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FINANCIAL NEWSLETTER AUTUMN 2007

If you would like to discuss issues raised in this newsletter (or any other aspect of your financial planning) in detail, please telephone for an appointment or alternatively return the FREEPOST slip at the end of the newsletter.

All views and information expressed in this newsletter are generic & should not be taken as any form of recommendation or advice specific to you.

We strongly advise that you take professional advice before making any decisions based on this newsletter.

The information is based on our understanding of current HMRC rules and practices (as at 1st November 2005) which are always subject to change.

Taxation & Trust advice and Cash ISAs [are not regulated by the Financial Services Authority](#)

SUMMER OVERVIEW

Our last newsletter was very heavily focussed on investment performance, markets and world economies. Since our then, this area has been interesting to say the least! Headlines such as 'Credit Crunch', 'Credit Squeeze' and 'Liquidity Crisis' have dominated both the business and general press throughout the last few weeks of the summer.

It may be a good time to analyse the cause and effect of these events and to assess their effect on financial markets. It may come as a surprise just how resilient the markets have been.

Credit Concerns

Towards the end of the summer it became clear that house prices, in particular US house prices, were beginning to decline. On delving deeper, it emerged that the US's large exposure to 'sub prime' mortgages (loans to lenders with less than spotless credit histories) were at the root of the problem, as many borrowers were finding it increasingly difficult to repay loans due to increasing interest rates. This led to a growth in defaults and repossessions in less privileged US states.

The concern then for mortgage lenders was that the value of their securities (ie houses) was falling as there was a surplus of houses on the market. Since many of these loans were sold on to other institutions,

the effects on the wider economy were more widespread.

The net effect of this was the usual sensationalist headlines, which created investor concern. Banking shares in particular were affected but many saw an opportunity to sell shares and take some of the profits they had made over the last 3 years. The growing concern was a shortage in credit, as banks have become unwilling to lend to each other. This was demonstrated most spectacularly in the recent Northern Rock fiasco, when the bank found open market borrowing impossible and had to go to the Bank of England for funding.

Where are we now?

Despite these events, the market has been surprisingly strong. The FTSE 100 currently stands at 6520 (as at 12pm, 3rd October 2007), having reached 6732 in early summer, but dropping as low as 5858 a couple of months ago. The FTSE is currently 9% up over 12 months. Recovery has been aided by cuts to the federal interest rate and injections of cash into the market, but would not have been possible if shares were overvalued. Most commentators agree that shares are still good value for money, and are indeed trading at lower than average p/e (price /earnings) ratios.

What have been the effects?

The events of the summer have demonstrated even more clearly the

advantages of having a well-balanced, diversified portfolio. Shares in different countries and sectors have reacted differently, but those who have had exposure to property, fixed interest and cash have been able to steer clear of volatility. Many experts feel that we have reached the top of the interest rate cycle and that downward pressure on rates could enhance equity markets as we enter the last quarter of the year.

If you would like to review your portfolio or feel that you would benefit from creating a balanced portfolio in either your pensions or investments, please do not hesitate to contact us.

RETIREMENT PLANNING

Changes to legislation and product design have made it essential for people to take advice before they take pension benefits. In the past, clients have reached 65 and taken an annuity (sold their pension fund in return for a fixed income for life). Some have taken a tax-free cash lump sum in addition.

In recent years, clients have come to us to discuss their options because many are concerned that with low annuity rates, increasing life expectancy and fluctuating income requirements, annuities may not offer good value for money.

Plans such as Income Drawdown, Phased Retirement and Flexible Annuity products may allow clients to have the correct retirement solution to suit their individual situation. For instance, some clients may want the highest level of income, whereas others may be more concerned about death benefits. Some may want to continue working and leave their pension income for the time being but just release tax-free cash. A range of new 'protected' annuity products are also now available.

By spending some time to review your options at retirement, you can save thousands of pounds in the long run.

It is essential that you take advice before commencing benefits as once you buy an annuity the decision cannot be reversed.

PENSION CONTRIBUTIONS

It is well worth reviewing pension contributions in the current tax year due to the changes to income tax next April. The higher rate tax threshold goes up to over £40,000, and those earning less than that will not get an additional 18% tax relief on contributions if they delay contributing. You will also benefit from greater basic rate tax relief in the current tax year.

If you would like to discuss how this affects you, or would like to discuss the possibility of setting up or reviewing your pension, please give us a call.

AND FINALLY... LEEDHAMS RECEIVE CHARTERED STATUS

Those of you who read the Bolton News may have noticed that we have recently been awarded **Chartered Status** by the Chartered Insurance Institute. We are one of only a few firms nationwide and a handful in the North West to receive this accreditation.

Chartered status is given to the firms who have achieved the highest levels of qualifications but have also demonstrated a consistent and long-term commitment to customer care. We are thrilled to have achieved this and feel that our efforts to give our clients the highest level of service have been recognised. We look forward to continuing to offer our clients the benefits of our expertise and customer care.

For further information please ring our office on 01204 366522 or alternatively return the FREEPOST slip below to **Leedham IFA Ltd, FREEPOST BL5244, BOLTON, Bolton BL1 3YZ:**

<i>Please contact me about:</i>		
Name:	Investments	<input type="checkbox"/>
Address:	Retirement options	<input type="checkbox"/>
Tel no or email address:	Pension contributions	<input type="checkbox"/>
	A Financial Health Check	<input type="checkbox"/>