

Consider your options for investment



THORNTONS
giving you more

Are you concerned about the value of your investments or a drop in your income?

After a sustained period of growth, the UK economy has now entered a period of recession and inflation is falling – for the time being at least. We do not know at this stage exactly how the economy will fare, but there are investment options available for different eventualities.

While many shares have fallen in value over the last year, the dividend income from some of those shares has actually increased. This does not apply to shares in banks but other blue chip companies such as BP, Royal Dutch Shell and Vodafone. Many investment trusts are in the position to continue to pay the same and increased levels of dividends. The dividend yield from such shares compares very favourably with interest rates from banks and building societies which have fallen as the Bank of England continues to reduce its base rate.

There are sources of income available to investors and they include investing in gilts, shares and investment trusts.

Government securities, or gilts as they are better known, as the name suggests are issued by the Government. The interest, which is paid half yearly, is guaranteed for the term of the gilt and the nominal value of the gilt is guaranteed at the end of that period. However, the gilt can be sold at any time during its life at the prevailing market value.

Index-linked gilts are similar to the above gilts but the interest rates are lower although the capital value increases in line with inflation.

While investment into shares and investment trusts carries a degree of risk unlike the gilts above, some of these investments are giving dividend yields in excess of 5% net of tax. For the first time in 50 years, the yield on equities exceeds the yield on Government securities.

Over the medium to long term – about 15 years according to the Barclays Equity Gilt Study which analyses equity investment over the last 100 years – we know that it is reasonable to expect an average overall (capital plus income), annual “real” return of about 5% (i.e. on top of the inflation rate) on a well spread portfolio of ordinary shares. By holding a well spread portfolio, which can include any or all of the above investments, one should be able to maintain a balance of both income and capital growth.

If you have any concerns about your investments and would like a second opinion on your portfolio or you would like to look at options to increase income from your investments, telephone or email our Investment Managers, Manliffe Goodbody, Bill Cant or Matthew Brown for a no-obligation chat. Tel 01382 229111.

Share Dealing— A personalised service

Not only do Thorntons manage portfolios but we also buy and sell shares offering a personal, reliable and cost-efficient service. Our team of investment managers is headed up by Director of Investment Services, Manliffe Goodbody who has over 35 years' experience in banking and investment management working for Standard Chartered and Lloyds Bank and several

overseas and off-shore centres before joining Thorntons. Manliffe and the team currently manage over £80M of investments for clients with portfolios ranging from £50,000 to over £3M.

If you wish to organise a no-obligation meeting or you simply have a query relating to shares, please contact one of our Investment Managers who will be more than happy to help.



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Keeping Retirement Options Open

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Never has it been more important for us to take control of our pension and retirement planning. A recent survey by TNS Finance of 1000 55-64 year olds suggested one in five workers would stay on after the normal retiral age or postpone their retirement plans as a result of the recession and concerns about their pensions and savings. Following the demise in market values over the last twelve months, clients with Money Purchase Pension Schemes are facing a difficult decision. Do they accept a much reduced fund value to buy an annuity and therefore much less income than expected, or do they delay in retiring until markets recover?

There is another option, even if only until fund values recover. Income Withdrawal, or to use its previous name Drawdown, can be an attractive alternative. As with an annuity, you may still take 25% of the fund as tax-free cash but the balance can remain invested. You may then prefer to not drawdown any of the remaining funds until prices recover, but a level of withdrawal can be taken between a fixed maximum and none at all. This can be met by using only interest or dividend income on the underlying investments held or hopefully by realising any gains when markets recover.

Using Income Withdrawal is far more flexible as it allows you to invest in assets which suit your risk profile ranging from cash deposits to shares and, hopefully with the latter, you will benefit from any Stockmarket recovery. At this point, you could then benefit from any recovery in fund value by buying an annuity with a much improved fund value, and therefore increase the amount of secure income for the rest of your life. Other advantages include more favourable death benefits.

However, Income Withdrawal is a more risky alternative as it does involve leaving funds invested, and therefore the value can fall as well as rise. One final point relates to the change in the minimum retirement age for taking benefits. This will increase from 50 to 55 on 6 April 2010.

Therefore, for clients who have reached their 50th birthdays in the last two to three years or will do so in the next fifteen months, there is a window of opportunity to take tax-free cash and/or an income before the rules change. This market is developing all the time and therefore professional advice is crucial. Contact Graeme Young or Jeff Bernstein, Independent Financial Adviser for advice on this or other financial issues. Tel 01382 229111



Sarah-Jane Statham Eldercare Adviser
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Care in later life

Growing older can often make coping with the ups and downs of daily life a little more difficult. From time to time, we may find ourselves looking to someone for a bit of extra help or advice. Thorntons provide help for our more elderly clients to manage not only on a day-to-day basis, but also to help plan for the future.

As a family member, it can be difficult to know how best to help an elderly relative who relies upon you for assistance, and you yourself may also require practical help and advice. Sarah-Jane Statham is Thorntons Eldercare Adviser and can offer advice and practical assistance for elderly or vulnerable clients who live in their own home including home visits, paying bills, arranging repairs and liaising with carers and those who are in residential or nursing care homes from choosing a home through to liaising with care providers and providing financial/funding advice and assistance. Different levels of service are available depending on an individual's unique circumstances.

If you or a member of your family could benefit from this support and advice contact Sarah-Jane who will discuss ways in which we could help. **Tel 01382 229111**