



INDEPENDENT FINANCIAL ADVISERS LTD

NEWSLETTER

Spring 2008

Tax Year and The Budget

We are now in the last month of the 2007/08 tax year, and those who have not used their allowances for the current tax year should consider doing so before the end of March.

Since our last newsletter at the end of 2007, we have continued to witness high levels of volatility in the Equity and Property markets. Whilst this has caused some concern over the short term, it has highlighted the requirement to have a well-balanced portfolio. Whilst we expect this volatility to continue for the next few months, we are certainly not gloomy about the long-term economic outlook. Both the US and UK Governments have been quick to respond to concerns over economic growth and falling house prices with interest rate cuts. The US have taken further steps to ensure that the tax system does not cause their population further worries as economic growth slows.

Markets

January proved a very disappointing month for world markets. Renewed fears over the US economy and increased chances of a US recession prompted equity markets around the world to fall sharply. The hardest hit shares were in the financial sector. The effects of the 'credit crunch' continued to rumble on, as a number of banks announced further write downs of bad debt.

The property markets continued to struggle, as have property funds. Valuations for UK commercial property have fallen over the last 12

months, which has added to the general feeling of gloom in investment markets.

Our View

Whilst we are understandably concerned over the short term, we still remain cautiously optimistic in 2008 for both Equity and Property markets. Share valuations remain very realistic, especially in the financial sector! In general, shares are now better value than they were in 2007 and cheaper than the long-term average. Some markets, particularly Emerging Markets, Commodities and the Far East continue to offer huge scope for growth, albeit with a higher degree of risk.

Whilst the outlook for Commercial Property Markets is still negative in the very short term, we are seeing an upturn in investment in this sector for the first time in a number of months. Again, with prices falling back, this could be a good time to re-enter the market.

With uncertainty in the equity markets, we have witnessed an upturn in Fixed Interest Funds, particularly with downward pressure in interest rates. We expect these funds to have a rosier 2008.

In short, we expect this uncertainty in equity markets to continue over the next few months. We have seen the FTSE tread water throughout February and expect it to continue to do so, as the reporting season for the banks is now under way. We maintain our view that shares and commercial property are the right places to be over the longer term. This type of short-term upheaval is an unsettling but inevitable part of long-term investment planning. For many people, this period offers an excellent time to consider investing as they may benefit from better value for money.

Pension Planning

Many people will be aware that the Basic Rate Tax band reduces to 20% from April 6th 2008. Whilst this may be good news, it does mean that tax relief at source will be reduced for pension contributions after April.

Consider two investors wishing to make a £10,000 contribution into their pension plans:

Tom makes a cheque out for **£7800** in March 2008, the Inland Revenue adds a further **£2200** (22% tax relief) to the fund, meaning that **£10,000** goes into his pension.

Bob however does not get round to writing the cheque until May 2008. As the basic rate tax rate is now 20%, he has to write a cheque for **£8000** and the revenue adds a further **£2000**, meaning that **£10,000** goes into his pension.

By delaying, Bob has missed out on **£200** tax relief at source.

Please note that both clients still receive the full 40% tax relief if they are higher rate taxpayers by claiming the excess through their Tax Return.

Pensions continue to offer excellent benefits from a tax perspective.

If you would like to discuss pension contributions or the suitability of a pension to you, please contact us without delay.

ISAs

March and early April also offer the last opportunity to make ISA contributions in the 2007-08 tax year. ISAs are an excellent tax-planning tool as their returns are free from Capital Gains and Income Tax. You can invest in a wide range of investment funds all the way from cash to high-risk overseas share funds! Each individual can invest up to **£7000** in an ISA for the 2007-08 tax year and the limits go up to **£7200** for 2008-09.

Furthermore, now may be an ideal time to review your existing ISA portfolio. If you are concerned about the suitability of your current ISA Manager, you may transfer providers. As there are costs involved, please ensure you seek advice before making a decision.

To discuss your ISA for 2007-08 or plan for your 2008-09 investment, please do not hesitate to contact us.

And finally... Leedhams new website

You may have noticed our change of logo as we endeavour to move with the times. This has been followed up with a new website. If you would like to put names to the faces of the people you speak to at Leedhams have a look at our website at www.leedham-ifa.co.uk.

We hope you enjoy the new website, even if you do have to stare at our ugly mugs!

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:**

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