BLACKTOWERMAGAZINE

ISSUE ONE www.blacktowerfm.com

BFM

Iveagh Fund

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Meet the new Costa Blanca Team

Qualifying Recognised Overseas Pension Scheme

Losing Interest?
Saving Solutions

LOOKING FOR INCOME? STRUCTURED PRODUCTS MAY BE THE ANSWER

Welcome

The last 2 years have probably been the most difficult period in financial history for the past 70 years, where we have seen unprecedented levels of stock market volatility and losses, together with probably the most serious banking crises in living memory.

During this period many of our clients have experienced the most worrying of times, asking questions such as; can we trust our bank? What happens if our bank or investment provider becomes insolvent? Questions perhaps we have never thought to ask before, always believing that our institutions are financially secure.

There is no doubt recent history will change our attitudes forever.

We at Blacktower Group like most, if not all, advisers within financial services have found it necessary to revisit and question many of our traditional methods of financial planning.

Also during this period of time it has been absolutely vital for us to be available to provide information and opinion on clients' investments and arrangements on a more frequent basis than previously expected.

It is entirely honest to admit that all financial advisers have had to re-think some pretty basic assumptions especially when considering risk – no longer can we just assume for example cash is safe, we now must consider where we put cash and take into account the solvency of the institution we deposit with.

I believe these additional considerations endorse the fact that it is essential for clients to call upon professional advice.

During 2008 I am very proud to report that Blacktower Financial Management Ltd our UK based company was awarded the highly prestigious Chartered Financial Planners Status by the Chartered Insurance Institute.

This we believe makes us the only truly International Firm of Financial planners and Wealth Managers operating both in the UK and offshore to hold such an award. This is an endorsement of the level of client service we provide and the quality and professionalism of the advisers working within our organisation.

Lastly, I hope you enjoy the magazine and please don't hesitate to contact us with your comments or for any additional information or advice you may need.

Kind regards,

John

John C Westwood – Group Managing Director
For & On Behalf of Blacktower Financial Management Group

FINANCIAL PLANNERS CII CHARTERED

1986 · 2006 20 Years

BLACKTOWER FINANCIAL MANAGEMENT ACHIEVES CHARTERED STATUS

The Chartered Insurance Institute (CII) has awarded the prestigious 'Chartered Financial Planners' title to Blacktower Financial Management Limited, a leading provider of financial advice. Blacktower Financial Management in the UK, together with its sister company Blacktower Financial Management (International) Ltd which is based in Gibraltar, specialise in providing financial planning advice to both UK Residents and Expatriates throughout Europe and the Middle East.

Located in offices within Spain, Portugal, France, Gibraltar and the UK the company is rapidly becoming one of the major advisers within this market.

Chartered status is an exclusive title only awarded to firms which meet rigorous criteria to professionalism and capability. All Chartered Financial Planners commit to the CII's Code of Ethics and Conduct reinforcing the highest standards of professional practice in their business dealings.

Blacktower Financial Management specialises in providing advice on all types of investment, pensions, life assurance and mortgages for individuals and businesses together with cross border investment and tax planning for English speaking Expatriates.

Mr John Westwood, Managing Director, says:

"Securing Chartered Financial Planners status is a landmark for our company, we have always prided ourselves on being thoroughly professional in everything we do, and to receive external recognition in this way is very gratifying. As Chartered Financial Planners, we reinforce our commitment to the highest levels of service to our customers."

To date only just over 100 firms have achieved Chartered status, indicating that this is a highly exclusive award reserved for the leading firms within the financial advice market.

The CII has 90,000 members in 150 countries and it the world's largest financial services professional body. Serving the insurance, savings and financial services markets it works to enhance professional, ethical and technical standards.

For further information
contact Blacktower's UK offices on 00 44 (0) 1372 844 344.

Contents

Meet the New Costa

Ian Whitby has recently joined the Blacktower Group in the capacity of Regional Manager, covering the Costa Blanca/Calida area of Spain.

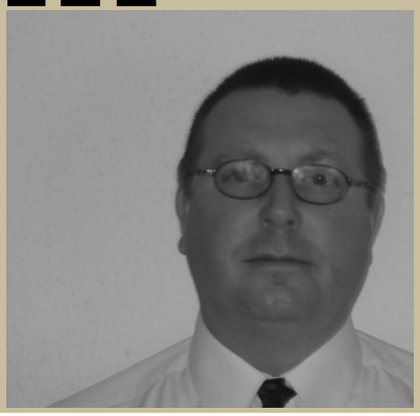
IAN WHITBY

He brings with him 29 years of experience in financial services, having worked with prominent IFA's in the UK and latterly at Director level with International Life Companies. Like all Blacktower's advisers, Ian is fully qualified and licensed by the Financial Services Commission in Gibraltar.

Ian has attained a detailed knowledge of International products to enable him to provide a holistic approach to wealth management advice to ex-patriates and those with cross-border interests. He has attained a detailed knowledge of International products and tax-friendly structures to assist with asset building, protection and estate planning.

As with all our advisers, Ian will provide clients with independent financial planning advice from the whole of the market place, which includes a comprehensive range of the world's most respected financial institutions.

LEE HODGES



Lee has worked in the financial services industry since leaving school in 1983, joining a firm of stockbrokers in the City of London. He then moved to an investment house in 1989 (Save & Prosper), starting in their pensions department, and ultimately being promoted to a trainer, where he was responsible for training advisers on all aspects of financial planning.

Having qualified as an adviser in 1996 (Financial Planning Certificate as issued by the Chartered Insurance Institute), Lee moved and settled in Spain in 1997. Lee has been actively advising clients on the Costa Blanca for over 12 years. Lee lives in Javea and covers all of the surrounding area.

After 17 years experience in the UK, Carole moved to Spain. Carole holds advanced level qualifications in tax, trust and investment planning, together with equity release and long term care fees planning, working with clients who are close to or beyond retirement age.

CAROLE JACKSON

Her clients are by recommendation from solicitors with whom she has worked closely to add to the legal services that they offer. She prides herself on her extensive knowledge and is now close to being awarded the prestigious Chartered & Certified Financial Planner licences.

Blanca Team

CHRIS SIDMAN

Chris started in financial services in 1984 with the Prudential Assurance Society, eventually progressing to become their corporate pensions consultant.

He then joined Legal & General before commencing his career as an IFA. During this time, he built up an established client bank through his professional connections.

In 2002, Chris and his wife Mary emigrated to Spain for a change in lifestyle, where he established 2 businesses, servicing clients' general insurance needs.

Chris has maintained his interest and knowledge of the financial markets and together with his experience of the Spanish Tax System, is well placed to advise on all aspects of financial planning.

DAVE WALLIS-POWELL

Dave has over 12 years experience in financial services in the UK and in Spain. He began his career as an adviser with Halifax Financial Services later to become HBOS. Dave then moved to Skipton Financial Services one of the UK's largest Independent Financial Advisers where he quickly progressed to become a Senior Adviser specialising in investments and Inheritance Tax mitigation.

Dave is currently in the process of attaining the status of Chartered Financial Planner, in line with the Blacktower Group's status as Chartered Financial Planners.

In 2005, Dave and his family moved to Spain where he worked as an Appointed Representative for another financial organisation, developing a new client base in the Costa Blanca/ Costa Calida before deciding to join Blacktower Financial Management as an International Financial Planner.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WINE in MODERATION
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New Year Hope

By Mike Kew: *Investment Director - Williams de Broë*

There is no escaping the reality that the collapse of credit markets over the second and third quarters of last year has done very serious damage to the world economy. We are now only just starting to see the fall out from this as companies around the world lay off staff in a traditional response to sharply reduced sales and profits. The precise cause of the worldwide recession matters little, what is important is that the policy response is one of economic stimulus. Thus after the best part of a year tormented by the twin devils embedded in stagflation, both markets and monetary authorities now have only the cyclical downturn with which to cope. Inflation has temporarily been blown off the landscape, meaning that the issues have become much simpler – how bad will it get? How long will it last? And how much is already priced in?

One of the myriad of lessons learned over the past twelve months though is that the dividing line between a confident prediction and guess work is so thin that the two are indistinguishable. Bearing this in mind, we still see a growing number of reasons why equity markets will make good progress during the year. Please note though that this is "during" and not "over" 2009 – there is an equal number of reasons to look forward to the end of the year with a considerable degree of caution.

First and foremost, the relative valuation of government securities (gilts) and equities has reached such an extreme level that it is difficult to see any value in the former. 10 year gilt yields of 3.4% compares with the dividend yield of the FTSE All Share Index of 5.3%, which is some 55% higher, although one must accept some dividends cuts are likely. Consequently a belief that gilts remain attractive compared to equities would suggest that we are in the very early stages of a prolonged deflationary depression.

Our willingness to believe that at some point we will enter a period of better equity performance is supported by the high institutional cash levels held by pension and life funds which are reported to be at record levels, and with the interest earned on these cash deposits now negligible, there is an investment need to put these monies to work better. As previously mentioned, with gilt yields so low, it is unavoidable that a good proportion of this cash will be put into either equities or corporate bonds. The fear of corporate failure has seen spreads – the premium yield demanded from bonds issued by companies over and above gilts – widen to levels not seen since the depression of the 1930's. The swing of the pendulum in favour of equity as the means of financing companies, as opposed to debt, will see stronger balance sheets become the norm; this should also act to the benefit of the holders of corporate bonds which in the UK provide yields of around 8%.

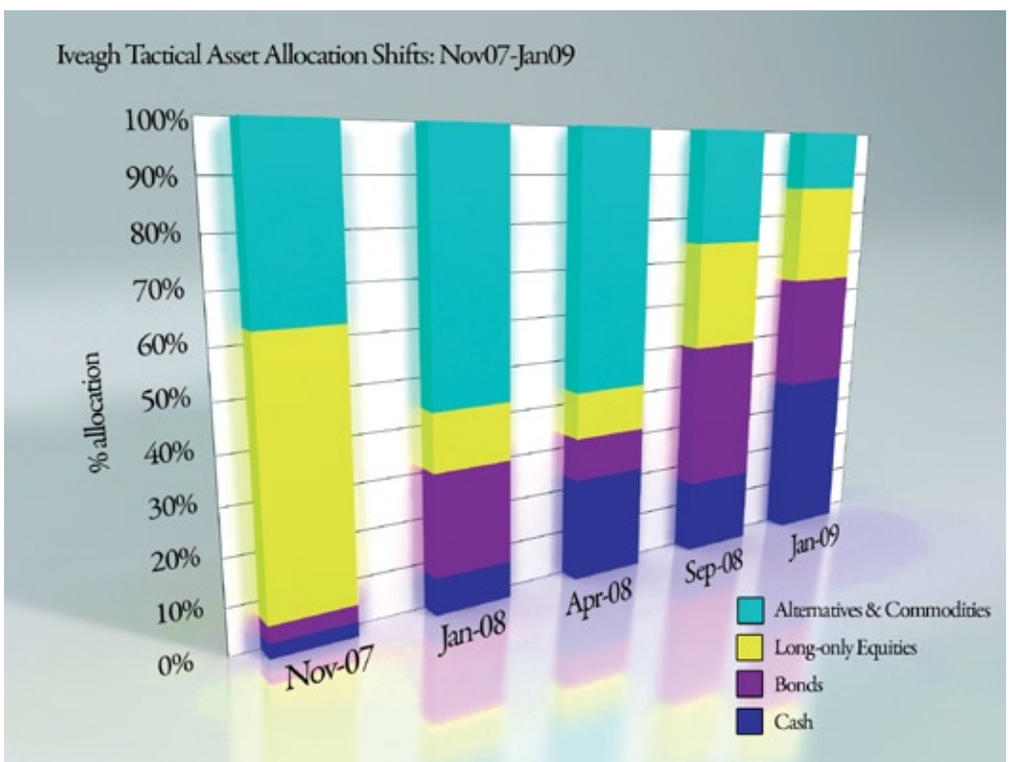
Our longer term concern however is what the reaction will be when it is realised that the inflation genie has been let out of its bottle and what the policy response will be. Gordon Brown's belief that he has saved the world's banking system is sadly misplaced, he has merely postponed a large degree of pain until the next cycle.

At some stage though, very probably when the economic data is still dreadful, markets will want to believe that at least some of the global reflation package will work. This will see gilts fall and equities and corporate bonds rising in price as investors switch out of the safe havens of 2008 and into the likely winners for the year ahead. We are therefore looking to 2009 with guarded enthusiasm.

Iveagh Wealth Fund

Asset allocating

Private banks and asset managers are now facing a serious test of their traditional asset allocation strategies as extreme volatility throws into question their portfolio modelling techniques.



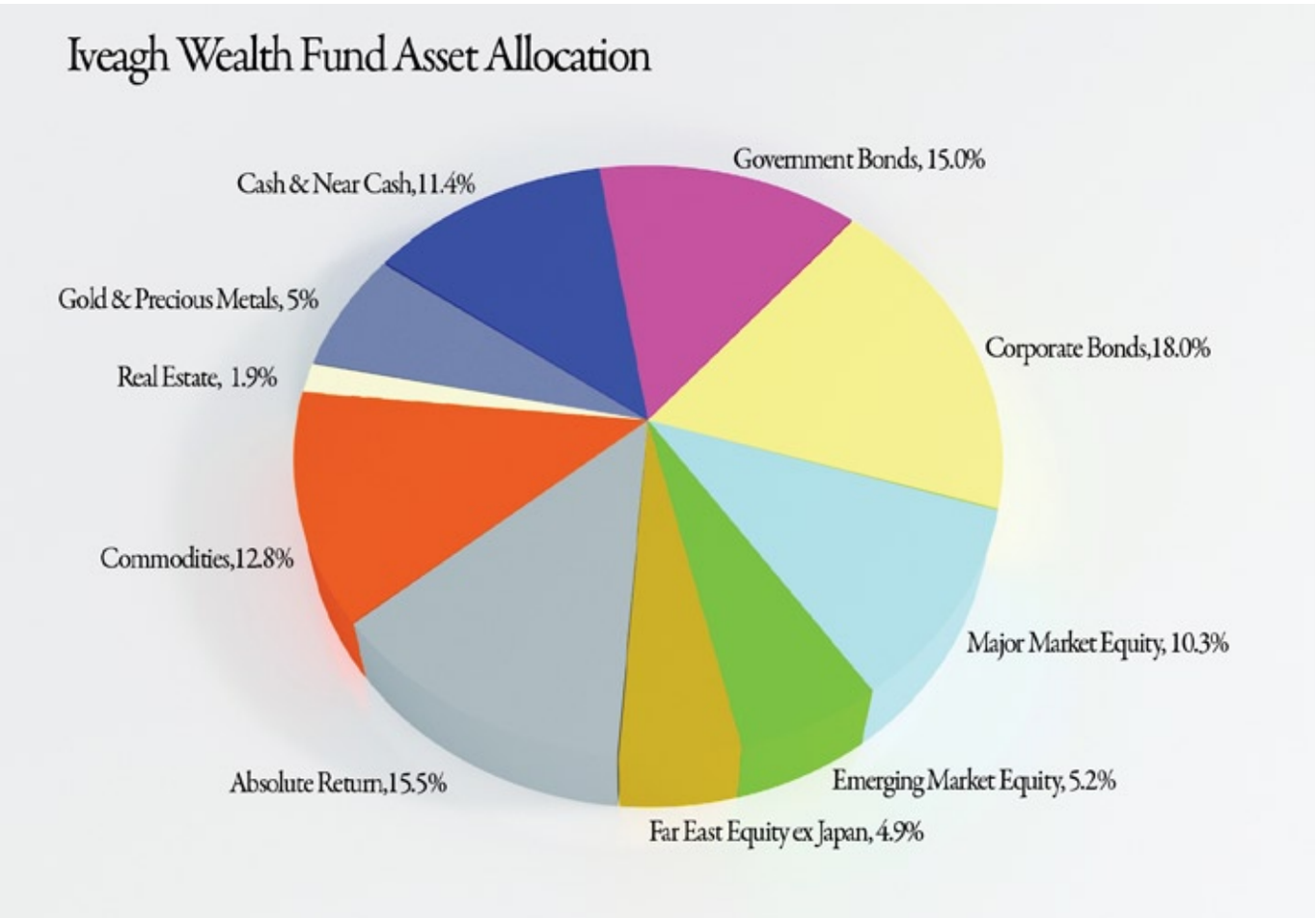
Typically a private client is given one of 3 basic model portfolios; cautious, balanced or aggressive. Each portfolio will hold a different level of equities, fixed income, cash and property according to the risk profile offered by the model. Often the percentage allocations will be static with the manager relying upon long term asset appreciation for the portfolio to deliver the desired return. Modern portfolio theory would suggest that by combining different asset classes historically showing little or no correlation, all will work out in the end provided the client has a long enough time horizon.

Trouble is, global deleveraging has meant that investing across previously uncorrelated asset classes has offered little or no protection and this method of managing client money has resulted in unexpected losses, particularly given the events of 2008. Even some so-called cautious managed funds are showing losses of 20 to 30%. Some managers say it is foolish to stick to an agreed investment mandate designed in times when markets were far more predictable. The fund managers at Iveagh have launched a unitised fund aiming to mirror the asset allocation service provided for their family office clients and the Guinness family. The Iveagh Wealth Fund targets a return of 10% per annum using sophisticated portfolio optimization and asset allocation techniques to achieve this aim with constrained risk. The fund gives exposure to all major asset classes worldwide and makes extensive use of exchange traded funds to obtain maximum diversification at minimum cost. When appropriate, tactical allocation adjustments are made to the portfolio to increase return or reduce downside risk.

for today's markets

By John Westwood: *Managing Director*

John Ricciardi and Cambiz Alikhani, co-fund managers of the Iveagh Wealth Fund believe that asset managers need to make significant asset allocation shifts in times of cycle abnormalities, like those seen in 2008. Ricciardi's specialism in tactical asset allocation and Alikhani's expertise in fixed income and credit markets has led several Sovereign Wealth Funds to work in conjunction with Iveagh.

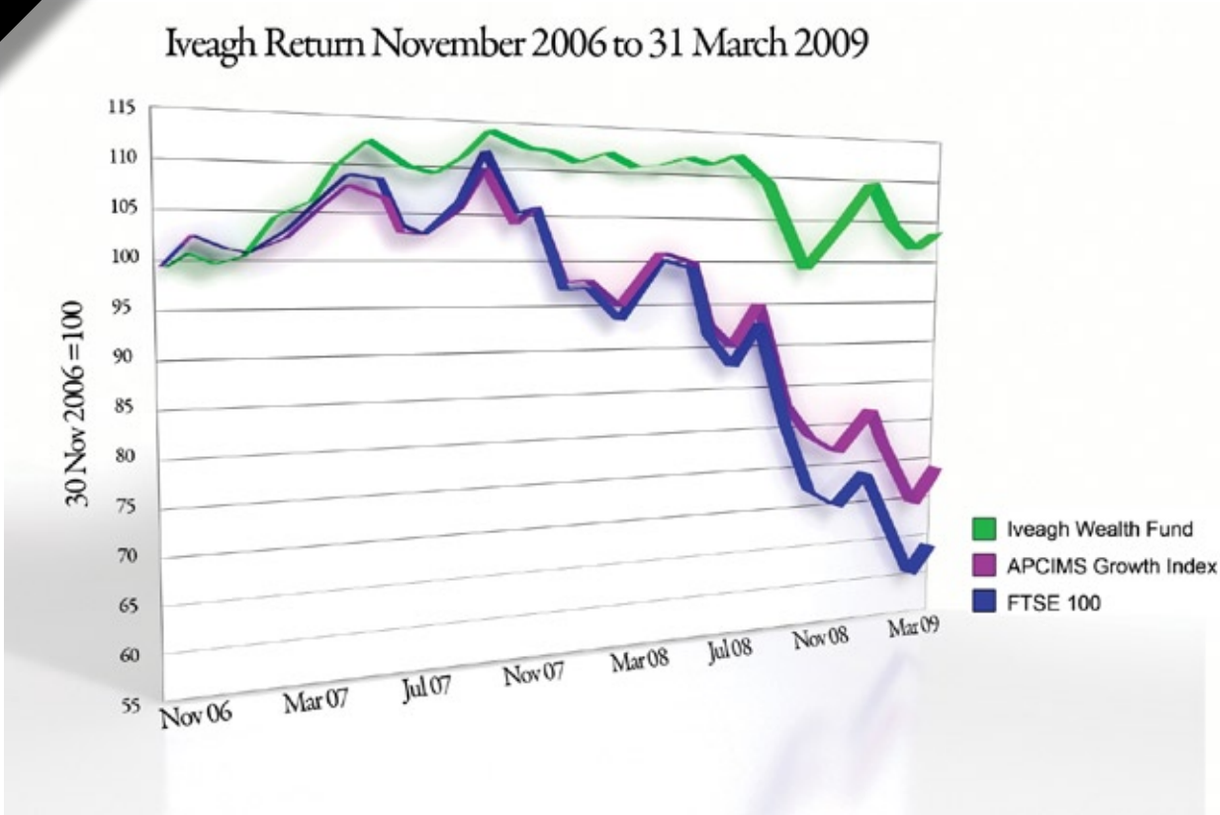


Iveagh has delivered exceptional results; over the two years since they have been managing the Guinness family wealth they are still in positive territory and the portfolio suffered only a small single digit drawdown in 2008.

With 2008 bringing us the worst combined credit, commodity and equity market crash for seventy years, these results have provided a ringing endorsement of the processes Iveagh employs to preserve and grow client wealth.

Iveagh Wealth Fund (cont)

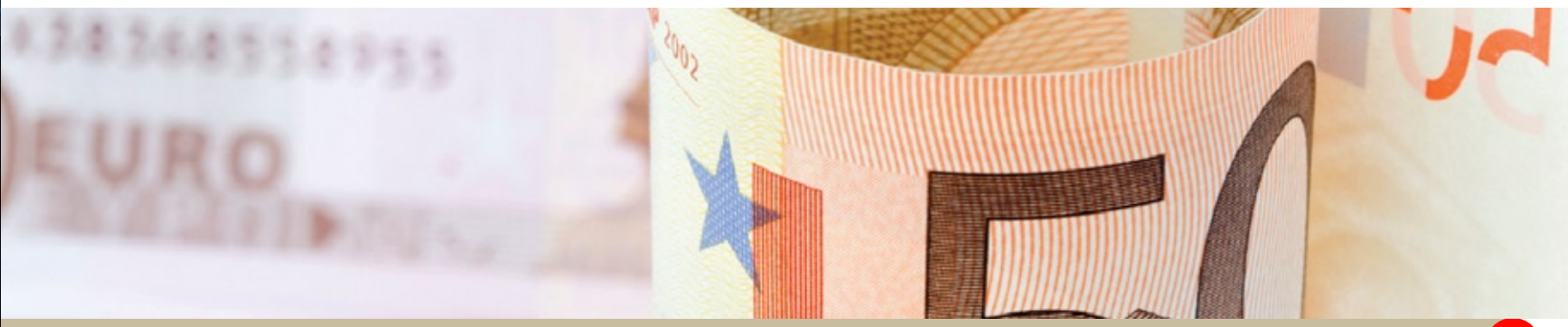
By John Westwood: *Managing Director*



Iveagh Limited are regulated by the FSA in the UK and the Iveagh Wealth Fund is listed on the Dublin stock exchange as a UCITS III fund. The fund is therefore acceptable to all life offices, SIPPS and fund platforms and is suitable to be held within European regulated life bonds.

This fund now forms one of the core holdings for Blacktower clients and has helped many investors in riding out the worst of the financial storms of 2008, without incurring significant losses to their investments.

Investment contracts are intended as a medium to long-term investment. Unit values in investment linked contracts, and any income from them can go down as well as up, and you may not get back the amount invested. Unit values in investments abroad may rise and fall due to exchange rate movements. If contributions are invested in a With-Profits fund, future bonus rates cannot be guaranteed and may vary.



Unlock your

A recent development in the world of Pensions could be, for many expatriates, described as the "best thing since sliced bread!"
A new type of scheme which allows you to transfer your UK pension overseas is now available and called QROPS.

For many people the whole subject of pension schemes appears complicated and QROPS may be seen as just one more unpronounceable acronym! However, don't despair because the concept is really simple and QROPS may be the very solution you have been looking for. So if you have a UK Pension .... read on.

A Bit of Background Information

It has always been possible in certain circumstances to transfer registered UK pension benefits overseas although it was not without difficulties, restrictions and possible taxation. Recent changes in legislation followed by development of new products has simplified the process and also introduced an element of "certainty". But best of all, QROPS offer some distinct advantages over UK pension schemes.

What does QROPS mean?

Qualifying Recognised Overseas Pension Scheme

As the name suggests, these new schemes are not some wishy-washy concept created by marketing boys but proper legal arrangements fully approved and recognised by Her Majesty's Revenue and Customs. HMRC even publish a list of all the schemes which qualify. You can see this list on the HMRC website.

Pension

By Ian Whitby: *Regional Manager - Costa Blanca*

What is a QROPS?

A QROPS is a recognised overseas pension scheme that meets certain requirements. The rules of the scheme must be broadly equivalent, in terms of tax treatment, to a UK registered pension scheme and the scheme manager must provide Her Majesty's Revenue & Customs (HMRC) with information on certain 'events'.

However, if the QROPS is administered in a country where pension rules are more flexible, there can be great advantages for individuals once they have been non-UK resident for at least five tax years. Please note…The individual does not necessarily have to reside in the country where the QROPS is domiciled.

How are QROPS structured?

QROPS are structured in a similar manner to UK pension schemes; i.e. there is an investment vehicle which is owned on your behalf by a pension administrator (trustee). This trustee must be based outside the UK and approved by HMRC as a QROPS administrator.

Through the investment vehicle you can access a wide range of cash, bond, property, hedge, equity and commodity funds - and switch between these funds as market conditions change.

Previously €2.9m
Now available at an incredible
€1.9m

Want to save a million Euros?

villa Arabesque

This truly magnificent villa is set in spacious grounds on the south side of Montgo in Javea and enjoys stunning views of the valley below.

This 750m² villa sits on a plot of 3800m² and consists of 4 double bedrooms, 4 bathrooms, and a large, exceptionally equipped kitchen, an office with full internet connection and even its own cinema, this is a property for those who demand only the very best. The villa has a magnificent entertainment area able which accommodates 12 guests comfortably. The gorgeous garden and pool are all completed to the highest standard offering both luxury and privacy.

WANT TO SEE MORE?
Contact Alistair Barton at Villalux on **0034 96 579 4059** or email **Alistair@villalux.com**

Unlock your Pension (cont)

What are the Advantages of QROPS?

Of course, these schemes will not be right for everyone but they do provide tremendous scope for improving the flexibility and tax efficiency of a UK pension arrangement. Once you have been non-UK resident for five complete tax years, a QROPS has HUGE advantages…..

- No need to buy an annuity – Many UK personal pension schemes may allow you to draw income directly from the fund, but at 75 you have to either buy an annuity or go into a system known as ASP (Alternatively Secured Pension) where the fund can be taxed by as much as 82% on death. With a QROPS there is no requirement to buy an annuity at 75 or go into ASP, this allows for more flexibility and ……
- No Inheritance Tax (IHT) – Under a QROPS the fund can pass free of IHT to your spouse or children.
- Wider range of investment possibilities – QROPS generally offer a wider range of investment options including in some cases direct property holdings. Although most restrict residential property to that held through a corporate structure.
- Loan facilities – some QROPS offer favourable loan facilities – borrow against the value of your pension fund.
- More flexible benefits – dependent on the jurisdiction, QROPS can offer a far more flexible approach to the level and style of benefits payable than that offered through any UK scheme. This can also be in respect of the amount of lump sum cash payable.
- Transfer "Protected Rights" – These are benefits that are accrued in respect of contracting out of the UK state scheme. It is normally not possible to transfer these benefits to UK Self Invested Personal Pensions but QROPS are generally able to accept such payments.
- Invest in any major Currency. QROPS can generally allow the fund to be held in any major currency. This can avoid exchange rate risks when receiving benefits.

This is by no means an exhaustive list of the potential benefits, but for many expatriates, QROPS do represent an almost unbelievable opportunity. I know this may seem too good to be true. However, these schemes are 100% legitimate and recognized by HMRC.

As with everything in life, the advantages do come at a cost which will vary from scheme to scheme but you can expect to pay slightly higher fees than a similar UK pension scheme. Typically, there will be a one-off set up fee plus an annual administration fee. Nevertheless, these costs are minimal compared to the risk of losing up to 82% of the fund to the tax man!

Please note QROPS cannot be used to transfer annuities or your UK State Pension.

As with all investments you should take great care and seek professional advice. Only consult advisers that are authorised and regulated by the Financial Services Authority (FSA) and are duly licensed to provide offshore advice and qualified in the field of pension transfers. Check the credentials and financial strength of the QROPS provider and make sure that the rules applicable to the jurisdiction in which the QROPS is based permit the advantages and features you seek.

"best thing since sliced bread!"

Lifestyle Expo '09

Lifestyle Expo '09 became a blue ribbon event as soon as Consul Juliet Maric cut the coloured silk to officially open the exhibition. Over the following two days thousands of people passed through the doors of the IFA Exhibition Hall at Alicante to cast an eye over the best of British and Spanish businesses on show. The visitors were able to browse over the colourful stalls and gain some ideas and professional advice to make their lives on the Costas a little bit more special.

The Blacktower stand was busy for most of the 2 days handling requests for support and giving advice to new clients. Many of the visitors to our stand expressed concern over falling interest and exchange rates.

Thankfully there are a number of solutions available that enabled us to help these clients. Volatility in the stock markets was also being highlighted as a major area of concern. It is extremely important that these clients receive truly Independent Advice, when considering their investment options.

The Alicante based consul said she enjoyed her tour of the show and meeting exhibitors. "This is all very positive and a very good celebration for the businesses operating in this region." She went on to explain that her job was primarily giving advice and assistance to British citizens – especially regarding the current economic situation.

"The more facts people are given, the better informed they will be, and an exhibition like this is an excellent way of giving people choices.

She went on to say, "It is also great to see British products – things like the cheese stall – being showcased for everyone to enjoy."

Thankfully for us our stand was parked right next to said Cheese stand!

LOOKING FOR

"If you are looking for a gross income of over 8.0% per ye

Protecting your capital and making suitable gains is a delicate and often difficult balance. At the present time having seen the UK Stock market fall by over 30% during the last 12 months and Bank Base Rate down at 0.5%, this is a practical impossibility. Then to make matters worse for ex-pats living in Portugal the Euro/ Sterling exchange rate is at a very low level compared to 3 or 4 years ago.

So for those needing to make a regular income from their capital what do you do? Structured Products may be the answer.

Whilst the name may be new to some people these products have been around for the last 15 years during which time they have developed significantly. So what are they and how do they work?

What are Structured Products?

Structured products are financial instruments which offer investors a range of different investment terms and risk profiles much like other mainstream investments.

At their most basic, structured products promise to protect some or all of the money you invest whilst providing some growth on your investment or a measure of predefined income throughout the life of your investment.

They are fixed-term products which means you have to be prepared to "lock in" your money for the term of the investment (often up to 5 or 6 years) but this often means that they have the potential to provide "enhanced returns" and can help with the financial planning process.

Potential benefits to investors

As the name suggests, these investments are 'structured' or 'engineered' by leading investment banks which allows a lot more product innovation than that available within other investments such as OEICs and unit trusts.

This innovation enables structured product providers to adapt their plans to suit the underlying market conditions and provide a wider range of potential features and benefits to suit the needs of a wider range of investors.

The costs are calculated up-front when designing the product and are "built in" to the terms offered to potential investors. In this way, investors have a thorough understanding of their potential returns without the need to worry about additional costs and charges eroding their investment.

A defined investment term allows potential investors to plan more effectively and gauge their potential returns over the term of the investment.

Growth plans which offer geared or accelerated returns linked to the performance of an established index. For example, 5 times any growth in the FTSE100 Index over the term of the investment.

Income plans which offer attractive levels of fixed income over the term of the investment and which stay fixed despite market volatility or interest rate changes.

A defined level of capital protection which can either guarantee the return of capital in full or establish set rules for the return of capital at the end of the investment term, depending on the plan detail.

The returns are often linked to the performance of a well-known and publicised index which enables investors to monitor the performance of their investment.

INCOME

ear then structured products may be the answer"

By Peter Fisher *International Financial Planning Adviser - Portugal*

Are they right for you?

Everyone's personal circumstances are different and it's important that you are investing your money wisely and in line with your overall financial objectives. For this reason it's always sensible to seek professional financial advice from an IFA before embarking on any investment strategy. They will be able to help you develop a sensible financial plan that looks at your immediate priorities and sets realistic objectives for the future.

Despite their potential benefits, structured products are not suitable for everyone. There are a number of questions you can ask yourself to establish whether or not a particular plan may be appropriate for you.

- Are you prepared to risk losing some or all of your money?
- Do you need access to your money over the next 3, 5 or 6 years, depending on the terms of the product?
- Do you have enough money put aside for emergencies?
- Are you happy with an investment that is linked to the performance of stock markets (or other assets) depending on
- the terms of the product?
- Do you have a minimum lump sum to invest? The minimum amount will vary from provider to provider.
- Do you want a regular income or are you looking for growth?

Structured products can be ideal foundation investments for a portfolio. Think carefully about the role of structured products within your overall investment objectives. How much protection will you need?
What compromises, in terms of performance, are you are willing to pay for this protection? If you are in any doubt about choosing components for your portfolio, you should seek professional financial advice.

Current Product

A leading provider is about to launch a new product offering the following benefits:-
A guaranteed income of over 8% paid every year for 3 years. Actual rate not yet announced.

- 100% capital protection provided by an 'A' rated investment bank with 50% downside protection
- Investment into 5 blue chip energy companies.
- Investment can be made in Sterling, Euros or US Dollar
- Minimum Investment €20,000

INVESTING FOR

There was a strong argument at the turn of the year that markets would improve at some stage and that this was likely while economic news was still horrible. What we see now is that markets are still depressed even while evidence is growing that the economic outlook is improving.

Low interest rates are playing havoc with the finances of people relying upon savings income. What are the alternatives to leaving your money on deposit?

Gilts and Corporate Bonds

Interest rate reductions and high investor demand have driven up gilt prices reducing their income yield. The ten year gilt yield has dipped below 3% for the first time since records began in the 1950s. The Bank of England has detailed its plans for quantitative easing (QE): it will essentially print money in order to bolster the economy because slashing interest rates has had no impact.

This is the first time the Bank has used QE, so the outlook is uncertain. The extra money in the system may be hoarded and thus fail to stimulate growth. Banks, firms and households are all deleveraging, so a sharp jump in lending and borrowing seems unlikely. If it fails, or doesn't work fast, bonds may rise further. But the expanded money supply increases the risk of an eventual jump in inflation.

INCOME
in today's economic climate

By John Barton *Financial Planning Adviser UK Office*

Corporate Bonds are effectively loans to companies which guarantee a fixed rate of interest and return of the original capital at a pre-determined time. They offer a higher yield than gilts (Government Bonds) because gilts are effectively guaranteed by the government. There is a large gap between government bond yields and those of corporate bonds as a result of the economic downturn and the impact of forced sellers requiring cash irrespective of valuation levels. Investing in a managed bond where the manager invests in a diversified portfolio of bonds can reduce the overall possibility of loss caused by individual companies defaulting on their obligations. Income from Corporate Bond funds held within an ISA is not subject to income tax.

Equity income funds

Income from company dividends has become more attractive over the past year as a result of the large fall in share prices. However, the capital value of shares could fall further or companies may cut dividends if the economic recession continues.

Structured products

These can offer a fixed income for a prescribed period and are similar to corporate bonds in that at least part of it is like a loan to a major financial institution. The income is enhanced by capital being subject to stock market risk.

When considering the options available, it is important to take individual advice based on your own particular circumstances.

ASK THE

Q. How do you feel investor sentiment changed over the year to date?

A. Whilst there remains a degree of hesitation for many investors to commit monies to the stock market, their perception of the global economic outlook has changed. It is perhaps best explained by imagining a glass with some water in it. At the beginning of the year the glass would have been viewed as half empty, whereas it is now seen as being half full, though in reality the level of the water has remained unchanged.

Q. So are you suggesting that there are no "green shoots of economic recovery"?

A. No, not quite, however the evidence does appear to be contradictory. On a positive note, recent consumer confidence and Purchasing Managers surveys in the UK suggest that the rate of decline in the economy is slowing. Furthermore, in their desperate need to improve balance sheets, many companies have deliberately run down inventories. This practice of destocking could provide great recovery potential when the upturn occurs. By way of example, it is estimated that in the US, stockpiles of manufactured goods fell by over US $100 billion in the first quarter of 2009. Further support for optimism is evidenced from the resilience of US retail sales in the first quarter of 2009.

Q. What are the concerns?

A. The primary concern for the Western World remains centred on the fragility of the banks. They have clearly received significant chunks of taxpayers' money to help restore their capital base, but it would be foolish to think that this Government assistance alone will be sufficient to restore sustainable bank profitability. Furthermore, whilst the banking sector has already written off considerable sums for past over-exuberance, there remains concern over the state of existing lending, particularly in relation to the commercial property sector.

Q. How are the prospects for Europe looking?

A. Not good economically. Europe entered the recession late and is likely to be late in recovering. Growing unemployment remains a major problem, likely to reach 15% in Ireland and 20% in Spain for example. At the same time, the economic engine of Germany is faltering. In the first quarter, the economy is expected to contract by 3.8% and officials anticipate the year end figure to be around -6%, a level not seen since the depression of the 1930s. Furthermore, Finance Minister, Peer Steinbruck has indicated that the Federal deficit will reach €90 billion by 2010 up from €11.9 billion in 2008.

Q. What would your advice be for investors who have missed the equity rally?

A. Equity markets could remain fairly range-bound for some time, until there is stronger evidence of an economic recovery and, therefore, I would be inclined to wait and begin investing on weak days. However, one should remember that it is very difficult to call the bottom of a market and, indeed, no bell will ring to remind one to invest. With this factor in mind, it is worth recalling that following the aftermath of the property and secondary banking crisis in the early 1970s, in 1975 the stock market rose 132% in just a year.

Q. Do you think that we will revisit the March stock market lows?

A. Based upon the evidence of first quarter earnings reports in the US, I do not think so. It is estimated that US companies have cut US $250 billion of annualised costs which, while having a negative effect on the economy, should lead to an improvement in their financial health. As a result, analysts are beginning to upgrade forecasts, particularly for 2010, and already 44% of estimate changes are upgrades. However, investor sentiment could dampen should any further cracks appear within the banking sector or if unrest in the Middle East intensifies.

Q. So finally, where are you investing your money today?

A. On the basis that I am a long term investor, not requiring to draw on these funds for five years or more and fully understand the volatile nature of the more esoteric markets, I am investing in the emerging markets. Put simply, I want to be invested where there is real wealth creation. This economic crisis may well have resulted in another nail in the coffin of western manufacturing with the emerging market economies being the resultant beneficiaries. In particular, emerging Asia have implemented fiscal stimuli of more than 4% of GDP this year, twice the level of the US, which should lead to their economies growing by around 7% p.a. over the next five years. I have therefore put my faith in these economies in the belief that they embrace an unparalleled entrepreneurial spirit.

Q. So should we trust this stock market recovery?

A. In March of this year, investors had taken an apocalyptic view on the outlook for corporate earnings. Global earnings had fallen 25% in 2008 and were expected to fall a further 10% in 2009 before the hoped for recovery in 2010. Taking the Dow Jones Index in the US as an example, it had fallen from its October 2007 peak by over 50%, making it only the third time since the Depression that it had fallen by 40% or more. With valuations of US equities at historical lows (price earnings multiples of 11), we should not be surprised to have seen a bounce in US equity prices, although a rally of approximately 30% appears extreme and I would not be surprised to see a degree of profit taking from here.

LONG TERM CARE AND EQUITY RELEASE

By Paula Smith *Group Administration Director*

Long term care is needed when a person becomes ill or suffers a disability that makes them unable to carry out their activities of daily living, with the probability that this disability will continue over the long term. Usually, but not always, it is the elderly who require care over the longer term. This is typically caused by either increasing frailty due to ageing, or the chronic aftermath of acute conditions such as a stroke or a fall, or severe arthritis.

Long term care can also be required if a person is mentally impaired. The most common form of impairment for elderly people is dementia, and a common form of dementia is Alzheimer's disease. A person suffering from dementia will need personal supervision and assistance to carry out normal daily activities.

The care required can take many forms, from simple domestic assistance to daily medical help and medication. Care may be provided in a care or nursing home or in the person's own home.

As it is long term in nature and often the person is unlikely to recover (a chronic condition), it is not covered by Private Medical Insurance, which covers acute medical conditions (i.e. conditions from which a recovery is expected).

What can you expect from the State?

The ageing population puts a huge burden on local authorities who have often closed and sold care homes, cottage hospitals, hospices and the like; preferring to pay private care and nursing homes to look after the elderly.

What the government requires local authorities to do, now greatly exceeds what the central government will pay for. So, local authorities have to use their limited resources to pay for care for those who cannot afford it. You may think that as a normal working or retired person, you are not rich, so would be supported. Sadly, the limits are very low.

Anyone who needs nursing care either in hospital, a nursing home or in their own home, will have their own individual needs assessed to determine how this care is paid for. A very small number of people qualify for Continuing Care because the NHS is responsible for their Care. For the majority of people requiring care in later life, they and their families will have to pay for long term care.

An Immediate Care Plan is a financial solution to cover the cost of care by providing immediately a regular, tax-free income towards the cost of care. A single lump sum payment guarantees that the income will be paid for the remainder of life. Dependent on financial circumstances, the plan can ensure that care will continue in the chosen care home for however long is necessary.

Blacktower Financial Management

can help you work out the shortfall for the cost of care, arrange the most suitable solution and make the most of your investments.

An Immediate Care Plan can enable you to ring fence your capital to ensure an inheritance, guarantee that funds will not run out and help to ensure the best care in the home of your choice.

When considering Long Term Care planning, it is absolutely essential that comprehensive and professional advice is sought from the outset. At Blacktower Financial Management, our Long Term Care advisers are fully qualified and take care to ensure that you consider the pros and cons of all available options.

Equity Release

For many retired people in the UK, their major asset is their home and it is therefore, important that this asset is put to best use. The equity (value) you have in your home is its open market value, less any mortgage or other debt held against it.

Equity release is a way of getting cash from the value of your home without having to move out of it. There are two main types of equity release scheme – lifetime mortgages and home reversions.

Lifetime Mortgage

This is a scheme that allows you to borrow a sum of money against the value of your home. It is a loan secured on your home, which is repaid by selling your home when you die or go into long term care.

There are no monthly payments to be made as all interest accumulates and is repaid when the property is eventually sold. These schemes are usually only available to people over 65 years old. The amount you receive will depend on your age – the older you are the higher the amount that can be released.

Most lifetime mortgages offer a 'no-negative-equity guarantee'. This is a promise that your beneficiaries will never have to repay more than the value of your property. At Blacktower we only recommend lifetime mortgages from members of Safe Home Income Plans (S.H.I.P.). The S.H.I.P. code of practice includes the valuable 'no negative equity' guarantee.

Home Reversion

With a home reversion scheme you sell all or part of your home to a scheme provider. In return, you get a lump sum or an income for life – or both and continue to live in your home for as long as you wish.

To qualify for a home reversion you should normally be at least 65. If you have a partner, the younger of you must meet the minimum age requirement. The amount you receive will depend on the current value of the property and your age(s). Older people can expect to receive more than younger people.

Lifetime mortgages and home reversions are regulated by the Financial Services Authority. This means that only authorised firms are able to advise you on these products. Lenders of lifetime mortgages are insurance companies, banks, building societies and other well known and reputable financial organizations.

There are a number of important matters to consider before you decide whether an equity release plan is right for you. Without a financial adviser, you have to compare the many schemes that are available in the market place. First, you must decide between a lifetime mortgage and a home reversion, and then you have to choose which provider offers the best scheme.

Before starting a particular equity release scheme, we will discuss with you various important questions including:
Could Equity Release affect your income tax position and entitlement to State benefits?
Could it restrict your options in the future?

You should also compare the return on your investment with the interest rate you will be paying on the lifetime mortgage or in the case of a home reversion, how much less than the market value you will get.

At Blacktower, our fully qualified advisers are there to help you every step of the way towards making the right decision. We are independent which means we can research the whole of the market place on your behalf.

LOSING INTEREST?

By Craig Jeffery

It has been revealed that more than 50% of savings accounts are currently paying less than 0.1% interest to their customers. This perfectly illustrates the serious situation which many savers are experiencing having to dig into their "nest eggs" which will severely hamper their long term financial health. They are frustrated because they are the ones who took prudent steps and now they are the ones who are being hit drastically. Cutting interest rates is a textbook response to a recession but people's livelihoods and day-to-day budgets are being devastated.

Despite a number of promises from the authorities there have been no tax incentives, no respite for savers and nothing seems to be on the immediate horizon. In many ways the savers are the forgotten section of the population as taxpayers money is aimed at the financial sector with substantial bailouts for many of the leading banks.

Is there a solution for these savers?

In September 2007 a unique vehicle was launched that would encompass two persuasive and yet underused themes in investment management.

- Wealth protection and guaranteed income
- Passive investing

This investment can provide a guaranteed income of 6.5% if taken or 7.1% AER if not, with a capital guarantee underwritten by an AA rated Bank which in turn is guaranteed by unlimited investor protection through an EU backed scheme.

What of growth prospects? Timing the market is impossible the only place to be is in THE MARKET but with the volatility which that brings at present can you minimise the downside? With the growth fund options of this investment you can, by locking into at least 80% capital protection guaranteed, secured and collateralised by the AA rated investment bank. With this low cost passive investment and a broad global exposure to the markets along with a daily profit lock in, these growth funds are suitable for all risk profiles and are potentially the only way to invest for growth without risking all of your capital.

Passive investment is attractive because it combines the benefits of rules-based risk management provided by carefully selected investment banks of the highest quality. The passive nature of the business removes the question of who is the expensive star manager and what decisions is he going to make in the future. The models are structured upfront and allow for the provision of both capital protection and security of income as well as the certainty of planning for investor's future.

directory

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