

**The market
goes down,
it goes up,
it goes down
again.**



What's really happening?

The financial world has been rocked in the past month with financial institutions that everyone thought were safe falling apart. Panorama, on Monday 22nd September, told the story of a man who invested all of his money in HBOS shares, only to lose 80% of it in the last 12 months or so. **Who would have thought you could lose money investing in HBOS?**

Lehman Brothers bank failed in the US, and AIG, the world's largest insurance company, was propped up by a massive \$80bn loan from the federal government. Lloyds TSB scooped up HBOS in a move that the FSA and the Monopolies Commission approved without so much as a second thought.

The media has been awash with explanations and discussions. While I was in the US at a financial meeting I heard a famous journalist, who shall remain nameless, say: "The financial markets are collapsing - it's the best story that I've ever seen." So with sentiments like that, it's easy to see how

the financial markets, which depend on confidence, have been rocked by media and stories that cause the worst to happen.



E ianrussell@thinkpositive.co.uk
T 01276 505614 M 07788 721 392
A Suite 165, Wey House, 15 Church St.,
Weybridge, Surrey, KT13 8NA.

Polestar is a trading style of Positive Solutions a large (community of 1,700 advisers), truly Independent, Financial Advice company, supporting it's advisors clients across the UK. To be truly independent means we look at the whole market working on your behalf. We are not limited to a small number of product providers and you decide how you pay for our services either by direct fee or product commission or both.

So, what should you do in these uncertain and scary times?

First of all you need to understand where the risk is, so let's look at the protection that you do have.

Funds on deposit

If you hold your money on deposit then you have protection for the first £35,000 in the institution. The protection is per person, and so a married couple will be covered for up to £70,000 in total. It's also per institution, and by this I mean FSA registration. At the present time, HBOS and Lloyds TSB have separate registrations with the FSA, and so you get protection in both banks. If their registration changes, which is likely, otherwise what's the point of merging, and they have only one registration, then you have only one set of protection.

Rule 1: *no more than £35,000 each with any FSA registered company.*

Funds invested

Here I'm referring to "collective" investments, such as unit trusts, OEICs, SIPPs, etc, not individual shares. If you hold collective investments, all of your investments are ring-fenced and protected. This means that if you have Fidelity investments, for example, then if Fidelity went bust, your investments are safe.

Some collective investments are not fully protected, such as some ISAs where the protection limit increases to £48,000, which is made up of 100% of the first £30,000 and 90% of the next £20,000.

Rule 2: *use collective investments with total ring-fencing.*

Money in insurance

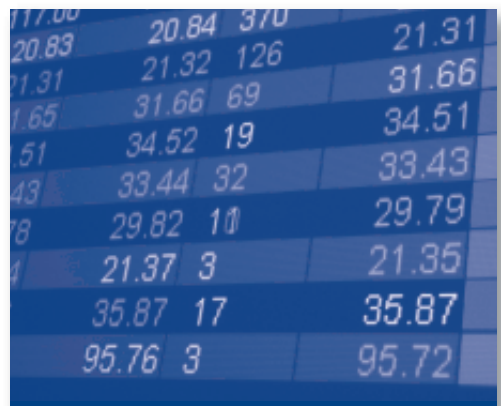
Investments held in insurance contracts, such as investment bonds and pensions, have the first £20,000 protected plus 90% of everything else.

Rule 3: *use insurance where you can; it's safer for large investments than money on deposit!*

Pay the cost of a real guarantee

If you want a 100% guarantee, you need to invest in government-backed stock. That means National Savings or gilts. Most people don't invest in these because they pay a relatively low rate when compared to the market, but you must accept a lower rate for the guarantee.

Rule 4: *if you don't want risk, invest in the government and accept lower returns.*



But what about investments?

Yes, what about investments? If you invest in moneys (by this I mean shares, property and commodities), their value increases and decreases depending on the demand for them. Sometimes they will pay an income or a yield as well. Should you invest in them – or, more probably, should you stay invested in them?

There are two real questions here: how long before you need to spend the money, and do you want to take a risk?

How long?

Everything you have ever seen about investments shows you that over the "long term" they produce better returns than deposits. Intellectually we all know this, but sometimes we are not ruled by our intellect, we allow our emotions to rule us.

Unless you are saving to buy something specific at a future time, then you will be invested for the rest of your life. Or at least until the money is needed to pay for your care when you become a gibbering wreck because of the stress the financial markets have put on you! Unless you are really, really old already, then the rest of your life will be a long time. This means that you should be invested in the markets. But NOT as the man in the Panorama programme did. He invested not only in just one asset class, but also in just one stock. Simply, this is bad investing. The only protection that you have in the investment world comes from a spread of investments - an asset allocation strategy. We have mentioned it before, but perhaps it is now more clear what we mean.

Rule number 5: *asset allocation always works over the long term.*

What risk?

We all know that you should buy low and sell high - the problem is that no one does that because it's too high a risk. On Tuesday 16th September, when the markets fell by some 4%, you should have invested heavily. Of course none of you did. Why? Because you were scared that the market would fall more. But then what happened? The markets recovered by the Friday, so anyone having invested then would have made 4% in two days. And what happened next? The markets fell again - but would you have sold by then? Of course not.

The investment strategy of buying low and selling high does not work, simply because we never really know when we are at the bottom and when we are at the top.

Rule number 6: *don't try to time the markets, you can't do it.*



Deadline expires

In previous Updates we have advised you that appointments under interest in possession trusts, using the old style trusts under the 2006 Finance Act, must be made before 6th October this year.

If you have an old style interest in possession trust that needs amending, you must do this by the 6th October, otherwise you will fall foul of the new rules.

Warning

Fraudsters are sending out large volumes of emails that look as though they have been sent by HMRC, purportedly advising of tax rebates. In the emails they request details of the bank account into which to pay the fictitious rebate.

HMRC have confirmed that they would not, under any circumstances, request bank details by email, and that any such emails should be forwarded to phishing@hmrc.gsi.gov.uk.

Stamp duty reduces

Following the government's housing renewal package, there has been a one-year increase in the

stamp duty threshold to £175,000, running until 2nd September 2009.

Inflation

The latest inflation figures show the Consumer Prices Index (CPI) rising from 4.4% to 4.7%, and yet the Retail Prices Index (RPI) fell from 5% to 4.8%. The reason is that house prices are not a component of the CPI. Between July and August

last year mortgage rates rose by 0.25%, and so that increase has now dropped out of the year-on-year RPI calculation. RPI has also benefited from the falls in house prices.

Intestacy rules change at last

For many years the intestacy rules that dictate how much a spouse may receive following the other's death have stood at £125,000. This is way below the value of the average house, and so those people who had not made a will were increasingly getting into problems when one spouse died.

After much lobbying, the government has decided that this limit should be increased to £250,000 where there are children and £450,000 in all other cases. The government intends to change to these figures on 1st February 2009.

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

Name	Contact	£1 Gross %	£500 Gross %	£1,000 Gross %
Anglo Irish Bank	0845 455 2222	6.40	6.40	6.40
Chelsea BS	0800 432 0088	6.10 (min £10)	6.10	6.10
West Bromwich BS	0845 338 7297	N/A	N/A	6.45

Top Three Monthly Interest Accounts

Name	Contact	£1 Gross %	£500 Gross %	£1,000 Gross %
Alliance & Leicester	alliance-leicester.co.uk	6.37	6.37	6.37
Birmingham Mids	www.askbm.co.uk	6.33	6.33	6.33
Kaupthing Edge	www.kaupthing-edge.co.uk	0	6.36	6.36

Top Three Cash ISA's

Name	Contact	£1 Gross %	£500 Gross %	£3,000 Gross %
Britannia BS	0800 132304	N/A	N/A	6.30 Fixed rate
Ruffler Bank	01372 736700	N/A	N/A	6.11
IceSave	www.icesave.co.uk	N/A	N/A	6.10 (min £1000)

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.

Shantaram

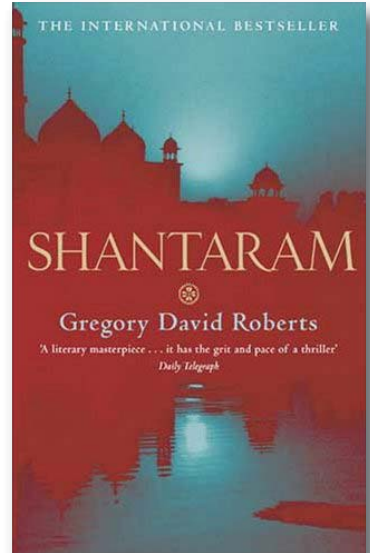
Shantaram by Gregory David Roberts
(ISBN: 978-0-349-11754-6)

With all the uncertainty in the financial world I have chosen this month's book so that we can all remind ourselves how lucky we really are.

The book is a novel based upon Roberts' own life. It is a novel that tells his story, or at least 10 years of it. Roberts escaped prison in Australia where he was jailed for bank robbery using a toy gun. He made his way to India and settled in a slum in Bombay after being robbed of everything he had. There he set up a medical clinic, joined the Indian mafia, was sent back to jail, appeared in Bollywood films and fought in the Afghan war against the Russians.

The story tells us what real poverty is and to what lengths men will go to fight their way out of it, as well as how humane and human we can be when it really counts.

The book is a long read at over 900 pages, but if you enjoy reading, or even if you don't, please give the book a try; it will be the best £10 you will have spent this month.



Over 80s set to double!

A report published by the European Union data analysts predicts that the country's population will increase to more than 76m by 2060, with nearly a quarter of the population being pensioners.

The 12-page Eurostat document also notes that the over 80s will form nearly 10% of the population.

Presently, 16.1% of the population of 61.3m are over 65, and this is predicted to rise to 24.74%, with a population of 76.7m. The over 80s presently make up 4.52%, which will increase to 8.97% the report says.

This has serious implications for both the economy and the government. With the over 65s producing a much lower level of tax for the government, and taking a much greater spend from the government in the form of medical costs, it will take significant planning to predict the balance sheet of UK PLC. Interestingly, Mr Cameron's stated view of increasing the IHT threshold to £1m is a poor move from a tax point of view, as it is the only tax revenue likely to increase in the future as income tax and CGT fall as the age of the population increases.

Note: This newsletter is created by Cavendish Wealth Management a non regulated company, non of these views should be taken as advice or recommendation. All the information in this newsletter are for the private viewing of clients, professional introducers and interested parties associated with Polestar which is a trading style of Positive Solutions and Ian Russell who is a Regulated Individual.