ASSET Advantage

Your quarterly newsletter from ASSET Investment Management Ltd

wealth management specialists

Spring 2013

New Proposals for Care Fee Funding

The government plans to freeze the Inheritance Tax threshold at £325,000 for three years from 2015 to fund a cap on long-term care costs, despite chancellor George Osborne's Autumn Statement pledge to raise the threshold by 1% to £329,000 for individuals, and £658,000 for couples, in 2015/16. The care cost cap is now expected to be £72,000 from 2016, whereas initially it was to be £75,000 from 2017.

It still will not apply to accommodation costs, so this will still leave people with the cost of "board and lodging" to find at care homes.

Under the government's care reform plans, those with assets of up to £118,000 will qualify for some State help. Currently the limit is set at £23,250. The Health Minister, Jeremy Hunt is reported to have said "By setting an upper limit to how much people have to pay, then it makes it possible for insurance companies to offer policies, for people to have options on their pensions, so that anything you have to pay under the cap is covered."

The cap is higher than the £35,000 level proposed by economist Andrew Dilnot, who was tasked by the government with producing a report into long-term care reform, after the Treasury baulked at the £2 billion annual cost of implementing those measures.

It is far too early for insurance companies to have responded and we will update you on matters as they arise.

It is vital to remember that if this does happen, it will not be until 2016 and as Harold Wilson once said, "a week is a long while in politics".

The National Pensioners Convention warned that the £72,000 cap would help only 10 per cent of elderly people who require care as 90 per cent incur lifetime bills below this level. Dot Gibson, NPC general secretary, said: "The majority will be left to struggle on with a third-rate service. "Pensioners will still be faced with means-testing, a postcode lottery of charges, a rationing of services, poor standards and having to sell their homes in order to pay for care," she said.

Passive v Active Investing

The Retail distribution Review has obliged Independent Financial Advisers to consider all retail investments, including Exchange Traded Funds, Investment Trusts, Structured Products and so on. Many of these have a use in some portfolios, many are inherently risky and should be used with great care.

One area of contention surrounds "Active v Passive" investing - in other words, is it better to just track an index cheaply, or instead pay for active professional fund management?

All the research that we have done (and this makes no difference to our remuneration) is that good active funds beat index funds over the longer period hands down, even after charges. Much of the research done by the passive investment groups is selective in its approach and can never seem to furnish evidence of their assumptions when asked!

The Spring seems to be slow in making its presence felt expect in financial markets where the UK and US markets have rallied - although there are still many dangers to trap the unwary!

As usual, if you have any requests for articles or information, or want this to be sent to any friends and family, then please let us know.

Our Services

We are able to offer qualified advice in areas other than pure investment, such as:-

- Equity Release
- Care Fee Planning
- Mortgages
- Income Protection
- Life & Critical Illness cover
- Pension Planning
- Inheritance Tax Planning
- Wills and Estate Planning
- Lasting Powers of Attorney

Asset Investment Management Ltd, Drayton Old Lodge, Drayton, Norwich, Norfolk, NR8 6AN. Tel: 01603 869988

e-mail; **info@asset-im.co.uk**

web; **www.asset-im.co.uk**

ClientSafe

Our clients naturally trust us to look after their money and their financial futures - things that we take very seriously and feel privileged to do.

One "added extra" that we would like to offer you is the ClientSafe key fob.

There really is no gimmick or cost (for clients).

We will provide you with 2 key fobs with our Freepost address on them which ask any finder to return them to us if found.

Your details aren't shown of course, but we can identify whose they are by the unique code that we have added to the fob and registered under your client records.

If you would like your fobs, please send us an e-mail or discuss with Kevin at your review.

It's just a little something else that we would like to offer and if friends and family are interested then we'd love to hear from them too!

Enhanced Research Capabilities

You will see a change to the review reports and fund factsheets at your review.

This ties in with the article about Active v Passive investing and the selection process that Independent Financial Advisers must use when choosing funds.

We now use a system designed by O&M Systems, based in Colchester, which uses data feeds from Morningstar, the funds research and ratings group. This means that we can provide much more detail on each fund and portfolio and also means that we can compare existing and previous holdings for prospective clients and "back-test" any portfolios that we put together to see how they would have held up under different market conditions.

We can also analyse each fund selection in much more detail to offer insights into why we think a fund should be retained or sold.

Keep taking the medicine

The 2013 Annual Budget Statement painted a somewhat bleak economic picture, alleviated by a few crowd-pleasing bright spots. Chancellor of the Exchequer George Osborne cut the predicted level of growth in the UK during 2013 from 1.2% to 0.6%. The UK's borrowing is expected to increase to £114bn in 2013, then forecast to start falling in 2014. For its part, the Office for Budgetary Responsibility does not expect net debt to fall until 2017/18 – a year later than previously anticipated. Further cuts in government spending were also announced.

The UK is expected to avoid tipping back into recession this year, although the Chancellor warned that further turbulence in the eurozone could hamper economic recovery. He maintained that the coalition government's economic policies were proving effective, although he admitted that "it is taking longer than anyone hoped."

The government pledged to guarantee £130bn-worth of new mortgage loans for three years, starting in 2014. The move aims to help prospective homebuyers who cannot find the money for the large deposits demanded by many mortgage lenders. Meanwhile, new 'Help to Buy' measures will enable homebuyers to receive interest-free loans over five years of up to 20% of the value of newly built homes worth up to £600,000.

The Bank of England's target for 2% inflation remained unchanged although the remit of its policymakers was widened to include a focus on economic growth. The move affords greater flexibility for the UK central bank's policymakers, allowing them additional scope to make decisions that will keep inflation stable while supporting the broader economy.