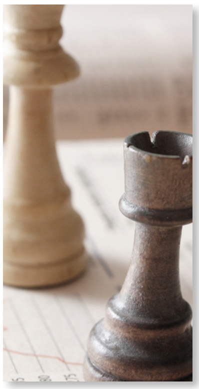

WEALTH **KNOWLEDGE**

October **2012**

Welcome to the very first issue of our new monthly newsletter; Wealth Knowledge. Each month we will be taking a look at news and events affecting different areas of wealth planning and management and whether you might need to take any action.

This month we explore the impact that Quantitative Easing could have on your pension income and the importance of checking your fixed rate savings terms. We also look at the Junior ISA statistics so far and how the EU Gender Directive could affect your life insurance premiums and annuity rates.

As always, please contact us if you would like to discuss any areas of your financial planning.

Is Quantitative Easing damaging your pension?

Quantitative Easing (QE)—the purchase of assets (mostly gilts)—was launched in 2009 as the Bank of England's Monetary Policy Committee attempted to stabilise and boost the UK's economy. Since then, £375 billion worth of assets have been purchased, injecting money into the economy yes, but on the other hand, pushing the yield on gilts down, which has a knock on effect on the price of annuities and pension funds that hold gilts.

QE has been criticised for this and its consequential impact on those at or nearing retirement. In July this year the Bank of England issued a report into the distributional effects of QE, which claimed that without it the UK economy would be in a much worse state. The report did however acknowledge the negative impact on annuities although it also claimed that QE's positive effect on bonds and equities will have compensated for the negative effect on gilts in pension funds.

The fact is that the yield on gilts is low, which means that annuities are also experiencing lows. If you are approaching retirement, you may want to consider your options.

We are here to help with your retirement planning, please contact us to find out more.

Junior ISAs, the story so far...

Junior ISAs celebrate their one year anniversary next month, but how have they fared?

Introduced on 1 November 2011, Junior ISAs are available to children under the age of 18 who do not own a Child Trust Fund (CTF) account, which the Government abolished in January 2011. Up to £3,600 can be saved into a Junior ISA per tax year at the moment, they benefit from the same tax breaks as adult ISAs and there are both cash and stocks and shares options available. The main differences are that the child is not be able to withdraw any funds until they reach 18, and once opened friends and family can contribute to the Junior ISA.

Between launch and July 2012 72,000 Junior ISAs were opened according to HMRC, with an average subscription of £1,614. Compare this to Child Trust Funds and the results are mixed— 640,000 CTFs were opened in the 2010/11 tax year, but the average contribution was £289. Junior ISAs receive no Government contribution, and are not opened automatically, which explains why less are being opened, but it does seem that more is being saved into those that are so far.

We can help you to save for your children, please contact us for more information.

The EU Gender Directive – how will life insurance & annuities be affected?

In March 2011, the European Court of Justice (ECJ) ruled that from 21 December 2012 insurers cannot use gender to determine a consumers' insurance need. The potential impact on car insurance premiums has been widely publicised, but this ruling will also affect life insurance and annuities.

Life insurance

Historically women have paid lower life insurance premiums than their male counterparts due to having a higher life expectancy. From 21 December insurers will not be able to use this data to set premiums, which means that women can expect to see their life insurance premiums rise on policies taken out after this date. Men, in turn could see their life insurance premiums fall.

Annuities

Life expectancy is also used to set annuity rates, and women have benefited from higher annuity rates in the past. This is expected to stop in December, and men can expect to see their annuity rates increase slightly, although annuity rates continue to fall for the time being.

Now could be the time to review your life insurance cover or consider your annuity options, please contact us to discuss.

Have you checked your exit penalties lately?

Earlier this year National Savings and Investments (NS&I) announced a series of changes to the exit penalties and early repayment charges on a number of its savings accounts. The changes will affect all accounts bought or renewed on or after 20 September and serve as a reminder to all of us with fixed rate or term savings accounts to check terms like exit penalties regularly. Before committing to any fixed rate bond or savings account it could be worth asking yourself the following questions:

- What is the minimum investment amount?
- Can I afford to be without this money for the full savings term?
- Can I add to my initial investment amount?
- Can I afford to pay the exit penalty if I need to access my money early?

We can help you to decide whether this is the right option for you and your circumstances, please contact us to find out more.