



MFP News October 2010

Welcome to the October newsletter. Not a great month so far for a Scottish born Middlesbrough supporter: Scotland playing anti-football (against the Czech Republic) and Gordon Strachan throwing in the towel at Middlesbrough.

In this newsletter there is a quick reminder on ISAs and I will briefly cover the pension changes announced last week.

Individual Savings Accounts

In my April newsletter I covered ISAs and I thought it was timely (6 months on) to remind you that it's a good idea to sort out your ISAs ahead of the end of the tax year on the 5th of April.

Remember the overall ISA allowance is £10,200 and this can be split 50/50 between a Cash ISA and a Stocks and Shares ISA. Previous year's ISAs can be transferred so you don't need to be stuck in a cash ISA with a poor rate of interest.

Cash ISAs

Good returns are available from:

Halifax 2.8% instant access

Bank of Cyprus 3.0% 1 year bond

Both of these accept transfers. Are you earning as much on your cash ISAs?

Stocks and Shares ISA

I would always invest across a range of funds in line with risk appetite. However, for interest, the top 10 funds used in September according to Fidelity are:

- 1 Standard Life Global Absolute Return Strategy
- 2 Fidelity Cash
- 3 M&G Recovery
- 4 **Invesco Perpetual High Income**
- 5 Jupiter Merlin Income Portfolio
- 6 Fidelity Gross Accumulating Cash
- 7 **Aberdeen Emerging Markets**
- 8 Henderson Strategic Bond
- 9 **M&G Strategic Corporate Bond**
- 10 **First State Asia Pacific Leaders**

The funds in bold are those which I use in the actively managed part of a portfolio.

Pension Changes

Last week the government announced some pension changes.

From 6th April 2011, the annual allowance (i.e. the maximum contribution that can be made into a pension in any tax year with tax relief) has been reduced to £50,000. However, tax relief will be given at the individual's marginal tax rate.

For final salary scheme members the contribution will be measured as 16 times the increase in the final salary benefit. So an increase in pension benefit of over £3,125 would exceed the annual allowance. This could be as a result of a substantial salary increase or an enhancement on redundancy or ill health retirement.

I think this is a good outcome; the annual allowance is a decent amount of money and not many people will be impacted.

From 6th April 2012, the lifetime allowance will be reduced to £1.5 million.

Again this doesn't seem unreasonable as a pension pot this size could buy an inflation protected annual income of almost £60,000. Not bad by most standards.

November

There are a couple of events in November worth noting.

November is Will Aid month where you can get a will by making a donation to Will Aid Charities. Suggested donations are cheaper than you would normally pay. Go to www.willaid.org.uk

Financial Planning Week from the 22nd to the 28th November. More on that next month.

Will Mowatt