March Budget and suggests some strategies for reducing tax leakage.

Being able to take a holistic look at your finances is becoming increasingly important. **Martin Haggat** from **Aegon,** explains what a platform is and discusses how this can help you see and administer your Investments in one place.

Finally **Legal & General** look at how long your savings might last in the event of you being too ill to work.

If you wish to discuss your finances or any of the issues raised in this issue, please do get in touch.

Best wishes

Colin Burke

Sandra Taylor

Partners: Colin Burke & Sandra Taylor
Taylor Burke Partnership

Sandra Taylor

Colin Burke

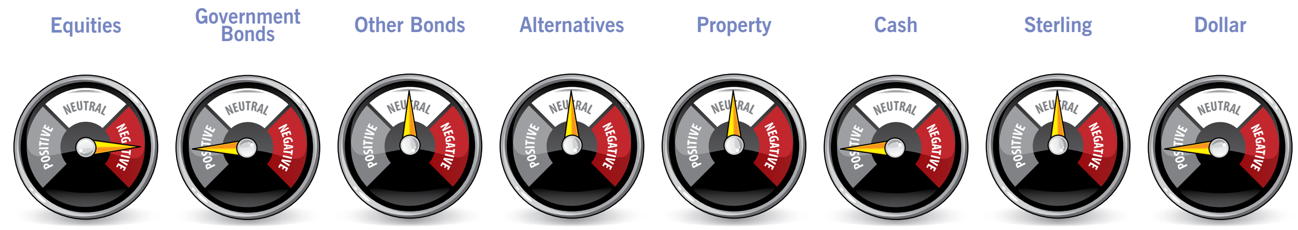
In this issue:

THE SENTIMENT

The Sentiment provides an outlook on the different asset classes.

MANSARD CAPITAL

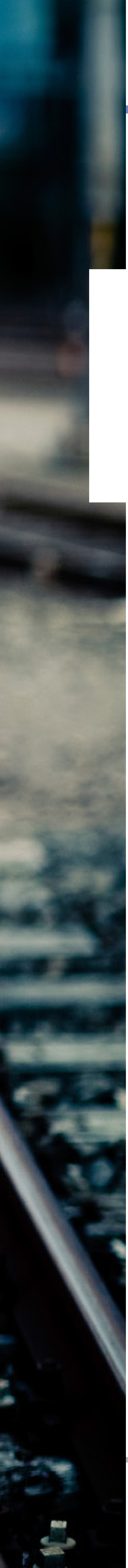
Mansard Capital is a specialist Investment Manager providing discretionary management services, multi-asset solutions and alternative Investment funds to private Clients and institutions.



Please note, this information is for indicative purposes only and that forecasts are not a reliable indicator of future results.

ARE YOUR PENSIONS & INVESTMENTS ON THE RIGHT TRACK?

Are your Pensions and Investments arranged in such a way as to maximise returns and minimise the amount of tax that you pay?



If you have not had them reviewed by your Financial Adviser for some time then, chances are, they may not be working as hard for you as they could.

The Investment landscape is an ever-changing one. Governments and central banks throughout the Eurozone, including the UK, have been introducing more steps to reduce budget deficits. These so called "austerity measures" have had varying degrees of success. Whether they will be successful in their ultimate aim is yet to be seen, however, one of the side effects which impacts on everyone, to a certain extent, is changes to the tax and benefit system.

The chancellor's budget in March this year, although without any major surprises, did introduce a number of measures that require careful planning. Later in this issue, Phil Carroll from Pension and Investment provider Skandia takes a more detailed look at the opportunities and threats that the Budget has presented. His analysis clearly shows how tax planning is vital for a good outcome.

It is of course not only the individual that is impacted by austerity budgets - on a macro level, European and world stock markets are watching closely to gauge the success, or otherwise of the measures being taken to stabilise the Eurozone. Overnight the course of Investment markets can be changed, driving assets such as currencies, sovereign debt or equities in either direction, depending on how well markets react to the actions of governments and central banks.

This can cause assets which were once less risky, to become more volatile, potentially exposing Investors to additional, unnecessary and unwanted risk.

Ensuring that your Investments are aligned to your appetite for risk means that not only will you know the Investments are working as efficiently as possible for you, but you will also be reassured that you are not exposed to unnecessary risk, which could have a dramatic impact on your financial security.

If you have not spoken to your Financial Adviser for a while, please make sure that you get in touch to ensure that your Pensions and other Investments are arranged in the most efficient manner possible and that they are aligned to your appetite for risk.

CAERUS
Capital Group

Keith Carby
Chairman
& CEO
CAERUS
Capital Group

THE RETURN *of* RISK?

The last six months have produced strong gains for those Investors that have been willing to take on risk. Global stock markets have surged, riskier bonds have rallied, while safe haven assets have generally struggled. As we move into the second quarter of 2013, Tom Elliott assesses the outlook for stock markets around the world.

UK: FOCUS ON THE POSITIVES

On the face of it, the outlook for UK equities looks fairly lacklustre, given the bleak economic backdrop, relatively high inflation and stubbornly high budget deficit. However, it is not all doom and gloom for UK Investors. First, recent currency weakness should improve the international competitiveness of the UK's export sector and boost overseas earnings for UK companies. This is a major positive, given the FTSE 100 is dominated by companies with an international sales base.

In addition, with the UK ten-year Gilt yielding just 1.8%, well below consumer price index inflation of 2.8%, Investors in bonds (like those in cash bank accounts) face a negative yield in real terms. As a result, many Investors are now looking to move into stock markets that offer an attractive dividend yield. The UK should benefit from this trend, with the FTSE 100 currently yielding around 3.5%.

CONTINENTAL EUROPE: CRISIS, WHAT CRISIS?

European stock markets have performed particularly strongly over the last six months despite the further flare-ups in the region's debt crisis and continued economic weakness. The fact that Investors have been willing to take on risk reflects the much more vigorous efforts of European policymakers to find a solution to the debt crisis – particularly the announcement by the European Central Bank (ECB) of its outright monetary transactions programme, last September.

European stock markets also remain buoyed by resilient corporate profits growth, which is being fuelled by strong overseas demand and rigorous cost discipline. Share prices look attractive compared to historical averages, so as long as policymakers continue to work towards a resolution to the region's debt crisis, markets look well supported at current levels for long-term Investors.

US: ECONOMIC RECOVERY STILL ON TRACK

In the US, Wall Street is riding high despite the ongoing political wrangling between Democrats and Republicans over the US budget that has seen the economy burdened by billions of dollars of government spending cuts. Stock markets have so far been largely unruffled by the news of the spending cuts because most Investors believe that at some point an alternative will be found.

"Given the rally in global developed stock markets, it's perhaps surprising that emerging markets have generally lagged recently"

In the meantime, the recovering economy and positive company profits growth are giving Investors reason for optimism. The US economy can, perhaps, expect little help from Washington, but it appears ready to help itself. For Investors, faster economic growth should lead to continued earnings growth, which will support the stock market, given that share prices look reasonable.

JAPAN: THE NEW STAR PERFORMER

Japan has been the standout performer among the world's major stock markets in recent months, with Investor sentiment boosted by a snap general election in December, which saw a landslide victory for Shinzo Abe's Liberal Democratic Party. Abe's radical pro-growth economic policies have caught the eye of global Investors, leading to optimism that Japan may finally be able to pull itself out of its two-decade-long slump.

Only time will tell if Abe's policy agenda will boost the ailing Japanese economy. Previous hopes for economic reform in the late 1990s and mid 2000s turned out to be a false dawn. However, Abe appears to be determined to confront Japan's economic malaise and his policies have so far been broadly welcomed by Investors.

EMERGING MARKETS: LONG-TERM DRIVERS REMAIN STRONG

Given the rally in global developed stock markets, it's perhaps surprising that emerging markets have generally lagged recently. In the short term, valuations look reasonable, but the recent weakness of corporate profits is holding markets back. Performance may remain disappointing in relative terms until we see evidence of an upturn in profits growth once again.

However, we remain positive on the long-term outlook for emerging markets, given their increasing share of global GDP, strong demographics and the potential for ongoing economic liberalisation to boost growth.

Source for market returns: FactSet, Total Return, Gross.

J.P.Morgan
Asset Management

Tom Elliott
Global Strategist
J. P MORGAN ASSET MANAGEMENT

What is a platform?

An online solution that lets you and your Adviser manage your savings. It gives you access to a wide range of tax wrappers and Investment options, helping you to make the most of your savings.

A platform should also provide a seamless transition to retirement with a full range of retirement options — giving you flexibility over how you derive your income when you are ready to retire.

TAX WRAPPER CHOICE

Platforms normally provide you with a range of tax wrappers, giving you a variety of ways to save for your future in the most tax efficient manner. A platform may offer the ability to invest via:

SELF INVESTED PERSONAL PENSION (SIPP)

A SIPP may offer:

- a savings and income solution – you can accumulate savings and take an income as and when it's needed
- Tax-relief on your personal contributions.
- a wide range of Investments – access to growth-focused and income-focused funds through a fully insured fund range and wide range of direct Investments
- Capital, income and lifetime income guarantees.
- Various ways of providing income for you in a tax-efficient savings environment with ongoing potential for growth.

You cannot normally take any pension benefits before the age of 55.

ISA

You can choose from a stocks and shares ISA or a cash ISA:

- Stocks and shares ISAs come with a wide range of funds, and are free of capital gains and income tax.
- If you want the security of investing in cash, a Cash ISA held within a bank account earns tax-free interest.

GENERAL INVESTMENT ACCOUNT

The General Investment Account is an account that does not sit inside a "tax wrapper" (something that is designed to address specific circumstances, e.g. a pension or a bond). You can use this to invest in a broad range of assets with no upper limit on how much you can invest. You could use this if you have used up your ISA limits for the year, or simply want to diversify your portfolio further.

If you already have "unwrapped" Investments with other providers, they can re-register them to a platform free of charge.

OFFSHORE BOND

Platforms will also offer access to other wrappers such as offshore bonds. Offshore bonds have several tax advantages including choosing when to pay tax on any gains you make, as it won't be taxed year on year. You can also move between funds/assets without triggering a capital gains tax liability. And unless a chargeable event occurs, for example you withdraw more than 5% a year, or cash the bond in, you won't need to notify HMRC.

You may be liable to taxation on any gains when you encash all or part of your offshore bond.

WIDE INVESTMENT CHOICE

Platforms let you use different Investment strategies to suit your savings needs. Your Adviser can tailor your Investments depending on your age, lifestyle and retirement strategy, as well as to suit your attitude to risk and income needs.

You can invest in a range of Investment types which are traded online, including:

- Cash
- Insured pension funds
- Unit trusts
- OEICs
- Stocks and shares
- Investment trusts
- Discretionary Investment Management

SAVINGS AND INVESTMENTS IN ONE PLACE

Having all your savings and Investments together on a platform, could give you:

- access to a wider range of Investments than your are currently able to access.
- potentially lower charges than you are currently paying overall
- the ability to view all your Investments together online – with only one username and password to remember

> "Platforms are easy to use, and provide access to up-to-date information. They can provide you with the ability to view the value of your account ..."

STAY IN CONTROL

Platforms are easy to use, and provide access to up-to-date information. They can provide you with the ability to:

- view the value of your account
- see details of the Investments you hold
- see a full transaction history for your account
- view projections of what you might get back from your pension

You can also take a more active role by making changes to your account, and some platforms may even allow you, the Investor, to transact online by:

- updating your personal details
- making additional contributions to your account, and
- switching Investments

As you can see, there are a multitude of benefits from managing your Investments in the one-place. It can help aid your understanding of your financial affairs and give your Adviser the information needed to manage your Investments and savings efficiently.

If selected carefully, a platform can give you the flexibility for saving while you work and enable you to take an income later in life all in a single online system in the most tax efficient manner.

A platform might not be suitable for everyone's circumstances but this can be established following a full financial review with your Adviser.

AEGON

Martin Haggart
Technical Development Manager (Pensions)
AEGON

THE CULT OF THE STAR FUND MANAGER IS OVER

Research commissioned by **CAERUS Portfolio Management Limited (CPML)**, confirmed something that many had believed for a long while. The cult of the 'star' fund manager is over.

CAERUS
Portfolio Management

Ronan Kearney
Investment Director
CAERUS Portfolio Management Limited

Investors are **becoming savvier to the need to diversify and control their risk**, rather than putting their faith and money, with one fund manager.

Only a small minority (6%) of investors wanted Advisers to put their money with a 'star' fund managers.

One of the reasons for this could be the realisation that, by their nature, star fund managers need to continue taking additional risk in the chase for better returns. This is often achieved - or attempted - by taking tactical asset allocation decisions – bets on which way certain assets will move. When this pays off all well and good, but when it goes wrong it can result in losses for Investors, sometimes, beyond what they originally said was in line with their appetite for risk.

Depending on the type of fund, some managers can vary their exposure to equities (generally accepted as a riskier asset class) from as low as 40% to as high as 85%, depending on their outlook. For an Investor who is happy to take on risk, this is not an issue, but for cautious Investors, or even moderately risk-averse Investors, they could find that, due to the decisions of the fund manager, they are suddenly in a fund which is far too risky for them.

As a result of this and with 60% of Investors believing that their portfolios should be re-balanced continuously to match their risk profile, Advisers have moved away from single fund solutions and adopted their own model portfolios offering additional diversification and spread. As the portfolio's starting position changes due to out-performance of one or more of the constituent parts, they are rebalanced back to the starting position.

Model portfolios run by Advisers may not provide the ideal solution for Clients. A number of events can require an Adviser to make changes to the model portfolio:

1. Out performance by one or more funds resulting in 'portfolio drift'.
2. Fund events – i.e. closures and mergers.
3. Underperformance from a manager, resulting in a need to switch to a new fund.
4. A need to realign the portfolio to the original asset allocation, as tactical decisions taken by underlying fund managers have resulted in a significant change in the original asset allocation.

With the majority of Advisers requiring written agreement from the Investor to perform a fund switch, there will be a small but significant proportion of Clients who, for one reason or another, fail to respond in time.

The only option for the Adviser will be to create a new version of each portfolio and manage both. The Investors who fail to respond, will remain invested in the original portfolio, which for the reasons mentioned above, may no longer be suitable for their needs.

A solution for both Investors and Advisers is to use a Discretionary Fund Manager (DFM). Traditionally DFMs would have built a bespoke portfolio for Clients. Typically, this would have been the preserve of high net worth Clients, those with upwards of £250,000 to invest. However, with the focus on diversification and continuously monitored and rebalanced portfolios, DFM portfolios are being opened up to more and more Investors. Not only do DFMs have experience of selecting and de-selecting the funds that form the portfolios, but by putting in place a DFM agreement at outset, and allowing the DFM to manage a portfolio, this negates the need for Advisers to contact Client's whenever a fund switch is required. This means that when a change is required it can be made quickly and efficiently, ensuring that the Clients Investment starts suitable and remains suitable.

NOTES: Research commissioned by CAERUS Capital Group: Sample size 1000 (November 2012)

1. Of all Investors, only 6% thought that they should be chasing star managers.
2. Of those Investors who have portfolios, 60% believed that they should be re-balanced continuously to match their risk profiles.
3. Of Investors who wanted professional management of their portfolio, 78% specifically wanted a portfolio tailored to their personal requirements.
4. Table showing how much an Investor is willing to pay for the management of Pensions and Investments by an Investment professional, on an annual basis, expressed as a percentage of the overall value of the Investment.

Greater than 2.5%	13%
2.25% to 2.49%	9%
2.00% to 2.24%	9%
1.75% to 1.99%	8%
1.50% to 1.74%	8%
1.25% to 1.49%	6%
1.00% to 1.24%	13%
0.75% to 0.99%	5%
0.50% to 0.74%	7%
0.25% to 0.49%	9%
0.01% to 0.24%	13%
Average 1.38%	1.38%

2013 BUDGET

Phil Carroll, Proposition Manager at **Skandia**, provides a run-down of the key financial planning highlights from the **2013 Budget**.

This year's Budget lacked any surprises, as most of the potential headline-grabbing changes were announced in the previous Budget or Autumn Statement from the Chancellor. Although there were no changes announced to the headline rates of income tax for individuals, there was a focus on attaining the £10,000 personal allowance threshold for the 2014/15 tax year. The impact of increasing the personal allowance and reducing the level at which higher rate tax becomes payable to £41,450 will, of course, result in hundreds of thousands more people suffering some higher rate tax in the future.

One of the most significant announcements from a financial planning point of view was the freezing of the IHT threshold at £325,000 until 2018, to offset the new social care cost provisions following the Dilnot recommendations. As assets and housing increase in value, more will be caught in the IHT net without careful planning.

"a continued focus on reducing tax leakage as well as protecting and maximising allowances should remain crucial"

Looking at the announcements on social care costs, the £72,000 cap and the enhanced £118,000 means-testing cap (currently £23,250) are welcome, but since they do not include potentially uncapped 'hotel costs' such as food and board, they may not please everyone. This news does however provide an opportunity for planning to be established and gives a level of certainty on what those future costs might be.

From a pensions perspective, higher rate taxpayers can still benefit from 40% tax relief on their contributions, but on reducing amounts. The Chancellor announced in the Autumn Statement that the £50,000 annual allowance would be dropping to £40,000 and the overall lifetime allowance (LTA) would be reducing to £1.25m. The reduction in the LTA is, in effect, a penalty on good Investment growth and although the Government has estimated that around 360,000 people may be potentially impacted by this reduction, we believe this could be vastly underestimated. So, if you are likely to be impacted by the reduction of the LTA, you may need to consider additional retirement planning strategies.

One further change to the pension landscape was the announcement that the £144 per week flat rate pension, which signals the end for contracting out, will be brought forward a year to 2016.

For most Investors, the Budget requires few changes to current Investment strategies; but a continued focus on reducing tax leakage as well as protecting and maximising allowances should remain a crucial part of your financial planning.

You can reduce income tax leakage by using your full ISA allowance each year, by investing lump sums in Bonds or, if you are a high earner, by making pension contributions to stay below the level at which you lose either child benefit at £60,000 or your personal allowance when you earn over £100,000. And of course, making full use of your ISA and Capital Gains Tax allowances every year means tax-free income and gains can be maximised.

Although there may have not been many surprises in this year's Budget, these announcements always serve to highlight that careful planning, with the help of your Financial Adviser, can help ensure your finances stay on track.

skandia

Phil Carroll
Proposition Manager
Skandia

COULD YOU BE ON THE BREADLINE IN 19 DAYS?

In the 1880s a Viennese bakery in New York City's Greenwich Village warmheartedly introduced a policy of distributing unsold baked goods to the poor at the end of their business day…

The sobering thought for many of us is that even if we are financially secure now, some of us could end up on the breadline if the worst was to happen – long term sickness, injury, critical illness or death.

Legal & General wanted to understand just how long people could make ends meet if the worst did happen. Their first ever Deadline to the Breadline Report shows that, on average, people in Great Britain could be on the breadline in just 19 days, if all they had to rely on was their savings.

Their report also looked at just what people are earning, saving and spending their money on, with some surprising findings:

- The feel good factor - It seems we want to spend more each week on clothes (£36), alcohol and tobacco (£25), than protecting the person who pays for all of this.
- Without some financial planning, our only fall back is our savings or state benefits. Average Great Britain savings is just £1,094.
- Almost 40% of Britons had no savings at all and no short term cash to access in a financial emergency, meaning they could be on the breadline straight away.

Do you think you could live on state benefits?

Austerity measures in the UK, have meant some of the biggest cuts in state spending since World War II and, as a result, the traditional safety net of state benefits is reducing.

For 2013, the government has also capped increases in working-age state benefits for the next three years, to just 1% compared to the traditional increase in line with inflation (2.2% in April 2013) to help reduce the welfare bill.

The Joseph Rowntree Foundation has found that a single person in the UK needs to earn at least £16,400 a year before tax in 2012, to afford a minimum acceptable standard of living. For two parents with two children, they would need to earn at least £18,400 each to support their family.

…the **breadline** literally was the queue of hungry people lining up for the handouts. Today, it's used to describe some of the poorest conditions in which to live.

Reason claimed	State benefit	How much paid?	For how long?
Illness	Statutory Sick Pay (SSP)	Weekly standard rate is £86.70	Maximum of 28 weeks
Illness and Disability For example applies when SSP finishes after 28 weeks.	Employment and Support Allowance	Weekly rates: Assessment Phase: Single person Under 25 – up to £56.80 Over 25 – up to £71.70 Main Phase: Single person Work related activity group – up to £100.15 Support group – up to £106.50	Assessment phase (For first 13 weeks) Main phase (Depends on circumstances)
Severe mental or physical disability	Disability Living Allowance	Weekly rates: Care component - £21.00 to £79.15 Mobility component - £21.00 to £55.25	Depends on circumstances
Death	Widowed Parent's Allowance	Weekly standard rate - £108.30 Must be under State Pension Age	Stops if client remarries, cohabits with someone as a couple or children stop qualifying for Child Benefit
Death	Bereavement Payment	Lump sum of £2,000 tax free	One-off payment
Death	Bereavement Allowance	Weekly rates: Aged 45 and over – up to £32.49 to £108.30 Must be under the state pension age and not bringing up children.	Up to 52 weeks

What should I do?

At Legal & General, we believe everyone in the UK has a 'Deadline to the Breadline', irrespective of what job, home or lifestyle you have – even high earners can be high spenders with little savings.

A few small but important steps can help to begin this process, starting with:

1. Calculating the 'bare minimum' that you can afford to live on.
2. Checking what benefits your employers will provide, if any, in the event of an illness or even your death, so you can figure out your own 'lifestyle gap'.
3. Speak to a Financial Adviser, who can help you work out just how long you could survive financially, before you could be on the breadline, using Legal & General's simple online calculator.
4. Make sure you are maximising any benefits offered by your employer, such as discounted life, critical illness or income protection insurance, employer-matched pension schemes or tax-efficient savings schemes.
5. Asking friends and family for their thoughts and opinions.
6. Contact your Financial Adviser to discuss your options and find out about some cover that meets your specific needs and budget. Or you could contact The Money Advice Service or Citizens Advice Bureau for further help and information.

- Citizens advice bureau- **www.citizensadvice.org.uk**
- The Money Advice Service **www.moneyadviceservice.org.uk**.

John Pollock, Group Executive Director at **Legal & General** comments:

"The aim of Legal & General's Deadline to the Breadline Report is to shed a light on the financial health of the average British household and to stimulate debate about what we can do to help people better understand the dangers of failing to protect themselves against financial disaster. It's concerning to see that the average UK family has a 'deadline to the breadline' of just 19 days. Clearly, families aren't prepared financially for when the worst happens – loss of income, critical illness or death, and the sad reality is that they need to be ready."

Legal & General

LEADING *Indicators*

United Kingdom Stock Markets	3 months	6 months	1 year
FTSE 100[1]	9.85%	13.58%	15.45%
FTSE 250[1]	13.04%	19.86%	24.28%
FTSE All Share[1]	10.32%	14.54%	16.77%

Source: Financial Express Analytics 31st March 2013

American Stock Markets	3 months	6 months	1 year
NASDAQ 100[1]	5.93%	0.70%	1.72%
S&P 500[1]	10.61%	10.19%	13.96%

Source: Financial Express Analytics 31st March 2013

European Stock Markets	3 months	6 months	1 year
CAC 40[1]	3.08%	7.33%	8.19%
DAX[1]	3.91%	9.90%	13.83%
DJ Euro Stoxx[1]	-0.54%	4.09%	9.32%

Source: Financial Express Analytics 31st March 2013

Other Stock Markets	3 months	6 months	1 year
Hang Seng[1]	-1.58%	7.00%	8.48%
MSCI Emerging Markets[1]	-0.44%	4.90%	5.52%
Nikkei[1]	19.27%	39.77%	22.95%

Source: Financial Express Analytics 31st March 2013

Gilts	3 months	6 months	1 year
FTSE British Government 10 – 15 years[1]	0.21%	-0.47%	7.11%

Source: Financial Express Analytics 31st March 2013

Property	3 months	6 months	1 year
Halifax Property Index[1]	0.21%	2.59%	-0.12%
IPD UK All Property[1]	1.07%	1.60%	2.55%

Source: Financial Express Analytics 31st March 2013

Savings	3 months	6 months	1 year
ING Direct Savings Gross[1]	0.08%	0.21%	0.46%
Moneyfacts Instant Access[1,2]	0.19%	0.42%	0.89%
Moneyfacts 90 days notice[1,3]	0.25%	0.56%	1.21%

Source: Financial Express Analytics 31st March 2013

Inflation	
UK Consumer Price Index	2.8%

Source: Office for National Statistics 16th April 2013

Interest Rates	
Bank of England	0.5%

Source: Bank of England 29th April 2013

Notes

1 Gross return Bid-Bid, annualised (ending 31st March 2013)

2 Moneyfacts Average of instant access accounts, £10,000 invested, total return, gross

3 Moneyfacts Average of 90 day notice accounts, £10,000 invested, total return, gross.

TAYLOR BURKE PARTNERSHIP

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