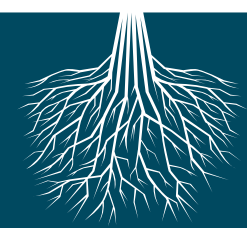




Homecroft
Cavendish
Personal Wealth
Management



Take Advantage of the new ISA Allowance

Since April 2010 we have been able to invest £10,200 per person per tax year into ISAs (individual savings accounts). This is a dramatic improvement and for those who wish to save and invest with a long term view should definitely take advantage of this allowance. Via our LifeLong Investment platform the choice of where you can invest your money means that whoever you are and whatever your appetite for investment, we can offer an investment solution suitable to you.

Investors have the choice to invest into their ISA either as an annual lump sum or as a regular monthly contribution. In the world of investment, timing is everything but, despite claims to the contrary, no one can predict what the market will do and when. This makes it difficult to decide when to invest. However by saving regularly investors can benefit from what is known as 'pound cost averaging'. Compared with investing a large lump sum in the market at a single

price regular saving mitigates the risk by investing in smaller sums at a variety of prices.

In a rising market, regular savings would underperform the growth of a single lump sum as the later investments would miss out on the early growth. However, in a volatile or falling market, the opposite is true. Later investments buy in at lower or alternating prices and therefore gain more when the market finally rises.

Regular saving can also be a deceptively easy way to build up a lump sum. Putting aside £50 or £100 a month can be achieved with a minimum of sacrifice – and will quickly grow as the months pass without you noticing what is going on. It can also be a convenient way to dip your toe into equities. With only smaller amounts going in each month, the short-term ups and downs of markets will have less impact on your portfolio overall.

The Homecroft Cavendish Investment Portfolios

During the course of 2010 we have launched 4 in-house investment portfolios which have been designed by our own committee. Each portfolio is tailored to a different investor attitude and acceptance of volatility but all have the same objective of long term capital growth. They are designed to be held within tax wrappers such as ISA's, Unit Trust investment and bonds and for clients that are registered on our LifeLong Investment platform. We are able to manage these portfolios in an efficient and cost effective way. For more information about our investment portfolios and the processes our committee go through each quarter to ensure that we offer the strongest

investment selection please get in contact with your usual HC representative.

Each new addition of the LifeLong Times will feature one of the investments funds held within our portfolios and a summary of why our committee recommend it. For the Autumn edition committee member Mike Kennedy has focused on the emerging markets sector.

“During the course of the year we have launched four in-house investment portfolios”

Inside

Take Advantage of your ISA Allowance

•
Homecroft Cavendish Investment Portfolios

•
Fund Focus Aberdeen Emerging Markets

•
Capital Gains Tax

•
Life Insurance to Protect the Family?

•
Which Mortgage Fixed or Tracker?

•
FSA Retail Distribution Review

Get in touch...

For further information about any of our services, please contact us

01737 356 244

email: info@hcwealth.co.uk

Fund Focus.....

Aberdeen Emerging Markets

The investment opportunities in the global emerging markets sector have been well documented for some time now. At the quarterly meeting of the Homecroft Cavendish investment committee, we have amended our portfolios to include the Aberdeen Emerging Markets Fund.

The reasons to invest in emerging markets are compelling; they are generally carrying less debt than the western world and have lower budget deficits. They have also produced higher Gross Domestic Products growth in recent years. The demographics of countries like China and India, with young growing populations and a burgeoning middle class should drive future consumer spending as the regions appetite for western style living increases.

“During the course of the year we have launched four in-house investment portfolios”

However investment into this market should still be considered high risk, currency changes and inflationary concerns will put pressure on the sustainability of these growing economies. There are other risks such as political risk which is far more of a factor than in the developed world. This is why we have a varying exposure to this fund within each of our portfolios which is balanced in line with other asset classes, investment sectors and geographical locations.

The Aberdeen Emerging Markets Fund has outperformed the Global Emerging Markets sector over one, three and five years with the five year return being 150%. During the first half of 2010 the fund has returned 8.5% compared to the competing sector which on average has returned 1.4% in the same period. Due to the financial data that we have reviewed we feel that the emerging market regions still offer great opportunities.

The fund invests across a very broad range of emerging market economies and stock sectors of which we feel is important when selecting an investment fund for this sector. The core locations for investment are Brazil, China and India. We prefer this diversified approach over some of the other strong performing funds in the sector such as Invesco Perpetual Latin America which, although fantastically managed and performing fund, focuses on a specific region.



Capital Gains Tax and Entrepreneurs

As expected, the Chancellor of the Exchequer raised the rate of capital gains tax (CGT) in the Emergency Budget in June. CGT rose from 18% to 28% for higher rate taxpayers only, with immediate effect.

However, the Chancellor also decided to alleviate the pain of higher CGT for small business owners by increasing Entrepreneurs' Relief on business disposals. They now qualify for a reduced CGT rate of 10% on the first £5 million of lifetime gains made through the set up and disposal of small businesses, claiming Entrepreneurs' Relief as many times as they like until this limit has been reached.

The coalition government used this as a way to demonstrate its support for smaller companies, and the new measures were broadly welcomed by their owners.

However, some business groups were critical, believing the measures to be too limited; for example they did not extend to private equity style investments, and general employees will not qualify for relief on any shareholdings they build in the companies they work for.

To qualify, entrepreneurs must have held the relevant assets for at least a year, must be an officer or employee of the company, and must have an equity ownership stake of 5% or more in the business. So, for some small companies, only the major stakeholders will benefit, and entrepreneurs who realise more than £5 million from the sale of businesses could actually end up worse off, as any excess will now be taxed at 28%

New Look, New Direction

The Homecroft Owl is no longer. This was not an easy decision but after much discussion it was agreed that we needed a corporate logo that clients, existing and new, could identify to the services that we aim to provide. As a firm of independent financial advisers, our aim has always been to provide long term financial planning to our clients that is suitable to their circumstances but also adaptable

to their changes in circumstances and the world around them.

The world of providing independent financial advice is also changing which is why it is important that we as a company embrace these changes. This is why we have launched our LifeLong financial planning services. The financial advice that we provide is designed to cover all areas of a clients' financial

needs. As circumstances and life changes so will financial needs, which is where our LifeLong financial planning can adapt.

With this in mind we believe that our new logo – Roots and Tree – reflects the longevity of the services that we provide and brings a fresh approach to providing independent financial advice.



Do I need life assurance to protect my family?

There are many reasons why someone would need to have a lump sum of cash paid out in the event that they were to die. Whether or not it is to repay a loan if they were to die, to buy shares in a business if a fellow shareholder died or to protect your children from a large Inheritance Tax bill however the most common reason is to protect your family against unexpected death.

Often people arrange life assurance with the main objective of repaying their mortgage, however if the main income provider within a household were to unexpectedly pass away, more often than not the whole world for the remaining loved ones will be turned upside down. Should the remaining spouse need to go out to work to increase earnings? Will they have to pay for childcare? Can we still afford the school fees? Do we need to move to a smaller house?

“We never know what’s around the corner”

We never know what is around the corner and like all insurances you hope that you will never need to claim. If the unexpected were to happen the last thing that anyone wants to worry about is money. Suitable life assurance arrangements can be tailored to you, your personal circumstances and most importantly your budget.

In most situations it is also good financial planning to ensure that your life assurance contract is held within a Trust. There are many reasons why however for basic family planning, a Trust will ensure that any lump sum payable will be paid at the earliest point rather than waiting for probate to be finalised. This is straight forward to establish and an area that we can help.



If you wish to discuss your financial protection arrangements please contact us and we will be happy to guide you through the options available to you.

WHICH MORTGAGE, FIXED OR TRACKER?

Fixed Rate?

Borrowers face a tough decision on this, as fixed rates still remain comparatively expensive by comparison with tracker deals. That leaves the big question: when will interest rates rise? The consensus is that there will be no dramatic increases for a year. However, these forecasts are no guarantee that rates won't rise and when they do trackers will get more expensive. Borrowers needing security should consider the extra cost of a fix as worthwhile. If you are taking a tracker because you couldn't afford the equivalent fixed rate then you are putting yourself in a very dangerous position. For those remortgaging, or buying and able to take their mortgage with them, if you don't need to act right now, ie you are on an existing low tracker rate or standard variable rate, it might be

worth biding your time. Arguably even if the base rate did rise, fixed rates could still get cheaper.

Firstly, fixed mortgage rates are not directly linked to the base rate, they are more closely aligned with swap rates, the cost of fixed term funding on the money markets. Typically a rising base rate would indicate rising swap rates and thus more expensive fixed rate mortgages. However, if the base rate did rise it would indicate that the economy and banking system was in better shape and crucially therefore more competition could mean cheaper fixed rates anyway. For example, the two-year swap rate has been hovering around 1.5%, so lenders asking 3% to 4% for a fixed rate mortgage are charging a healthy margin that could be trimmed!

Tracker rate?

Tracker rates look good right now. They are substantially cheaper than fixes and have surged in popularity, but they should come with a massive warning sign attached, as essentially they are a gamble. What looks like a bargain rate now, could soon get very expensive when interest rates rise. Even the best trackers are at about 2% above base rate. That's fine when base rate is 0.5%, but a whole a lot more expensive if it rises to just 2.5%, which would still be a historically low level. Anyone considering a tracker needs to make sure they are not just storing up a problem for the future. If the tracker comes with an early redemption penalty that would make it expensive to jump ship, then make sure your finances could take a rise of at least 2% to 3% in interest rates.

If inflation hits hard, this is a plausible scenario for interest rates.

Of course, that may not happen. Inflation may subside, the UK may remain mired in economic gloom and rates may stay below 1% for some time to come. If that happens a tracker looks a good bet, but just remember it is a gamble.

“Our finance specialist Simon Mercer likes tracker deals that fit into one of these three categories: no early redemption penalties, a cap to how high the rate will go, or that let you jump ship for a fixed rate if rates rise”.



FSA Retail Distribution Review

The Financial Services Authority is currently conducting a Retail Distribution Review of financial advice given by direct product providers, banks, building societies and independent financial advisers with a view to implement any changes by the end of 2012.

The purpose of this review is to firstly improve the clarity with which investment firms describe their services to their clients (be clear in the agreed service to clients), to address the potential for adviser remuneration to distort client outcomes (not be biased to a product based on the level of commission being paid) and to increase the professional standards of investment advisers (to ensure that the adviser is suitably qualified).

In recent years we have naturally been competent in all of these areas, however we see these changes as a fantastic opportunity enhance the services that we provide to our clients.

One key area of focus for the FSA is that clients are continually reviewed for the suitability of their financial arrangements and are not simply sold to and then forgotten about. By being clear and fair about how we receive payment for our services, being specific in the services that we will provide at the start and in the future, we believe that our new LifeLong Solutions will help us ensure that our business is ready for the future of providing independent financial advice.

For information on the Retail Distribution Review please visit <http://www.fsa.gov.uk/pages/About/What/rdr/>

Lifelong Investment Platform

Our new LifeLong™ Investment Platform allows you to hold, manage, and track all of your investments in one location.

They are designed to be held within tax wrappers such as ISA's, Unit Trust investment, Self Invested Personal Pensions (SIPPs) and bonds. For clients who are registered on our LifeLong Investment platform we are able to manage these portfolios in an efficient and cost effective way.

You are able to access your portfolio securely at any time online to review the current values of your investments as a whole, or within individual tax wrappers. Using the Homecroft Cavendish LifeLong™ Investment Platform allows us as your financial planner to deliver a truly flexible, superior service that gives you access to a totally independent choice of investment funds from any UK investment fund providers.

If appropriate, we can trade on your behalf online at any time. The LifeLong™ Investment Platform gives us a continually updated overview of your investment portfolio. So if changing circumstances leave you over or under exposed to a particular geographical region or industry sector we can react quickly and effectively to your instructions.

To see a demo visit our website.

Homecroft Cavendish and LifeLong™ are trademarks of Homecroft Financial Management

Homecroft Cavendish provides independent financial advice to retail customers.

The content of this news letter is for information purposes only and should not be seen as specific advice. Everyone's circumstances are different and for advice on any of the matters covered within this please contact Homecroft Cavendish for independent financial advice.

Homecroft Cavendish is the trading name of Homecroft Financial Management Ltd which is authorised and regulated by the Financial Services Authority. Homecroft Financial Management Limited is registered in England No. 3370019. Registered office is Lamborn Place, 26 High Street, Banstead, Surrey SM7 2LJ

www.homecroftcavendish.co.uk

Complementing our new design we have a new look and new content for our website. The design is clean, simple and contemporary and the site much more user friendly and easy to navigate. New features include a "client zone" for accessing individual investment portfolios. There is a demonstration of the Lifelong Investment Platform (see page four); a "news zone" providing news, features and expert opinion related to personal financial planning and community involvement pages.



**Homecroft
Cavendish**
Personal Wealth
Management

www.homecroftcavendish.co.uk
Lamborn Place, 26 High Street, Banstead, Surrey, SM7 2LJ
Tel: 01737 356 244 Fax: 01737 355 610
Email: info@hcwealth.co.uk