ASSET Advantage

Your quarterly newsletter from

ASSET Investment Management Ltd

wealth management specialists

Summer 2012

Global Update

Investors were forced to play a waiting game during May and this did nothing at all to improve sentiment. Equity markets experienced significant levels of volatility amid mounting political instability in Greece and renewed uncertainty surrounding the country's future within the eurozone, and share prices plummeted around the world.

Following abortive attempts to form a coalition government in Greece, another round of elections is scheduled for 17 June. However, many investors fear the elections will not result in a government that is willing to implement unpopular austerity measures. The European Financial Stability Facility withheld €1bn (£805bn) of its latest instalment of bailout funds for Greece, while over the month, the Athens Composite index plummeted by almost 25%

In response to rumours the environment of instability could lead to a "run" on Greek banks, the central bank "adamantly" refuted a press report suggesting there were plans afoot to restrict deposit withdrawals. Conjecture over Greece's future has intensified speculation over the outlook for other troubled eurozone member nations. In other developments, revised figures from the Office for National Statistics showed the UK's recession is slightly deeper than had been previously thought. The economy contracted by 0.3% rather than 0.2% during the first quarter of 2012.

The effects of the eurozone's crisis continued to reverberate around the world and Asian equity indices suffered during May. In Japan, the Nikkei 225 index fell 10.3% during the month although the country's economy did expand during the first quarter of 2012.

Duplicate ISAs

What happens when you invest in two ISAs in the same tax year?

Unfortunately HMRC makes no allowance for human error and a second ISA taken out in the same tax year as a previous application will become fully taxable. You are not able to nominate the second ISA as the preferred account for the year - i.e. to replace the first because you changed your mind - even if you believe it may be more tax advantageous to do so. This issue is particularly relevant for regular savers as the first payment after 6 April automatically opens a new ISA. If you wish to stop and/or move your investment before the new tax year starts, make sure you provide instructions well in advance or you may be stuck with it

Welcome to the revamped and revised Asset Advantage bulletin, designed to keep you informed of developments on a local and global level.

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.

Asset Estate Planning Services

Paul Barnard, one of Asset's directors, has recently qualified and set up an estate planning service called **Align Wills and Trusts**.

Align offers Will Writing services, together with Powers of Attorney and Trusts. All Asset Investment Management clients can benefit from a free review of their existing Will - just ask for details

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Independent Financial Advisers

The Retail Distribution Review

The financial services sector is currently preparing for the Retail Distribution Review (RDR) – one of the biggest overhauls of financial regulation since the Financial Services Act was introduced in 1986. Its aim is to improve service levels and transparency and ensure the interests of financial advisers and their clients are in line. For the Financial Services Authority, the industry regulator, RDR is about establishing a "resilient, effective and attractive retail investment market that consumers can have confidence in and trust at a time when they need more help and advice than ever with their retirement and investment planning".

We are happy to say that we have been "RDR Ready" for several years.

Many banks and building societies, finding that they now have to undertake a thorough and proper job for their customers, are now pulling out of financial services altogether, leaving previous customers "high and dry". If you have friends and family affected in this way, why not ask them to give us a call?

What is a Trust?

Trusts have sometimes been regarded as the way the super-rich shelter their assets from the taxman and for those willing to stump up for crafty accountants, trusts will simply melt away a tax liability.

However, the reality is far less exciting. Trusts are certainly a useful tax planning tool, but many of the loopholes have been closed and they are not a panacea for all tax liabilities. That said, they are also not just for the very rich. Anyone whose home or other assets pushes them above the inheritance tax threshold could benefit from using trusts for tax planning or for the controlled passing over of assets to beneficiaries.

So what is a trust? In its simplest form, a trust is a legal obligation binding an individual or a company (the trustee) to deal with certain assets for the benefit of one or more beneficiaries. Individual beneficiaries may benefit from the trust in different ways. For example, one may receive the income and another the capital. However, the trustees are the legal owners of those assets and the trust agreement will set out how they should look after the assets and for what purpose.

Assets within a trust can include cash, land or buildings, investments or assets such as equities and collective investments or even individual items such as paintings or antiques. There are a number of different types of trust, each with their own rules and tax treatments - the five main types being bare trusts; interest in possession trusts; accumulation and maintenance trusts, discretionary trusts; and mixed trusts - and the way in which income generated by the assets is dealt with in each type will generate a different tax charge. Each will also offer different rules for the rights of beneficiaries and for the role of the trustees, the details of which will be decided on by the settlor (the creator of the trust) and set out in the trust deed.

Trusts can be a useful tool in tax planning, particularly for inheritance tax. For example, they can be a way to ensure that nil rate bands are used when passing money to children. Often, however, they are simply used for succession planning to ensure everyone receives the right amount of money at the right time.

Changes to Review Processes

We propose to change our client reviews from individual anniversaries from when your plans were put in place to an annual or bi-annual process in March and September each year (depending on your service level).

This will avoid us having to replicate much of the same information each month but will also enable us to focus much more closely on funds at these times and give more detailed commentary, in some cases directly from the fund managers themselves which would be impractical on a monthly basis. In practice, after the first re-scheduled review, you will notice no difference and ad-hoc valuations can be obtained from the Transact website directly or you can always just call us and we will be happy to send you one.