

Keydata causes more problems



We have written many times about the problems with “structured” products and why it is that most people should not use them, not least because it is the financial institution that makes the money rather than the client and that most clients do not understand the real risks involved.

A number of years ago in this Update we warned against the use of Keydata Capital Protected investments. Then about a year ago the company collapsed with non- payment of £12.7m in tax. When this happened PricewaterhouseCoopers were appointed as the administrators, in an attempt to protect the money that the company held.

Unfortunately, in the last month, income payments from these products have stopped and investors, already worried about the possible loss of their capital, are now not receiving the income they were promised.

This really serves as a warning to all people who wish to invest, to be sure that they know what they are investing in before they part with their cash.

Make sure you understand all the risks involved. Use someone who you not only know and trust, but who will be there to answer to you when the investment matures. Most importantly, remember this adage: “If it looks too good to be true, it probably is too good to be true.”



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Changes to trust periods

In April, the government slipped in a little legislative change that affects all future trusts and settlements.

Under the former trust rules, trusts in the UK could exist only for 79 years and 364 days (although everyone says 80 years). After that time the trust would need to close and its assets be disbursed. Also, interest could only be accumulated in trusts for 25 years.

The change in rules means that the “perpetuity period” will now be set at 125 years, rather than the current 80 years. Also, the accumulation period of 25 years has now been abolished. This is good news for trusts going forward. However, it does mean that unless a trust is written to take account of this, an existing trust will not benefit from the change. It also means that trusts that are in pre-printed form will be outdated if not updated, which we fear will be the case for many.



All trusts that we have written for clients will be able to deal with the change in rules, and so need no action other than the exception of being noted at the annual trustee meetings. However, trusts in place from insurance companies, or written by other solicitors, should be reviewed.

New ISA Limits

From 6 April 2010, all ISA subscribers can contribute £10,200 into a Stocks and Shares ISA or £5,100 into a Cash ISA plus £5,100 into a Stocks and Shares ISA.



Pension rules changes have unintended consequence

You may recall that there have been, and are still to be, changes to the age at which your pension can start. Until recent legislation changes, which are increasing the age at which benefits from pensions can be taken, prior to 2007 you could take your pension benefits from age 50. However, the changes in legislation mean that the benefits age is moving to age 55.

Fair enough, some may say, as the age of the population is increasing. However, a number of people have what were known as pension drawdown accounts. These are arrangements where you draw on your pension and at some time before age 75 you convert to an annuity or, alternatively, a secured pension. However, if you previously converted to one of these arrangements and now want to buy an annuity, because that



was your plan, if you are below the new age threshold you can be hit with the new 55% unauthorised withdrawal charge.

It is only in the last month or so that this issue has come to the fore, and so if you or anyone you know is in a pension drawdown arrangement, and about to convert to an annuity, please have them check with us or their advisers to make sure that they will not be hit with this unintended tax charge.

Avoid cash ISAs



The media is awash with firms selling their cash ISAs. For most people a cash ISA is their only form of tax planning. However, have you ever considered how meaningless this may be?

When you look through the interest rates available in cash ISAs you will see rates such as 2.5% or 3% being advertised as the best rates around, which they probably are. On the maximum cash ISA of £5,100, this means that the return at 3% is a little over £150 each year. For a basic rate taxpayer, this would generate a tax liability of £30. This means that placing that money into a cash ISA will save you £30 in the year! Now, while £30 is £30, and none of us want to throw

money away, the saving is still only £30. So, when looking at your tax planning, please remember to work out the actual savings rather than simply thinking that you must do something to save tax, because in many cases it's not worth the effort.

Election may drive up annuity and gilt rates

The increasing uncertainty surrounding the election is starting to have an effect on gilt rates. Any uncertainty in political or economic arenas tends to reduce potential equity returns, which then has the effect of pushing money into gilts. The push towards gilts means that returns on gilts are edging up. This will, by default, mean that annuity rates have started to edge their way up slightly.

By the time you read this the election will be over. If the result is a hung parliament, then you will start to see annuity rates climb higher. This means that those people who are about to buy an annuity should probably wait for a week or so, because annuity rates will probably rise in the coming weeks.

Best Savings Selection

To get the best from your deposit based savings you often need to move the money around. Use these rates to help you with your arrangements.

Top Three No Notice Accounts without Bonus

Name	Contact	£1 Gross %	£500 Gross %	£1,000 Gross %
Manchester BS	0161 9238015	n/a	n/a	2.66
West Bromwich BS	via branch	n/a	n/a	2.65
Stroud & Swindon BS	0845 7252423	n/a	n/a	2.25

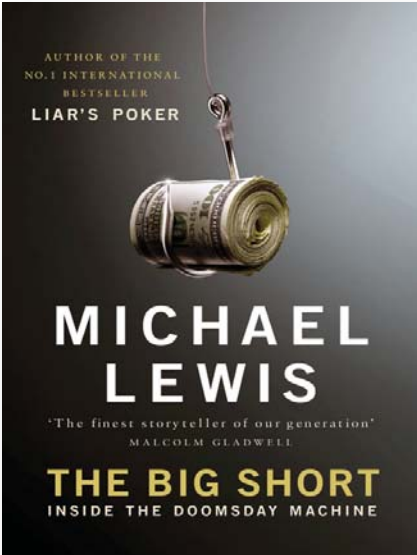
Top Three Monthly Interest Accounts

Name	Contact	£1K Gross %	£2.5K Gross %	£5K Gross %
West Bromwich	0845 330 0622	2.57	2.57	2.57
Barnsley B S	www.barnsley-bs.co.uk	2.47	2.47	2.47
Intelligent Finance	www.if.com	2.46	2.46	2.46

Top Three Cash ISA's

Name	Contact	£1 Gross %	£500 Gross %	£1,000 Gross %
Barclays	0800 494949	3.06	3.06	3.06
Northern Rock	via branch or post	n/a	3.00	3.00
n/a	n/a	n/a	n/a	n/a

Please check with the terms and conditions before opening any account. If in doubt consult with your financial adviser directly as the above are for information only.



The Big Short

Inside the Doomsday Machine

by Michael Lewis ISBN 1846142571

The Big Short is a study of the global financial meltdown that we all experienced in 2008. While not as much fun to read as his previous book (Liar's Poker), it is an easy read and one that will make sense to most readers.

If you are looking for an explanation as to what happened and who's to blame, and you want a non-political opinion, this is a good place to start.

Ian Russell CERT DIP

Ian is the owner and principal of Polestar, a trading style of Positive Solutions.

Ian has over 10 years experience in financial services and is qualified to an advanced level in taxation and trusts (G10) and Pensions (AF3).

He works principally with private clients addressing their concerns around inheritance tax, investment (for growth or income) and retirement planning. Ian also completes a significant amount of Continued Professional Development each year, attending various seminars and conferences, on his client's behalf, so that they are always kept abreast of latest developments.

"We are proud to be a small, focused firm, because this means that we provide higher levels of personal care and attention to detail. This is why many of our clients, who previously dealt with Banks and larger advisory firms, have come to us. Our clients want to be treated as individuals, not numbers, to have a closer working relationship and to have someone they trust be available to them at all times."



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