

# MJBrief

ISSUE 6 – Summer 2008

## Capital Gains Tax Changes

With the rate of Capital Gains Tax having recently been cut to a flat 18%, it's a good time to consider how this could effect your choice of investments. For those holding Unit Trusts (or OEICS) who are higher rate tax payers, this appears to be a significant tax cut, but is it?

The headline rate has dropped considerably, but the allowances for indexation and taper relief have been scrapped, meaning that assets held for a long time will not necessarily incur a lower tax charge. However, looking ahead the lower CGT rate creates planning opportunities for those that can manage their investments carefully to use the allowance and minimise their liabilities.

For those who already have to complete an annual Tax return and are good at keeping records for the Revenue & Customs, then investing in Units Trust would seem to be a good, tax efficient way forward.

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**Check latest tax rates on our Website:**  
[www.mjbpartnership.co.uk](http://www.mjbpartnership.co.uk)

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Others prefer investments that offer simplicity, and tax efficient income such as an Investment Bond. Whilst the funds do have equivalent basic rate tax deducted as they go, making them less tax efficient than Unit Trusts, there are other advantages. For example you can switch funds within an investment bond without a surrender and reinvestment, which could, in the case of a Unit Trust give rise to a CGT charge, (or certainly a Gain to record and report). Income (or withdrawals) of up to 5% pa are tax deferred and do not need to be entered on the tax return.

Where Inheritance Tax is, or may become an issue the Investment Bond is usually suitable for assigning into Trust, with a variety of Trusts available to meet most peoples' needs.

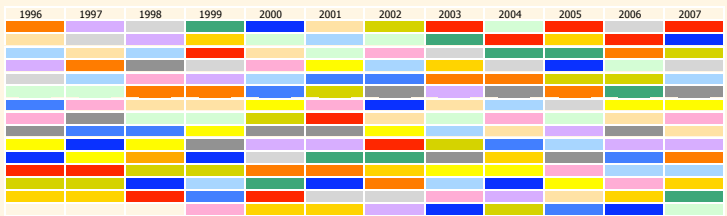
So Unit Trusts have become more attractive for some, but there is still a place for Investment Bonds.



See inside to  
**WIN** tickets to  
**Goodwood  
 Horse Racing**

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**Congratulations!**  
 To **Miss Ellis** from  
 Bosham. She was the  
**winner** of our  
**Su Doku Puzzle  
 Competition** in Issue 5  
 & won M&S Vouchers  
 worth £25!



## Asset Allocation – Spread Your Bets?

The key to investment portfolio planning is diversification by using many different asset classes. You should avoid following ‘trend’ investment themes and investing too much of your wealth into one area. We have seen people make these mistakes, for example investing heavily in technology stocks in 1999 to 2000, resulting in losses in the following years. Others have a tendency for indecision meaning that they hold cash for the majority of their savings and consequently have missed out on much better growth that has occurred on other assets.

The chart above shows the comparative performance of different asset classes for each year from 1996 to 2007. The best performing asset for each year is at the top of the chart with the worst performance at the bottom.

### Key to Asset Classes:

????	Gilts	Japan Equity
Commodities	Global Govt Bonds	Private Equity
Corporate Bonds	Gold	UK Property
EM Equity	Hedge Funds	UK Equity
European Equity	Index Linked	US Equity

You can clearly see that it is impossible to predict which assets will give the best performance from year to year. Therefore, a portfolio containing a diversification of assets from Cash to Emerging Market (EM) Equities provides the best chance of a good return over the years.

We can construct a portfolio for you taking into account your own circumstances and attitude to risk. Talk to us on 01243 771777 – we can discuss the options to find the best approach. If you would like a full sized copy of the above chart showing the performance figures, please contact us and we will be happy to send one to you.

**W** We have 3 pairs of Goodwood Horse Racing Tickets for admission to the Gordon Enclosure. To win the tickets work out which asset the yellow box represents & telephone or email the answer to [jo@mjbpartnership.co.uk](mailto:jo@mjbpartnership.co.uk). The 3 winners will be drawn from all the correct answers before the 15.08.08. The tickets are valid for all races in 2008 except Glorious Goodwood (last race in season is 12.10.08.)



## Life Cover – Protect your lifestyle!

If, sadly, your partner died, most people have their mortgage covered but have not considered other financial responsibilities. These would be significantly more if you have young children and need to spend on child care or if you decide to give up work to care for them at home.

### Example 1 (current position with two incomes):

Mortgage	£600	Car Expenses	£300
Council Tax	£150	Food	£350
Utilities	£110	Miscellaneous	£300
Telephones	£70	Child care	£0
Insurances	£52	<b>TOTAL:</b>	<b>£1932 spending pm</b>

### Example 2 (when partner has died – only one income):

<del>Mortgage</del>	<del>£600</del>	Car Expenses	£200
Council Tax	£120	Food	£300
Utilities	£110	Miscellaneous	£220
Telephones	£50	Child care	£500
Insurances	£40	<b>TOTAL:</b>	<b>£1540 spending pm</b>

As shown, even with your mortgage paid off, your remaining expenses are still considerable despite certain costs being reduced due to the loss of your partner and their income. Could you continue to live in your family home?

On the basis that a husband and wife aged around 35 years with joint annual income of £30,000 took out Life Cover on a 15 year term to provide:

- £1540 pm - this would cost **£10.33 pm**

To put this cost into perspective...

As a % of your income  $£1540 (£10.33 \times 12m / £30,000) = 0.004\%$

Please note that this premium is an approximate guide and our comparison charts linked directly to the insurance companies may vary slightly to that shown above depending on your age, health and occupation, but rest assured we will find the lowest premium for you.

If you feel you could benefit from talking through your protection cover needs, then please speak to one of our independent financial advisors on 01243 771777 – we can discuss the options to find the best approach for you and your family.

# Private Medical Insurance is not there to take over the NHS but to complement it.

Over the last 60 years, our National Health Service has been the envy of the world providing access to the UK population for medical care and had an envious reputation for its Accident & Emergency services, its approach to treating some conditions such as cancer, and the perceived 'free' access to medical care for anyone in the UK. But can you rely on a system that is overloaded by demand especially now that St Richard's is being downgraded?

## Private Health Insurance?

Most people's priorities when they are ill are to see the consultant and be treated immediately with NO Waiting Lists?

- If you have a busy life, then you need to plan the timing of your treatment. The NHS will provide treatment when it can but with Private Medical Insurance; you can plan your treatment to suit your schedule.
- Private Health Care will usually mean that the consultant that is responsible for your care will treat you personally and you will be buying medical insurance to ensure that you are treated by the experts.
- Most people find sleeping in a busy ward while recovering from an operation extremely difficult. In contrast Private Health Care will provide the peace and quiet to help you sleep.
- If you're self-employed, buying health insurance is absolutely essential, even a minor condition could prevent you working for months if you have to wait for the NHS to provide treatment. Having Private Medical Insurance on the other hand could mean that treatment is immediate.

**Now, can you afford not to consider Private Medical Insurance?  
Please call us now for a quote!**

## MJB Contact Details

If you are receiving this MJBrief on a half yearly basis you are entitled to have a Valuation of your policies or investments held with us.

Regular monitoring of your finances has been shown to be beneficial. If you haven't had a recent review we would like to hear from you.

**Please contact us by:**

phone: 01243 771777

email: [office@mjbpartnership.co.uk](mailto:office@mjbpartnership.co.uk)

website: [www.mjbpartnership.co.uk](http://www.mjbpartnership.co.uk)

write to us: 1a The Boardwalk, Northgate, Chichester, W Sussex, PO19 1AR

...or pop in and see us at the office!

**BURNS &  
ANDERSON**

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