We have now settled in our new offices at Says Court Farm and have overcome the initial teething problems that were almost entirely caused by our friends at BT!

Please accept our apologies if you encountered problems contacting us in the ten days following our move and for any inconvenience this may have caused.

2011 was another busy year and 2012 looks set to be just the same. Unfortunately, the economic concerns and turbulence at the end of last summer are still with us and look set to be a feature for at least the next six months. We do understand that the continuing low interest rates and volatile markets are a real cause for concern but we will continue to do all we can to help guide you and advise you during these tricky times.

For those of you who have yet to subscribe to our Monthly Investment Meeting Minutes, I would encourage you to do so as they have proved very popular with clients. As well as providing a summary of our thoughts regarding the prevailing investment and economic outlook, we will also now be helping to identify competitive deposits and fixed rate accounts for your Cash ISAs and other savings as well as, when competitive, National Savings products. We continue to keep our website up-to-date with interesting information and commentary so please visit us at www.fraserheath.co.uk for more information.
February 2012 Edition

**Investment Matters**

**It’s all about Europe...**

Since our last newsletter, Europe and the Eurozone crisis have continued to dominate the financial landscape. Seldom have markets been driven more by fear and sentiment than by fundamentals. Fund managers are dealing with the challenges in different, often contrarian ways and knowing which way to turn requires patience, nerve and experienced advice.

The Euro crisis has not been resolved despite many assertions by Eurozone leaders that agreements have been reached. The Markets seem to accept that Greece will default on its debts but if and when that happens we can expect more market turmoil, at least for a while. Whilst a lot of commentators think this may be a watershed moment that will enable markets to move forward, there are also fears that there could be a domino effect with Portugal, Spain and Italy all in the firing line.

China seems to hold all the cards with its massive balance of payments surplus and growth exceeding 8%. Europe is courting China to invest some of its wealth in Europe, but this is a story that has some way yet to run.

This is in stark contrast to most of Europe and the US. We have seen S&P downgrade most European countries and even the US in recent months. However the UK is managing to retain its AAA status for now.

Despite all the gloom, opportunities exist and good fund managers know where to look for bargains in any market, looking ahead to the time when the crisis recedes. We make sure that our clients get the best advice in these situations and our investment monitoring process is helping our clients to weather the storms. All our 5 model portfolios performed well against their benchmark for 2011.

2011 was a tough year, and we expect 2012 will undoubtedly bring its own challenges.

Helping our clients make the right decisions is paramount. One of the ways in which we aim to add value is our Monthly Investment Meeting Minutes. Here you can follow our thoughts and react more quickly to events.

**Staying Informed**

The Fraser Heath website is regularly updated with relevant information for our clients. Clicking the ‘Join Us’ link will give you a summary of ways to stay in touch with us via email bulletins, receiving our investment meeting minutes, our RSS feed, Twitter and Facebook.

**New Tax Year**

New ISA allowances

From 6 April 2012 new indexed ISA allowances are effective. They will now be £11,280 for a Stocks and Shares ISA, or £5,640 for a cash ISA and the balance of £5,640 into a Stocks and Shares ISA.

Please talk to your adviser for a personal recommendation.

“Investment markets have had a strong start to the year, seemingly shrugging off concerns over Europe and forecasts of a slowing global economy. However, diversification and identifying investment vehicles that provide varying degrees of underlying security remains important. We were therefore pleased to hear that a major provider of variable annuities and secure investment bonds has been able to improve the terms of its contracts. With interest rates staying low and pressure in the pension annuity markets, this is welcome news and adds an extra option for many clients approaching retirement.”

- James Collier, Director at Fraser Heath Financial Management Ltd
Retail Distribution Review
Changes to how we work with you

What’s changing?
If you have yet to hear about the Retail Distribution Review (RDR) it will not be long as the date for implementation is the 1st January 2013. We fully anticipate increasing amounts of coverage in the mainstream media and we therefore thought it helpful to give you an insight into what it is all about.

The RDR has been underway for some time and becomes effective from the 1st January 2013. The review, which was launched by the FSA, had two major objectives. Firstly, to raise the standard of knowledge in the financial advice industry and secondly to end the practice of companies paying commission on pension and investment related products. The cost of advice has traditionally been met by commission but is now to be replaced by the payment of fees. The fees can normally be met from the product or platform on which the investment is being established and so for the vast majority of our existing clients there will be no material change as we have been adopting this type of adviser fee, often referred to as customer agreed remuneration, for some time.

So why the change?
Raising Standards
For many years the Financial Services industry has suffered a poor reputation concerning the levels of knowledge and professionalism that has sometimes led to poor outcomes for clients. The majority of our advising staff have already achieved the diploma level of qualification required and we are also taking this opportunity to further improve our knowledge in specialist areas. This raising of standards will result in casualties in the Financial Services sector which is expected to contract by 15% to 20% making it harder to obtain independent financial advice for many.

Ending Commission
This may be regarded by many as good news but one should be careful what one wishes for!

The end of high and unjustified commissions, yes absolutely. But agreed commissions, referred to as Customer Agreed Remuneration, is broadly the same as charging a fee but where the actual cost for the advice comes from the product rather than by a separate payment. Additionally, commission payments do not attract VAT whereas advice fees often can. The charging for direct advice by way of an upfront fee may also deter some people from seeking advice in the first place. In our opinion this can hardly be considered a positive outcome.

With regard to ongoing trail commissions or advice fees, these will remain unchanged and we hope that as we have adopted the ongoing advice fee as a way of funding our continuing service there will be no material changes for most of our clients. We hope that in most instances we will be able to avoid having to charge VAT on these fees. Your individual adviser will elaborate further on this at your next review meeting, if they have not already done so.

Savings
The Post Office have issued a welcome Inflation Linked Bond.

There are 3 and 5 year options guaranteeing to pay either 0.25% or 0.5% above the retail price index (RPI). Minimum Investment is £500 – maximum £1m.

You will need to be 18 to apply and to do so you will need to download the application form from the Post Office website and post it to them before 27 April 2012. Any monies invested before 27 April will earn interest at 2.5% gross.

For more information go to www.postoffice.co.uk
Notebook - Pensions & Mortgages

Farewell to Contracting out!

The Government is ending Contracting Out from 6th April 2012. Anyone currently still contracting out will automatically be contracted back into the State Second Pension (S2P) from this date.

You will not need to contact your pension provider as no further National Insurance contributions will be added to your pension arrangement. Instead, and depending on your level of earnings, you may build up an S2P from then.

Funds previously built up from being contracted out of S2P are called “Protected Rights” and currently have to provide a pension for a spouse or civil partner when taking retirement benefits.

However, from 6th April 2012 “Protected Rights” will be the same as ordinary pension benefits and you will no longer be obliged to provide a spouse/civil partner pension at retirement.

If you would like to contract back into S2P a year earlier (from 2011/12) you need to notify your pension company before 6th April 2012. Fraser Heath will be pleased to provide independent advice as to whether it is right for you to contract back in now. We also think that for many people this change will prove a good time to review retirement plans in general and we would be pleased to help you assess your existing pension provision and plan ahead for the future.

Higher Rate Tax Relief under threat

With the Government still looking to save money it has been suggested by some commentators that higher rate tax relief could be under threat.

Don’t forget that at present you can get tax relief on your personal contributions up to your highest rate for contributions up to £50,000 per annum.

Auto Enrolment

If you are employed and not in a pension scheme, that will soon change with the introduction of Auto Enrolment which starts for larger companies in October 2012.

Auto-enrolment criteria:

(Applying to all workers who earn more than £8,105 p.a.)

- Workers will be enrolled if they are aged between 22 and the state pension age
- Workers will not be enrolled if they are already in a pension scheme that meets minimum standards
- They can opt out but that will mean a loss of the employers contribution

We will keep our employee and employer clients informed as the deadlines approach.

Fixed Protection

High earners might be affected by the changes to Pension Lifetime Allowance (LTA). This is reducing from £1.8m to £1.5m. If you have or expect to have a pension around this value, then you will need to look at Fixed Protection by the end of the tax year. To ensure that you do not suffer any penal tax charges unnecessarily speak to your adviser if you think this applies to you.

Mortgages

Interest rates are staying low for now, but lending criteria is hardening making it tougher for some people to get a mortgage.

The Mortgage Market Review will be implemented in the next year which as it stands will tighten up rules for lenders and advisers following the credit crunch. Everyone will have to prove that they can afford the mortgage they are applying for, by verifying their income, demonstrating affordability. Also, unlike at present, the banks will no longer be able to sell you a mortgage without a full advice process and all the legal protection that brings with it.

To speak to one of our experienced advisers who have operated this way for years call Shaun Smith or Chris Howard on 0117 932 9797.

Helping you face the future with knowledge and confidence.
Visit our website or call us today for further information.

Fraser Heath Financial Management Ltd
The Stables, Says Court Farm,
Badminton Road, Frampton Cotterell,
Bristol, BS36 2NY

Tel: 01454 327788 Fax: 01454 327799
office@fraserheath.co.uk
www.fraserheath.co.uk

Important: The information in this newsletter is designed to inform you about our company and our services. Ideas mentioned are not a recommendation. Any decision you reach based on reading our content is your personal decision and we accept no responsibility for any loss suffered. For a personal recommendation, please contact us.