



# Howton Financial Services

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## NEWSLETTER – No. 1 September 2008

### Introduction

How time has flown since we started our new business on 7<sup>th</sup> April and we wanted to write to all our clients, old and new, to say a very big and sincere **THANK YOU** for allowing us to look after your financial affairs.



Having got all your policy details from the product providers, we are now working through the client database and arranging appointments with you. We need to complete a personal factfind for each and every client, so that we can create the comprehensive records we have to have to be able to look after you and advise you. As you can imagine, this will take some time and it may be that we wait for a policy anniversary as the trigger for contacting you. That doesn't prevent you from contacting us if you have any questions or would like to arrange a meeting.

We also wanted to take this opportunity to introduce the first Newsletter to you. We will be preparing these on an occasional basis in a chatty and informative style. We hope you find the content useful and welcome your feedback. The purpose of the Newsletters is to keep you up-to-date with the development of the business and with things that are happening out there including new products and

legislative changes that may affect you.

We would also like to announce our new website [www.howtonfs.com](http://www.howtonfs.com). This will become another source of information and news that will be updated on a regular basis and have links to other websites that we think will be useful to you.

Perhaps the single most important thing we've learned over the years is that communicating with clients on a regular basis is one of the things that matters most to you. Our aim is to keep you informed and never take you or your business for granted.

We believe that Financial Services is a very personal business with relationships built on trust. Recommendations from existing clients to friends and family are highly valued and from our point of view, the best form of advertising. **You** are our best advocates and as such, your support is highly valued.



### Features (What's happening)

#### Personal Accounts

The Government has signaled its intention to introduce Compulsion to the world of Pensions in the Workplace by 2012. This is only of interest to those clients who are not yet retired, but we're sure all of you

will know people (maybe your own family members) who will be affected.

There has been so much written about Pensions over the years and so many legislative changes, but the simple fact is that many of us are not saving enough to ensure a realistic income in retirement.

A couple of reasons for the introduction of Compulsion is because of the ageing population and the smaller number of people in the UK workforce. There are questions as to whether the State will be able to provide adequate pensions for those beyond State pension age. The answer is to quite simply force people to save for their retirement and not rely on the State.

Personal Accounts, as this new compulsory pension has been named will be introduced in 2012. Although legislation is still in draft form, both employers and employees will have to contribute and the self-employed will be able to join. Employees will be automatically enrolled, unless they have existing arrangements that are broadly similar or better value than existing arrangements.

There is still a long way to go in the legislative process, and whilst we are sure there'll be many changes to the detail, the principal of compulsion with the suggested target date for introduction, is unlikely to change. We will bring you more information as the Governments' plans develop.

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## Inheritance Tax (IHT)

Despite the downturn in equity and property markets, many families will still be exposed to IHT and do not realize it. Even with the welcome introduction of carrying over the Nil Rate Band from 1<sup>st</sup> to 2<sup>nd</sup> death this may not eliminate IHT.

One area of investment where this is becoming an issue is ISA's, which as everyone knows are tax-exempt, tax-free investments.....**except**, that is, on death.

Many individuals have built up substantial investments over the years by putting the maximum each year into what were originally PEPs and TESSAs, but are now all known as ISAs. If a married couple have both contributed over the years, the combined value of these investments could be well in excess of £200,000, which would attract IHT of £80,000 on death.

So you might like to know that by re-directing these investments into a different arrangement, you can not only retain the tax-free status of the underlying investment, not only retain the right to tax-free income withdrawals, but also have peace of mind that on your death, the money and/or the growth on that money could fall outside your estate for IHT purposes.

On a similar subject, it has occurred to us that when a client dies, does the family know what to do with regards to policies and investments?

Quite naturally, the first port of call might be the family Solicitor, but in

reality, it is the Financial Adviser who knows everything about a client's policies and investments. Part of our service, for which there is no charge, is to contact all the Life Companies and Investment Groups to notify them of a client's death and deal with all the claim payments, so that the money is available for distribution to the beneficiaries, once Probate is granted.

In due course, we will be producing an information and contact sheet that will be sent to every client, so that your family will know what to do in the eventuality.



## Investments

Oh dear! What a year! In reality, it's been pretty bad and we're not making any predictions as to when the recovery will happen. What we do know is that it will happen, it always does.

Those who've been investing for many years know that investment is cyclical and that although crashes happen quickly, recovery is a slower process.

The performance of the FTSE 100 index over the past 12 months has been pretty grim but the 30 year trend remains higher even when compared to 10 years ago.

At the moment, cash looks good with some very attractive rates on offer and many people will remain in cash until markets recover and profits can be made. Unfortunately, no-one knows just when that will happen and just like previous cycles; people may miss the best of the upturn by waiting

too long. Quite simply, **there is never a bad time to invest, but there is a bad time to disinvest.**

One idea for those who are unsure is to "drip-feed" money back into equities over a period of time. This can be organised very easily for you.

Equities will always be a good investment over the long term, but we also believe in diversification as no single asset class will give the best returns every year.

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If you would like more information on any of the topics raised, or have questions about anything else, please contact us:

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