



Your Money in Safe Hands

New Money Wise SIPP Launched July 2008

Self Invested Personal Pensions (SIPP) provide the widest possible investment choice and flexibility and allows us to manage client retirement funds more freely than an 'off the shelf' insurance company pension plan. Up until now we had negotiated some good SIPP deals with providers like Hornbuckle Mitchell and Alliance Trust but the discounted fees we achieved for our clients reverted to their normal and more expensive annual charges as and when a client takes benefits or purchases property. Therefore we decided to organise our own 'low cost' SIPP that remains low cost (£250 + VAT p.a.) even when a client does take benefits or purchases property assets and in conjunction with MW Pensions Ltd we have launched the Money Wise SIPP (MWSIPP). The MWSIPP annual fee remains low whatever happens although the pension trustee, MW Trustees, does charge for additional services and again the fee scale is extremely competitive in order to offer the best possible value to Money Wise clients.

The MWSIPP is designed with the continued use of our wrap service in mind and so far feedback from clients and advisers alike has been fantastic with regard to the service received. Over the next 12 to 24 months we will be assessing all our SIPP clients with a view to seeing whether or not they would benefit from a switch to this new SIPP product but if anyone is keen to explore this immediately please contact your usual financial adviser on either 01225 471100 (Bath) or 01202 545135 (Bournemouth).

Malcolm Coury, MD

Money Wise

Independent Financial Advisers

Autumn 2008 Newsletter

Welcome to the latest edition of our newsletter. With the worst economic data for some years emerging over recent months our attention is on what is likely to be happening over the coming months and how our model investment portfolios can manage to buck the trends using an increasing number of 'alternative' investment vehicles.



Despite all the bad economic news

Money Wise has generally had a good year so far. We have seen new people join us, both Lee Fisher & Kevin Fairey as mortgage advisers in Bournemouth, Bashar Aboush investment researcher and paraplanner and Jo Pavey PA to Steve Thornton in Bath. Further, Bath Rugby ended the year on a high by winning the European Challenge Cup Final and finishing 4th in the Zurich Premiership.

This quarter's newsletter includes an interview with Matt Stevens on the forthcoming year and we have raised our profile leading to more industry and public press coverage as Money Wise has become recognized as one of the top 100 performing IFA's in the UK. We have also launched our own low cost SIPP and an increasing number of our clients are using the Wrap and our very successful model portfolios.

Finally, we have some quite ambitious expansion plans that could result in some acquisitions of other smaller IFA firms to build a broader distribution network for our own business and to promote the range of services we provide.

Please let us know if you have any comments on our articles or have any topics that you would like covered in future newsletters. Feel free to contact us through our website or e-mail Lucy Clayphan at lucy@money-wise.co.uk

Malcolm Coury

“We’re a specialist lettings agency, not an estate agent which does lettings”

Beret to Belvoir!

Interview with Mike Betteridge, Belvoir! The Lettings Specialist.

Mike Betteridge strikes you as a man in control, confident and experienced and with an air of a man on a mission. This summary does not fail to hold true as I discover Mike is ex-military, having spent 24 years in the Royal Marines achieving accolades such as an MBE and Queens Gallantry Medal. In May this year Mike started his second career and, after much research, study and hard work and determination, he opened Belvoir Lettings Specialist in Westbourne, Bournemouth.

Attacking the commercial world with vigour, whilst still in service, Mike had undertaken an Advanced Diploma with the Institute of Administrative Management and gained a further qualification in Leadership in Management. He then researched the best franchise letting firm in the UK and identified Belvoir.

The Belvoir Group was founded in 1994 by yet another military man, Wing Commander Mike Goddard and his wife Stephanie, in Lincolnshire. The aim was to create a service which was professional yet personal and exceeded the expectations of Landlords and Tenants alike.

2008 looks set to be Belvoir's most successful year ever in terms of brand

“The company today is one of the fastest growing letting franchises in the UK with over 130 outlets, set to exceed 300 within the next 10 years and boasts an impressive 25% year on year growth”

recognition and growth, having recently won the Gold Award at the British Franchise Association (BFA), Franchisee of the Year Awards.

Mike chose wisely, not only has he got the support of a large company in terms of mentoring and central advertising and branding support, but the residential lettings industry is buoyant, proving itself to be a recession proof market. The current credit crunch means more and more people are choosing to rent because estate agencies are unable to sell houses and first time buyers are unable to obtain mortgages. Rental income will inevitably edge upwards because in certain areas there are insufficient properties to satisfy demand, which will attract investors.

In the heart of up and coming Westbourne, the new office is targeting the more affluent client. With only 2 bedroom flats or larger on his books, Mike is aiming for the higher end of this growth market. He took on five properties in his first month and within weeks had already let all of them. Since then Mike has attracted many high end properties, with Penthouses going from £2,500 and luxury houses for £3,500 p.m already providing much interest. Mike comments “We’re a specialist lettings agency, not an estate agent which does lettings. I match tenants with landlords, ensuring the hit rate for lettings is higher than average. I usually only show a potential tenant three properties, all of which fit their criteria to the letter, rather than showing them 20 which do not match their needs”.

Sarah Tremarco from Money Wise met Mike through a mutual friend 4 years ago and she began to help him with his personal finances. Friends first and foremost, Mike comments “Sarah is great, always there when I need her and very



reliable. Whether it's a small decision or key issues we need to discuss, she always provides the same level of service and attention to detail. Sarah recently attended my wedding, which shows how our relationship has developed from IFA to firm friends”.

Mike has his sights set high and plans to open a second office by 2010 and by 2013 have a third office in the area. “By taking on a franchise I already have an established, credible name behind me which places me 2 or 3 years ahead of most start up businesses within this market. I aim to take full advantage and expand as quickly as I can”.

“Sarah has laid the foundations for being a great support for the new business. I had a lot of mistrust of IFA's from past experience and Sarah has helped change that and gained my total trust. She will be part of these future plans for the business and provide me with the financial know how and the support I will need”.



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Passive Funds Vs Actively Managed Funds

**By Bashar
Aboush,
Paraplanner
and Investment
Researcher.**



There are a number of providers who offer funds that are linked to well known indices, e.g. the FTSE 100. These funds offer returns that mimic the movements of these indices because they purchase the same stocks at the same weightings as the index. As passive funds are easy to manage and do not require a highly paid or talented fund manager to make the investment decisions, they are offered at a much lower annual management charge. Most of these funds are run via computer systems rather than a fund manager as investment decisions are not required to be made. On average most actively managed funds charge between 1.5 – 1.75% per annum, whilst passive funds are in the region of 0.75% - 1.0%. Therefore this makes tracker funds an attractive proposition for investors seeking to generate returns in line with various indices cheaply and have become popular for this reason.

“This begs the question; why do investors select tracker funds rather than good actively managed funds?”

However, there are a number of downfalls to passive funds that many investors do not necessarily appreciate. Two of the main pitfalls are:

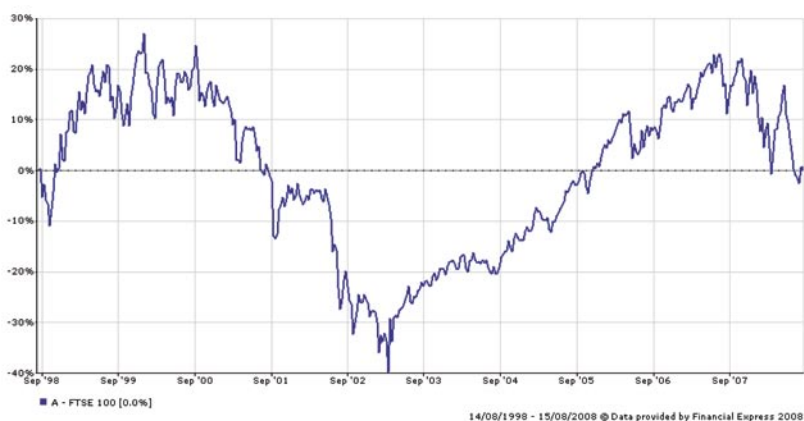
1) In any index there will be stocks that have the potential to do well while at the same time there are stocks that are likely to encounter difficulties, e.g. Northern Rock and Bradford & Bingley. We all know too well the fate these companies have suffered, Bradford & Bingley shares have fallen by around 85% in the past 12 months (Source: Financial Express 15 August 2008). However, if these stocks are featured in the index, a passive fund

will be forced to buy them regardless of their future prospects. In addition, although there are 100 stocks in the FTSE 100, they are not equally weighted. The majority of this index is made up of about 20 stocks, due to the ‘heavy weights’ like the financial stocks, which have also suffered greatly in recent months due to the ‘credit crunch’. Therefore, using a fund manager who studies the market and trends on a daily basis and who is able to have greater potential in predicting which stocks/sectors to avoid and where to become overweight adds value to investment returns. Looking at the graph below of one of the most popular UK actively managed funds on the market today – Invesco Perpetual High Income compared to the FTSE 100 over the past 10 years - illustrates how wide the spread on returns has been. This graph is net of charges so, although the actively managed fund is more expensive to own than a tracker, it has still outperformed by a large margin.

2) Returns from stocks are made up in two parts: its capital return called the ‘Price’ and the dividends they generate. These added together provide the ‘Total Return’ that is used to demonstrate performance figures. However, the index

you see featured on the news and in the financial papers is only the ‘Price’ figure. Therefore when you hear that the FTSE 100 is at 5,500 mark and has returned 30% in the past 5 years, this does not include the dividends of the underlying stocks. If you physically held these 100 shares (at the correct weightings), you would have generated a greater return, i.e. the ‘Total Return’. Therefore a tracker fund only provides you with the returns of the ‘Price’ value. Over long periods of time, the difference between Price and Total Return could be very significant. Although the UK market has had a difficult time over the past 10 years with a number of volatile and negative years, the FTSE 100 index has actually returned 0.0% (Source: Finex Analytics, 15 August 2008), i.e. a tracker fund would have returned a similar figure - not an attractive return for such a long term investment. However, looking back at the Invesco fund mentioned above, which invests into the same market/sector as the FTSE 100, this would have more than doubled your money during the same period.

Therefore this begs the question; why do investors select tracker funds rather than good actively managed funds?



“Progression within this industry is all about your contribution to business income”

Developing Success

Interview with Ed Hockey, Director.

Ed Hockey can be found equally at home selling top class powerboats or renovated exclusive property developments. However he chose the financial services sector after dipping his toes in both of the above. Seeing a great opportunity for both career and self development in the financial services sector Ed joined Hambro Countrywide in 1994 and for 7 years worked his way up in the company obtaining his qualifications and becoming one of their highest earners. This success led to his departure as his career prospects were capped by being tied to one company and Ed felt it a natural progression to head onwards and upwards by becoming an IFA.

Having met Malcolm Coury through a mutual friend, Ed was able to establish that Money Wise was and is a forward thinking company and realised it was right for him and having joined the company in 2001 became a director on merit within 3 years in 2004.

How easy was your path to Directorship?

EH: “Not easy, but a complete commitment to the job, long hours sometimes 6 days a week helped as well as the ability to generate significant fee and commission income each year for the business. Progression within this industry is all about your contribution to business income and the more you achieve the bigger asset you become to the company and thus the higher the reward”.

How did you become such a specialist in high net worth clients, buy to let portfolios, large refinancing deals and commercial finance?

EH: “Solely through referral because it was not an easy leap to make. However I’ve never lost a client so as my clients grew and became successful they



continued to trust me with their finances. They have also told their friends, family and business associates and my name quickly became known. My work is all about the technical aspects of finance, fitting products around client requirements rather than providing ‘off the shelf’ solutions. My clients don’t always need face to face interaction, they often don’t have the time, they need an experienced, capable trusted individual on the end of the phone who can sort things out quickly and efficiently. You have to be someone who gets a job done, and I’m good at that, so here I am”.

How difficult is the market for you at the moment?

EH: “For me, not as bad as many advisers I know. The lending criteria has gone back

10 years in recent months, however with the right connections and experience I can usually see a way through even if it takes a lot longer that it used to”.

How is the financial market different in Bournemouth from Bath?

EH: “From my personal experience the South coast has become a haven for London property investors, with investors buying holiday homes, second homes or just relocating. With the explosion of the virtual office you no longer have to be tied to an area and the South coast is an attractive proposition. Many of my clients fit into this criteria probably more so than Bath clients, therefore property oriented investments are more prevalent here”.

What are the 3 things you love about your job?

EH:

- 1) Dealing with people.
- 2) Getting a buzz out of finding and setting up the best deals.
- 3) The more complex clients and the technical aspects of the deals.

If you were not an IFA, what would you be?

EH: “I was involved with buying, renovating and selling over 20 properties between 2000 and 2003, so probably a Property Developer”.

“the South coast has become a haven for London property investors”

Money Matters

Our Bournemouth Office has begun to contribute regularly to the ‘Money Matters’ business column in The Bournemouth Echo. Look out for our next article in December!

Asset Allocation

By Ross Pepperell, Head of Research.



In recent years private investors have become much more aware of the concept of 'asset allocation' and the benefits of having a diversified portfolio, fuelled by adverts and the financial media. This quarter I wanted to talk a little bit more about these concepts to outline their importance and to demonstrate the relationships between the different kinds of asset classes.

The main asset classes available to investors are: cash, property, fixed interest, equities and commodities. Each of these assets has inherent qualities that make them sensitive to specific market conditions and also offer an expected level of risk and return. We will treat these assets generically but, in reality, each asset class has its own spectrum of available instruments which carry a lesser or greater degree of risk.

"If the cost of raw materials that companies use to sell products or services goes up, their profitability goes down, the economy slows and it becomes more expensive to borrow money"

Moving up the risk scale, obviously cash has the least amount of risk and over the longer term generates the least amount of 'real' return. Next we have fixed interest securities or 'bonds', these are loans to either governments or companies that pay a rate of interest. These investments are slightly more volatile and produce marginally higher returns than cash over the long term. Then we have property, whose main risks are linked to the credit

(mortgage) markets, the economy and the speed of sale. Finally, at the top we have equities (stocks & shares) and commodities (metals, oil, food stuffs etc.). These traditionally produce much higher returns than any of the other asset classes but at the expense of volatility where they can fall and rise in value very quickly.

The asset classes move in waves and troughs over an economic cycle, with some behaving similarly and others doing the opposite. Overall and over time however, we see a trend that goes upwards as the global economy grows.

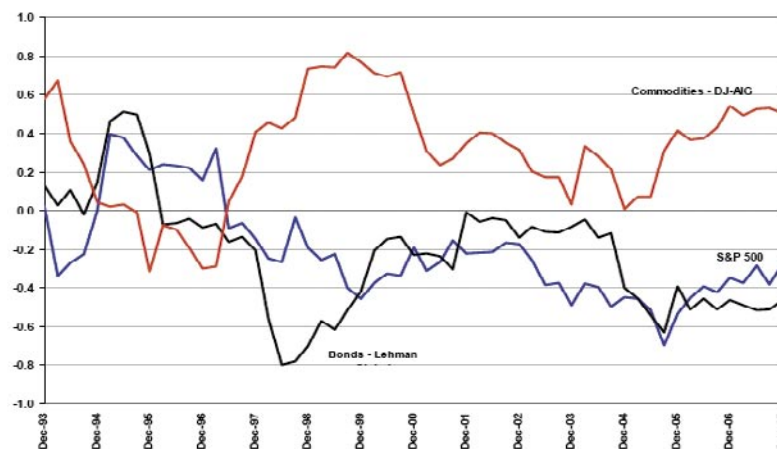
The graph below illustrates the relationship between commodities, equities and fixed interest by using proxies for these asset classes: the Dow Jones Commodity Index, the American S&P 500 index and Lehman's Global Bond index. As you can see, commodities (the red line) are the only asset class which move in the opposite direction to the others.

combined with those funds avoiding or 'shorting' banks, property and consumer industries as the credit crunch has hit.

"Over the longer term therefore, the benefits of having a diversified portfolio become apparent: it helps to maximise potential capital growth and minimise risk"

Of course, this is just another cycle and at some point higher prices start to bite, the risks become too high and so we see the trends reversing and money moves to places which have better value and to countries and industries that can benefit from the economic conditions.

Rolling 3 Year Correlation of Quarterly Returns with Inflation
Data Source: Bloomberg



This relationship has been tested and understood for many years and is completely logical. If the cost of raw materials that companies use to sell products or services goes up, their profitability goes down, the economy slows and it becomes more expensive to borrow money. Thus, we see equities and bonds fall in value.

As we can see since 2003 the investment funds which have made the most money and taken the most risk are those which have invested in commodities and emerging markets which provide resources, mining or energy. Over the recent year this strategy has been

We adopt this approach with our Money Wise model portfolios, with the exception that we are able to focus on a shorter time scale. This means that we can take greater advantage of the prevailing trends and market conditions than would be possible in a longer term portfolio. We are also able to select investments whose returns are not related to what happens in the major markets. This is yet another tool that provides us with the means of reducing risk from the portfolio and creates a fairly stable platform by which we can preserve capital and make gains.

*“We have a trophy behind us
and it is upwards and onwards”*

New Season Hopes from Bath Rugby's Matt Stevens

Matt Stevens, British Lion, England and Bath Rugby.

Matt Stevens took time out to talk to Malcolm Coury about the forthcoming season.

What is the one thing the players most want to win this season?

MS: “I think it would be the Heineken Cup. I think it's a very prestigious award although, of course, we want to do very well in the Guinness Premiership because it's our main domestic competition. We are going to go at every competition wanting to win, but I see Bath having quite a nostalgic relationship with Heineken Cup and it would be great to bring that home this season”.

Who is captain this season following the departure of Steve Borthwick and why was he appointed?

MS: “The on-field captain is Michael Lipman and the off-field captain is Alex Crockett. There was a big vacuum when Steve Borthwick left, although there was still a wealth of leadership and experienced players, with the likes of Danny Grewcock and Michael Lipman who played so well last season and really led from the front, also obviously great players like Alex Crockett, who is both a club stalwart and a really inspiring guy. Steve Meehan felt that two people should share the leadership role, but we are lucky in that I think there are a load of leaders in the Bath Rugby team and it is not up to any two, three or four on the field to lead the side to some victories”.

Has there been anything different in the training and preparation for this following last season's successes?

MS: “I think with the departure of Scott Murphy we have had quite a lot of conditional changes. Paul Bunce has come along and tweaked certain things and brought some things of his own and



it's been a very productive pre-season. The boys are fit and really strong and we've been doing a lot of power work and conditioning. Obviously we want to continue with the form we were playing last season. We don't want to reinvent the wheel too much. However, we have had to learn the new rule changes and learn how to adapt to the new law changes and I think we have done as much as we can to have a successful season”.

Are the players committed to playing the same free flowing, off loading game, that excited the fans last season?

MS: “One thing we realised really benefitted Bath last season was our real license to run with the ball. But what people should remember is that that game took four or five years to get to the skill level where it had to be, to play that kind of game in those conditions. I think with the players we have and with the younger players coming through, the Nick Abendanons, Matt Banahans, Butch James coming back with Michael Claassens, who had a superb season last year; couple that with what has always been a very strong attritional pack, we will endeavour to continue to play the way we have been and improve upon that”.

Which new players are the existing players most excited about joining Bath?

MS: “Stuart Hooper could be a revelation to a Bath. He is a hardworking, talented player and he could be a real leader for the club and do wonders in the second row. I think Peter Short is going to have a great season and he's looking immense this season. Shontayne Hape is obviously someone who we heard about from Rugby League. I remember speaking to Lesley Vainikolo about him and he was saying most of the times he scored were from passes from Shontayne, so he suits our game really well”.

Fans often feel that it's Bath's away form in crucial matches that cost us most. How do the squad believe they can turn that around?

MS: “We have got to look forward to this season. We have a trophy behind us and it is upwards and onwards. We have the determination and drive to do it and we therefore shouldn't be looking backwards”.

Road to Achievement

Interview with Nick Twist, Senior Adviser.



Nick Twist has certainly taken the perfect career route and is now aiming to achieve chartered status within the next 18 months. This is a huge achievement for someone so young. However, where Nick lacks in years, he more than compensates in capability, drive and ambition.

Graduating from Plymouth University in 2002 with a 2:1 in Business Studies and Economics, he quickly ascertained the road to riches was through hard work, commitment, gaining qualifications and choosing a career which provided a structured career progression. The financial services sector offered all these and Bath offered him as good a prospect as London, but with a better lifestyle. He joined Money Wise in 2002.

“to excel and maintain your standing within the industry you need determination and a lot of commitment”

What made you choose a Business Studies and Economics Degree?

NT: “I was always good at Maths and Business Studies at school, it interested me and I always felt there would be a good future after it. I was also a keen entrepreneur and bought my first house with my brothers in 2001 and in 2002 bought them out. I seemed to always have a shrewd head for figures”.

How easy has it been to become an IFA as a graduate?

NT: “It’s an easy profession to enter, all you need is an FPC (Financial Planning Certificate) to become an IFA. However to excel and maintain your standing within

the industry you need determination and a lot of commitment to gain the qualifications. Money Wise sponsored me through my FPC initially, which was all distance learning, so I needed to be self motivated. This took a year and had 3 formal exams at the end. I then took my CeMAP Mortgage Qualification, which took about 2 months to prepare and 1 formal exam. Following that I moved onto the G10 Taxation and Trusts Advanced Certificate which is hard work. It took about another year of study before the formal exam. I’m currently studying for my AF3 Advanced Pensions Qualification (formally JO4/JO5 Pension Income Options), which I hope to gain within the next 18 months and hence gain my Chartered Status”.

“So not an easy road at all, 8 further years of study on top of my degree but the main significant gain is that I am now self employed and with Chartered Status I will attract more clients than those without it. Competition is high for advisers so to be at the top of your game is a definite advantage”.

Why did you choose Money Wise?

NT: “For me it was the decision whether to go with a large national company or a medium sized independent. I would have certainly been practising earlier if I was enrolled in a Graduate Training Programme, but my concern was I would have no freedom of choice and would probably be offering poor advice as the training would have been far shorter.

I joined Money Wise as an apprentice to Malcolm Coury, MD, and I learnt more about the profession and industry in that time than I ever would have with the former proposition. I was trained as a paraplanner whilst studying for my exams and before I became an IFA in 2007 and I do not regret my choice for a single second”.

If you were not an IFA, what would you be?

NT: “I’m a keen sportsman, playing Rugby for Combe Down for the past 5 years but probably I’d be a Professional Cricketer as I’ve been playing for the team at Limpley Stoke for 14 years”.

“I would have certainly been practising earlier if I was enrolled in a Graduate Training Programme, but my concern was I would have no freedom of choice and would probably be offering poor advice as the training would have been far shorter”

New Model Adviser

Earlier this summer, Malcolm Coury was interviewed by New Model Adviser, a financial services industry publication and the magazine ran a headline interview article on 19 August. To see the full article log onto our website, www.money-wise.co.uk, and click on press coverage.



Investment Bonds Vs Unit Trusts

By Nick Penn, Senior Adviser.

Max and Jean Owen of Verwood, Dorset ask "We took out an Investment Bond via our Building Society several years ago and have been reading in the Sunday Papers that we should consider moving this to a unit trust, open ended investment company (OEIC) or investment trust due to the recent changes in capital gains tax (CGT). Therefore, should we surrender it and reinvest the money in a unit trust, for example?"

Nick Penn answers:

"The recent changes in CGT have made investing in UK investment bonds less attractive when compared with a unit trust. Life insurance companies' funds will overall pay a higher rate of tax and levy additional charges even though on surrender a basic rate tax payer has no further tax to pay. However, if changing please note that on surrender of the investment bond a higher rate tax payer would have to pay 20% higher rate tax on the profit".

"A unit trust is not subject to tax whilst the money remains invested within the fund, whereas with an investment bond any fund growth incurs corporation tax which is typically levied at around 20% and, due to the lowering of the CGT to 18% from 40%, on encashment unit trusts are now more tax efficient, especially for higher rate tax payers and they do not incur the additional charges of the life insurance company".

"A unit trust is not subject to tax whilst the money remains invested within the fund"



"Also an investor holding unit trusts can utilise an annual CGT allowance of £9,600 (2008/09) and ISA allowance of £7,200. Therefore with minimum planning the investor can avoid paying CGT all together. This allowance can be doubled if the monies are held jointly due to the independent taxation rules".

"The comparisons over 5 and 10 years show the effect on growth of having to pay tax straightaway on any monies invested. The difference becomes greater the longer the monies are held".

"Take for example an investment of £100,000 in a UK investment bond invested into two top quartile performing funds. Over 5 years it would have grown to £111,725 and over 10 years it would have grown to £146,685**".

"If the monies were put in to the unit trust funds directly over 5 years it would have grown to £145,650 and over 10 years it would have grown to £202,330**".

(*Figures based on growth figures as at 26 April 2008 from Skandia fund fact sheets, with selling prices with income re-invested back into the fund net of tax).

"Therefore by investing into a unit trust or OEIC you could have gained an additional £61,661 and with careful utilisation of ISA and CGT allowances for both of you, as mentioned earlier, there will be no additional tax to pay on encashment as would happen with the Investment Bond and with the much greater gain".

For further information or advice please speak to your usual Money Wise financial adviser on either 01225 471100 (Bath) or 01202 545135 (Bournemouth).

Stop Press News

Two new financial advisers are joining our Bath office during October: David Folland who has been running his own practice 'Folland Financial Services' and due to his plans to retire within 3 years is joining Money Wise as a "safe pair of hands" to pass on his clients to; and Jonathan Hoar who has over 20 years financial services experience including having worked with Financial Planning Services, General Portfolio, Allied Dunbar (Zurich FS) and more recently a local mortgage broker is joining Money Wise as a last career move to fulfil his ambition to work in a "wealth management" environment. Watch out for the January newsletter for more details about these two plus, hopefully, more exciting news to come!