ASSET Advantage

Your quarterly newsletter from ASSET Investment Management Ltd

wealth management specialists

"Clean" Share Classes

Clients who had a review in September of 2013 will be familiar with much of this text, but as some clients receive their reviews in March, this will be relevant to them too.

Before the arrival of the Retail Distribution Review (RDR), fund platforms used to reflect the reduction in retail fund charges in a variety of ways. The most transparent ones, like Transact, apply a cash rebate to your portfolio to reflect this. So, if the retail annual management charge (AMC) for the theoretical ABC UK Growth fund, in which you held £5,000 was 1.5% and the reduced AMC within Transact was 0.5%, you received £50 a year as a cash rebate into your portfolio.

However, from the 6th April 2013, HMRC stated that these rebates were taxable as income. This means that Transact will automatically deduct basic rate tax from the cash rebates, bit higher rate tax payers will have to declare this income and suffer further tax.

Please note that this only applies to funds within the GIA and ISA; Pension and Bond wrappers are unaffected.

The solution lies in the fact that from April 2014, cash rebates are to be banned by the regulator, the FCA. From this time all funds will have to offer “clean” share classes – i.e. 0%, but not all funds are yet available as this share class.

We will write to you individually when we can transfer your existing holdings to the new clean share classes, but in the meanwhile the move from the HMRC means that you may be liable for some extra tax. The only way that we could have avoided this would have been to move all your funds to clean share classes, but these may have been funds which were otherwise unsuitable and there would have been extra charges to pay.

We feel that waiting until all fund groups are offering clean share classes is the best and cheapest way forwards for our clients.

At the same time, we propose to make some changes to the types of fund held.

Accumulation vs Income Units

Most client holdings have been of the income unit class. This means that accumulated income gathers in the cash component of the investment wrapper, rather than remaining in the investment fund itself.

This is potentially very useful for clients wanting to take a regular income, but less advantageous for those who want maximum capital growth.

When we convert your units to clean share classes (free of charge to you) we will also take the opportunity to switch to accumulation units (where apppropriate). We will not take any fee for doing this but there will be a small 0.2% platform charge levied by Transact.

Winter 2013/14

With the FTSE 100 regaining last summer's peaks and with some world markets at record highs, perhaps the outlook is rosier for investors than in previous years.

We are seeing healthy numbers of new clients joining us as their exsiting advisers or bank pull out of the market.

This is our business and we are with you for the "long run"!

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:-

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

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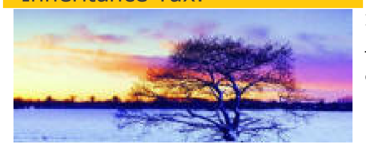
Trust Update

Chancellor of the Exchequer George Osborne may have chosen not to raise taxes as part of his drive to balance the UK's budget but he is aiming to ensure – as far as possible, that no-one is avoiding it either. His first target was those people with multiple trusts. Although the legislation, due to be implemented in 2015, has not been finalised, it seems trusts will be hit with a periodic charge.

It also means people will not be able to set up multiple trusts to benefit from multiple nil rate bands. There will be just one nil rate band, split between all trusts. Existing trust arrangements will need to be reviewed in light of the changes. Up until now it has been possible for each lifetime trust to be established with a separate trust and its own nil rate band. In this way, a person with three pension funds totalling £975,000 could establish a trust for each fund (assuming they are each £325,000) and on death none of the death benefits would be liable for Inheritance Tax.



Bank Accounts

Historically, you have been more likely to get divorced than switch your current account to another bank. The average British marriage lasts just over 11 years; in comparison, the average relationship with your bank will survive for 17 years. So we are faithful to our chosen bank – but does it deserve such loyalty?

Certainly the widespread mis-selling of regulated and non-regulated financial products and the rigging of LIBOR rates would lead one to believe that the customer's best interests aren't always at the heart of their philosophy.

Although over one-third of Britons switched their car insurance provider in the past two years, only 6% changed their current account provider. Although many people might benefit from a switch, some believe bank accounts are too similar to make switching worthwhile, while others remain worried about the possibility of consequent errors. However, new rules have come into force that will make it quicker and easier to move your account to another bank. A report compiled by the Independent Commission on Banking in 2011 found the simplest way to increase competition among UK banks was to make it faster, simpler, and more attractive for customers to move banks. Previously, it could take up to 30 days to transfer a current account from one bank to another. Under the new system, it will take only seven working days and the new bank will do all the legwork, from notifying the old bank to transferring existing standing orders and direct debits. After the changeover, any payments to or from the old account will be automatically forwarded to the new account for 13 months. Above all, the new rules are designed to make customers feel more comfortable about switching.

If you want to reassess your relationship, go to www.simplerworld.co.uk. More than 30 banks and building societies have signed up to the scheme so far and others are preparing to join. Some banks are offering cash-back deals or other incentives to encourage customers to jump ship in their favour. These can be worth hundreds of pounds although it is important to ensure the underlying product is right for you, so make sure you are not blinded by perks. The new measures could also prove worthwhile for account-holders who use an overdraft facility. If you have an existing overdraft, your choices might be more limited – some banks might not accept you, depending on your credit record and the size of your overdraft; on the other hand, you might actually find a better deal with a new bank.