

THE ADVISER.

January 2012

Welcome to the latest edition of our newsletter, our update on developments in the world of financial services.

If you have any questions about the issues raised in this issue, please do not hesitate to contact us.

UK update

The UK equity market rose relatively strongly during October as a whole, and the FTSE 100 index posted an increase of 8.1% over the month. Nevertheless, the index has fallen 6% since the start of the year amid increasing consternation about the eurozone's debt crisis and fears the global economy might be heading back into recession – and October was characterised by significant levels of volatility. The FTSE 250 index rose 6.7% during the month and the FTSE SmallCap index rose 1.9%.

At the end of October, the UK equity market yielded 3.3%, compared with a yield of 3.5% at the end of September. In contrast, the benchmark 10-year gilt yielded 2.4% at the end of October. According to a recent study conducted by Capita

Registrars, property is the only asset class whose yield outstrips that of equities – however, Capita points out that property investment incurs additional costs such as maintenance and transaction costs. Dividend payouts in the UK rose at an annualised rate of 15.9% during the third quarter, according to Capita Registrars. 228 companies paid a dividend during the three-month period – compared with 201 during the equivalent quarter in 2010 – and 196 of these companies raised or restored their payouts. Only five companies opted to cancel their dividend during the third quarter.

According to recent data from the Investment Management Association (IMA), the UK Equity Income sector was the most popular equity fund grouping during September – despite a modest overall outflow from equities – and the second most popular IMA sector overall.



An interesting start

When your new born child finally arrives, the very last thing you are probably thinking is how much they are going to cost you. However, according to the Liverpool Victoria Cost of a Child survey (2011), you are looking at a 21 year bill of over £210,000. One way to deflect some of the larger future commitments you might find yourself facing is to consider a regular savings arrangement. In many cases, at least to start with, deposit accounts are the first port of call and most banks even offer child-specific accounts. The benefit of these is they can allow irregular payments of spare money and you always know that your capital value is safe. However, the return you get is purely interest so you might want to seek out the highest rate you can find.

Contact Us:

Premier Independent Services, 4a Gildredge Road, Eastbourne, East Sussex, BN21 4RL. Tel: 01323 891234

 **PREMIER**
Independent Services
Independent Financial Advisers

Eurollercoaster

October provided another rollercoaster ride for investors in European financial markets, and investors were cheered by the news Greece was likely to receive its latest €3bn (£6.8bn) tranche of bailout money from eurozone member states and the International Monetary Fund. In France, the CAC 40 index rose 8.7% over October, while the German DAX index rose 11.6%. However, this deceptively robust performance masked substantial levels of volatility during the month and it is worth noting those indices have fallen by 14.8% and by 11.2% respectively since the start of the year. The Athens Composite in Greece posted an increase of 1.3% during October, it has fallen 42.8% since the start of 2011.

The share prices of European banks experienced wild swings during the month against a backdrop of ongoing concerns about the outlook for the eurozone. Towards the end of the month, the sector received a boost from the news European leaders had agreed a package of emergency measures aimed at tackling the region's debt crisis. Under the proposals, private banks holding Greek bonds will see 50% of their returns written off, the European Financial Stability Facility will be expanded and European banks will have to reach a higher capital ratio by June 2012 as protection against the risk of future crises. The news of the emergency rescue package was well received by investors, but this proved to be short-lived as the Greek Prime Minister announced plans – later withdrawn – to hold a referendum on the measures, triggering fresh fears over prospects for the eurozone.



Considering a remortgage

Most mortgage providers offer introductory discounts to attract borrowers that help to minimise the amount you pay each month when you first buy a house. However, once this introductory discount with a lender ends, you will revert to their standard variable rate (SVR) of interest – a rate set according to Bank of England base rates and company profitability. This can be quite high compared with any previous deal so, when it happens, you might want to consider remortgaging.

Whilst house prices have fluctuated over the past couple of years, they are now higher on average than they were five years ago. If you've had your house a while, therefore, you might find deals which were previously not available to you, simply because the amount of equity you have has increased. Of course, moving your mortgage will incur a fee and you should balance these costs against the savings that you might make by moving but some lenders might help with these costs, or your existing lender might offer a rollover deal which could minimise these fees.

Having said that, such deals are now less common than they were a few years ago, when lenders were less discriminating about the amount and quality of business they took on. It is worth remembering that, if you took out a very competitive mortgage, you might also find yourself trapped by early repayment charges, even after your discount has ended. However, rather than just take whatever is on offer, it is always worth checking the alternatives.

Avoid surprises

The investment decisions you make about how to invest your pension could have a significant impact on your final income in retirement. Regardless of how wide the fund choice, however, the fundamental decision is the same: how do you blend the four main asset classes – equities, property, bonds and cash – to fit your risk versus reward balance. Equities have provided the best return over the long term, but are also the most volatile, whereas at the other end, cash preserves capital but does little to protect against inflation and offers no capital gain. It is common therefore to start with more in equities, to maximise the growth potential long term, but then switch those gains into less volatile assets as your retirement date gets closer.



Premier Independent Limited trading as Premier Independent Services is an appointed representative of The On-Line Partnership Limited which is authorised and regulated by the Financial Services Authority.

This newsletter is supplied by Marketing Hub and as such we are not responsible for the content. The content is not to be taken as a personal recommendation, and we suggest that before making any decisions you seek advice from a professional adviser.