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## Personal Wealth Outlook

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## SmartWrap—a new service for clients

**SmartWrap** is the name of our new portfolio management service that allows you to hold and manage all your investment assets together in one place—in an online **SmartWrap** account. For example, you might have a pension, an ISA and a number of direct investments in different mutual funds or stocks and shares. With **SmartWrap**, you can see all of these holdings together on one web page, which makes it easy to find out the value of your entire financial portfolio whenever you need to.

## Benefits to you

Everything about **SmartWrap** has been designed to help us look after your financial portfolio efficiently and effectively. And in doing so, to help you meet your financial goals. It makes planning for your financial future more straightforward than ever in a number of ways, by:

- Maximising the tax efficiency of your portfolio;
- Providing detailed reports on how your investments are performing;
- Making it easy to make changes to your portfolio - for example, switch to different funds or move money from one investment to another - at the click of a button;
- Allowing you to adjust your investment strategy when market conditions or your goals change, again all online and with no fees or charges;
- Helping you to secure the best deals for you by accessing discounted rates on an extensive range of funds; and
- Cutting out paperwork so we spend more time on advice and active management, rather than administration.

## Increased efficiency

In today's market it is important that you are able to make any required changes to your financial portfolio quickly and easily.

For example, stock market fluctuations could leave you exposed to more risk in certain funds than you are comfortable with. Moving from paper to online is a key here. Processes that may have traditionally taken weeks to complete—switching to a different fund, or obtaining an up-to-date valuation of one of your investments, for example—can be done in a matter of minutes with **SmartWrap**. Not only does this give us more time to spend on making your money work harder, it also means we can answer your three most important questions at any time:

- How much is my portfolio worth?
- How am I doing against my financial goals?
- What changes do I need to make to stay on track to meet my goals?

## Enhanced service

Providing investors with a prompt and responsive service has always been important to us. So has developing bespoke financial plans, conducting regular reviews and working closely with you to help you meet your objectives.

**SmartWrap** has been designed to facilitate such a service, in fact everything about it supports the active management of your money. And when we make recommendations through **SmartWrap**, our birds-eye view of your portfolio means we're doing it as part of the bigger picture.

Creating, developing and protecting your wealth remains our top priority, **SmartWrap** simply enables us to do this in a more streamline fashion to achieve the best results.

To find out more about our **SmartWrap** service, why not contact your usual Smart Wealth Management LLP Financial Planner.



## Ethical investments—value with credentials

Ethical investments are certainly not just about “green issues”. The thinking that puts the welfare of future generations at the heart of an investment strategy is also that which is likely to encourage the identification of opportunities that take into account the wellbeing of society, as well as the individual investor.

Many people may consider that there are only a few forms of ethical investment available to them, but in practice collective investments cover areas as diverse as environmental improvement, climate change, genetically modified foods, gambling and the destruction of rain forests. The ethical investment market is no longer the fringe activity it may once have seemed. Today there are more than 50 ethical funds (collective investments such as unit trusts, and open ended investment companies) offering investors a range of options. The principal benefit of using collective investments is that they remove the need to make specific decisions from the investor, relying instead on the expertise of the fund manager.

Some investors may be interested in enjoying even greater diversification by putting their money into a “fund of funds”. These are also collective investments but, instead of following their own investment strategy within clearly defined parameters, they instead invest in funds managed by those with a successful track record in the appropriate sector. The benefit of this is that as one investment manager starts to show weaker performance (as inevitably happens from time to time) the “fund of funds” manager can quickly and easily move investors assets to another manager. This can be particularly helpful when an individual investment manager moves from one company to another. Without the “fund of funds”, moving companies to follow a successful manager can be costly; with this mechanism, everything is taken care of by the managers who have experience of monitoring the performance of individual managers and evaluating when any changes are required.

Some investors, on the other hand, may wish to adopt a more hands-on and focussed approach. It is possible to create a portfolio that invests directly in the shares of companies which themselves follow an ethical business model.

Direct investments not only allow each investor to determine which companies follow a business strategy that is consistent with their own view of what is ethical, but also makes it far easier to avoid companies involved in activities believed to be harmful, such as tobacco production or armaments.

Interestingly, it is possible to use almost any investment strategy within a Wrap (see page 2), including ethical investments using both direct share ownership and collective investments such as unit trusts and fund of funds.

One further option that may not be immediately apparent is that self invested pensions (usually self invested personal pensions—SIPPs) can be used to create an ethical investment strategy as part of your retirement planning. SIPPs are highly flexible and can be used not only to accumulate a retirement fund but also as a mechanism for paying benefits. Up to 25% of the total pot can be taken as a lump sum (currently free of income and capital gains tax) at any time after age 50 (this rises to age 55 in April 2010) and an income drawn directly from the fund at anything from nothing each year up to 120% of the annuity available to an individual of the same age and gender. Benefits must be taken by age 75, or the right to tax free cash disappears.

To find out more about ethical investment, why not contact your usual **Smart Wealth Management LLP** Financial Planner.





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### Inheritance tax planning

Inheritance tax has long been seen by many as unfair. It is basically a tax on savings and for some people makes them 40% tax payers for the first time. The late Lord (Roy) Jenkins of Hillhead famously described inheritance tax as a voluntary tax for those who distrust their heirs more than they dislike the Inland Revenue (he was Chancellor of The Exchequer at the time in 1976).

Last autumn, the current Chancellor, Alistair Darling, sought to ameliorate the position by announcing the effective doubling of the inheritance tax threshold for married couples from £312,000 to £624,000 (for 2008/9). So has the problem gone away?

The short answer is “no” because while the rules are relatively simple, they require a degree of knowledge to apply; including what was the inheritance tax threshold when the first of the couple died and how much did they give to anyone other than their spouse (or civil partner) on death.

This is because the threshold on the second death needs to be reduced to take account of the value of any gifts made on the first death, allowing any increase in the individual limit between the two events. This means that the difference between all gifts made and the inheritance tax limit at the time is expressed as a percentage and then added to the threshold for the second partner to die in order to calculate the level above which the 40% tax rate will be applied.

So if, when the first partner died, the inheritance tax threshold was £300,000 (as it was last year) and he or she gave £60,000 to the children, with everything else going to the surviving spouse, then 80% of the threshold is ‘unused’ and can be added to the threshold when the survivor eventually dies. If that should occur this year, while the threshold is £312,000, then inheritance tax would not cut in until the estate exceeded £312,000 + 80% of £312,000 = £561,600.

Above this level, the tax rate is 40%, so on an estate of £1 million, which is not unrealistic due to high property prices, particularly in London and the South East, the tax due would be £175,360. Put another way, if you have five children and grandchildren between whom you wish to split your estate then, in this case, the Chancellor gets more than each of the other beneficiaries.

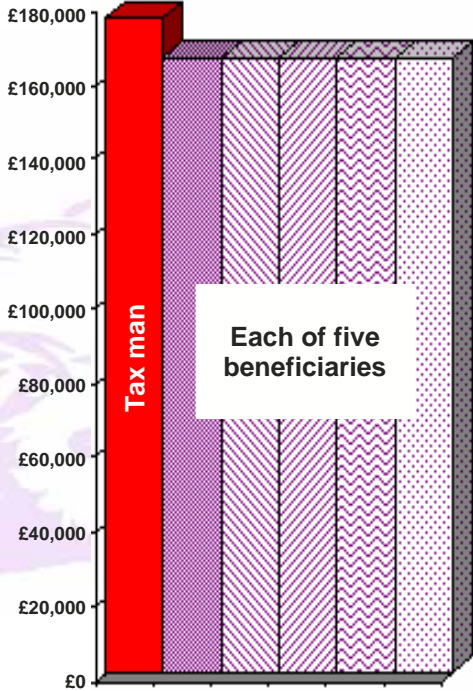
On an estate of £2 million, the inheritance tax payable in this case reaches a staggering £575,360. If the individual threshold was increased to £1 million, as has been suggested by some politicians, the tax due would be ‘only’ £400,000 – less if the ability to transfer the ‘unused’ threshold were to be retained.

The new rules represent a vast improvement on that which went before. However, it is still grossly unfair that money built up out of taxed income throughout the lifetime of hardworking couples should be subject to what is equivalent to the higher rate of income tax.

Unfortunately this, together with changes introduced in 2006 relating to the taxation of trusts, means that many inheritance tax mitigation plans put in place more than two or three years ago are likely to be completely – or at least partially – out of date. We strongly recommend that you have a professional review of your inheritance tax planning undertaken as soon as possible, if you have not done so within the last six months.

It is important always to seek independent financial advice before making any decision regarding your finances. For further information, please contact your usual **Smart Wealth Management LLP** Financial Planner.

### On an estate of £1,000,000 with “passed on” exemption of 80% from first death



## Medical underwriting

Most people tend to put on a little weight as they get older; perhaps due to getting less exercise, eating too much of the 'wrong' kind of foods and often being rather more contented with life.

But to become less satisfied with life, just think about the cost of insurance? As we get older, the cost of life and health insurance naturally gets higher. The older we are the greater the statistical risk of dying, or of becoming ill; so naturally premiums go up.

This applies mainly to plans like private medical insurance that are renewed every year. Long-term arrangements like term life insurance and 'permanent health insurance' usually have their premiums fixed at the outset and then remain constant. The cost is determined by your age and state of health (sometimes your occupation, too) at the time you start the plan, so getting your insurance in place as early as possible is a good idea, to keep costs down later on.

But while insurance companies have always included height and weight as factors in determining the cost of life and health insurance, the current trend towards counting Body Mass Index (BMI) is making this easier for them to use, but also for us to understand.

**The position is simple.** If you have a BMI of less than 18.5, you are 'underweight' (which is not a good thing); between 18.5 and 24.5 is 'ideal'; from 25 to 29.9 is 'overweight' (which probably include a lot more of us than we would care to admit) while above 30 is 'obese' and over 40 ... well let's not go there.

You can find your own BMI by visiting the NHS direct website and it can make salutary reading; not least because some insurance companies now increase premiums significantly for people above the obese level.



## Tell a friend or colleague

If you would like us to contact a friend, colleague or family member in order to outline our services, please complete the form below and return it to:

Freepost RRYB-CLBC-LSHR,  
Smart Wealth Management LLP,  
30-32 Sycamore Road · Amersham · Bucks · HP6 5DR

<b>Name of friend:</b>	<input type="text"/>	<b>Title:</b>	<input type="text"/>
<b>Address of friend:</b>	<input type="text"/>		
		<b>Postcode:</b>	<input type="text"/>
<b>Telephone:</b>	<input type="text"/>		
<b>E-mail (if known):</b>	<input type="text"/>		
<b>Please indicate any circumstances that you feel might help us when contacting the person</b>	<input type="text"/>		

<b>Your name:</b>	<input type="text"/>	<b>Title:</b>	<input type="text"/>
<b>Telephone:</b>	<input type="text"/>		
<b>E-mail:</b>	<input type="text"/>		



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## Treating Customers Fairly

Treating Customers Fairly (TCF) is integral to our business practices. It is a core element in the way we behave and transact business, our commercial dealings always take full account of the principle of Treating Customers Fairly.

We aim to provide full information to our clients covering the benefits, risks and costs of any recommended product or service provided. Our intention is to inform in a clear, fair and not misleading way so that our clients can understand what they can reasonably expect from our service and from any policy or plan recommended.

We aim to honour all commitments we make to our clients, if any dissatisfaction should occur we will investigate the underlying cause and take appropriate action whenever necessary. Our reputation is important to us, therefore, client satisfaction is vital and Treating Customers Fairly is implicit in all our dealings.

By completing the simple form below, you have the opportunity to tell us what you think about our service as well as to raise issues that you feel we should address both individually with you and through the pages of this newsletter, in future.

The other side of the form also gives you the opportunity to provide details of anyone who you feel could benefit from our services; think of it as a way to do your friends a favour unobtrusively.

**Every form we receive back by the end of August 2008 will automatically be included in a free prize draw for a good quality bottle of champagne. If the winner has also recommended us to a friend using the form overleaf, we'll make it two bottles!**



## Client satisfaction survey

Please complete and return to:

Freeport RRYB-CLBC-LSHR, 30-32 Sycamore Road · Amersham · Bucks · HP6 5DR

How satisfied are you with our service in the following areas? (1 = very dissatisfied :: 6 = very satisfied)

	1	2	3	4	5	6		1	2	3	4	5	6
Overall relationship with us							Do advisers understand your needs?						
Time taken to respond to queries							Do they provide objective advice?						
Accuracy of information provided							Do they explain how products work?						
Clarity of information provided							Are you kept up-to-date?						
Do you find our staff helpful?							Are there enough communications?						
Do you feel fairly treated at all times?							Your additional comments:						
Are your affairs reviewed regularly?													

How likely are you to refer our services to a colleague, friend or relative? :

Very likely  :: May do so  :: Unlikely to do so

Please indicate  here if you would prefer to receive newsletters by e-mail in future

<b>Your name:</b>				<b>Title:</b>			
<b>Telephone:</b>							
<b>E-mail:</b>							
<b>Please contact me about:</b>	Investments: <input type="checkbox"/>	Pensions: <input type="checkbox"/>	Family protection: <input type="checkbox"/>	Financial planning: <input type="checkbox"/>			
	Other: <input type="checkbox"/>						

## Economic review—June 2008

The last six months have been rather turbulent, in economic terms, but while many headlines have been negative, there is far from being total gloom on the horizon. One statistic that could keep us away from the spectre of economic decline (as measured by a fall in GDP for two successive quarters) is that employment remains relatively strong, other than in the financial services sector, which primarily affects the city of London. The other good point is that we have yet to experience high wage demands—which has been described as the dog that hasn't barked (yet).

Should inflation rise, but economic growth slow even further, we will experience what is called stagflation; but this is still far from a given. If interest rates are held at their present rate, however, it could start to hurt businesses, so a cut in rates is called for, but not expected, since the Bank of England is frightened of the 'demand pull' inflation associated with low interest rates. On the other hand, it has been argued that the Bank's inflation target is based on the wrong data and that it should really only look at core items, rather than the entire Consumer Price Index "basket".

Perhaps of greater significance is the government's inability to rein in its spending. The recent debacle over the 10p tax rate, which has had to be put right at a cost of £2.7 billion means that the government has had to increase its borrowing to just under 40% of Gross Domestic Product. This is the level set as a maximum prudent level, but a modest decline in tax revenue will immediately tip the country over the 'notional' limit. One solution found by the Office for National Statistics might be to re-define how GDP is calculated. This would be the equivalent for Alistair Darling of Gordon Brown altering the start date of the economic cycle, when he was Chancellor, in order to avoid breaching the "golden rule" that borrowing over the economic cycle should only be for capital spending.



The Chancellor may also end up backing down over the proposed change in Vehicle Excise Duty, which sees some cars facing a 24% hike in road tax next year. The problem is that this step, said to be aimed at forcing people to use more efficient cars, will actually affect those who bought what they thought were reasonable vehicles up to seven years ago. There is no way someone with a three year old car can change the CO2 emissions, so this is simply a retrospective tax with no real green credentials.

One good point is that the 2p fuel escalator is unlikely to be applied in September, although other forms of relief relating to high energy costs are likely to be few and far between and the government hides behind a "save energy" label. With oil prices almost 45% higher than six months ago, production in non-OPEC countries is quietly increasing. This could mean that fuel costs could come down over the next year or so, but not if the speculators do not have their wings clipped. According to investment guru George Soros, the current oil market has many of the characteristics of a "bubble". When it bursts, there could be freefall and it will be interesting to see who actually loses money, speculators, or the oil companies.

Most of the leading equity markets have fallen by about 5% to 6% during the past six months, with the notable exception of the Eurostoxx50, which has declined by 14% in local currency terms.

Sterling has fallen 9% against the euro and 3.75% against the dollar, making exports less expensive. This will be welcomed by UK manufacturers, if not those holidaying abroad.



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