# 2016

Prepared for
David and Lynn Friction

By
Andy Viser

20th January 2016

The Timebank Express

# FINANCIAL PLANNING REPORT

This report is based on the information provided by you at our recent meeting. If you see any inaccuracies in this report, or if you do not agree with any stated assumptions that may have been used, do please advise me immediately as this could have an impact on the advice offered.

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# What You Should Expect

You have engaged us to advise you how to achieve your objectives. This report is built in four sections for ease of reference.

## 1 Your Strategic Plan

- We will demonstrate that we understand your demands and needs
- We will outline how to achieve your demands and needs
- We will explain potential disadvantages of the plan

## 2 Explaining Suitability

- By outlining your investment experience and whether this correlates to the risks involved in the plan
- By balancing your financial situation with whether you can financially tolerate the risks in the plan

## 3 Instigate the plan

- By defining specific action that needs to be taken and the implications of the action
- By giving you details to consider that are appropriate to the complexity of the action
- By providing key points to be reviewed in the future to measure the success of the plan against the objectives
- By creating an executive summary of action, responsibility and timescale

## 4 Recommended Arrangements

- We will explain the different tax wrappers and products that are suitable
- We will explain the investment strategies that are suitable

# 1 Your Strategic Plan

| | Your demands and needs | Recommended Action | Potential disadvantages |
|---|---|---|---|
| **1** | You have a good level of accessible funds for a short term emergency, but you don't have any insurance for more fundamental risks. You want to ensure, however, that your family are financially protected should anything happen to you to affect your ability to support the family's standard of living. | **I recommend establishing three complimentary insurance policies that will provide the following cover:**<br>• **A plan that will repay the mortgage should either of you die or contract one of a list of critical illnesses.**<br>• **A plan that will pay half of David's income should illness prevent you from working for longer than 26 weeks.**<br>• **A plan that will provide an income to pay for care for the children if one of you dies before they reach age 18.** | If you set up insurance, and never make a claim on it, the premiums will have been spent with no benefit.<br><br>The cover is designed to match your financial risks, but will only continue to be relevant if we all review your circumstances and needs together. |
| **2** | You have accrued a considerable value within your pensions and you want to review your affairs to consider what they could sustainably provide you in retirement | **I am not advising any action at this stage, as you wanted to discuss this further when we next meet.** | The only disadvantage here is of inaction where it could be beneficial. We are discussing the pensions separately and will develop a plan together. |
| **3** | You want to take advantage of your new surplus income to enhance your provision for retirement. | **You should make additional regular investments from surplus income (around £1,700p.m. net). Lynn, you can use this year's ISA allowance. David, due to being 'offshore' you can't use the ISA, but instead should use a 'personal portfolio'** | I am recommending tax wrappers which are flexible, so you could access resources if needed. There is, however, the investment risk that may erode the value of the investments. |

# 2 Explaining Suitability

| | Recommended action | Impact on your financial situation | Your relevant investment experience | Impact on your tolerance to risk and capacity for loss |
|---|---|---|---|---|
| 1 | **I recommend:**<br>• **A plan that will repay the mortgage should either of you die or contract a critical illnesses.**<br>• **A plan that will pay half of David's income should illness prevent you from working for longer than 26 weeks.**<br>• **A plan that will provide an income to pay for care for the children if one of you dies before they reach age 18.** | The combined premiums for these plans will be £262.83p.m. which is easily affordable within your surplus income.<br><br>Once established, these plans will act as a secure foundation for your wider financial planning | You have not had insurance policies before, and so these are new to your experiences. | The insurance I have recommended doesn't carry an investment risk. |
| 2 | **I am not advising any action at this stage, as you wanted to discuss this further when we next meet.** | This isn't relevant at this stage | This isn't relevant at this stage | This isn't relevant at this stage |
| 3 | **You should make additional regular investments from surplus income (around £1,700p.m. net). Lynn, you can use this year's ISA allowance. David, due to being 'offshore' you can't use the ISA, but instead should use a 'personal portfolio'** | This is affordable from your surplus income and will serve to build money that can be used to support your lifestyle once you stop working. | Neither of you have invested in collective investments before, so I have taken the opportunity to describe important points later in this report. | Your risk profile is balanced, which suggests you can accept the loss of 20% of your assets and yet you can afford to lose a high proportion of assets without it affecting your lifestyle and financial future. Indeed, the amount of money your guaranteed pensions are due to provide covers your current expenditure. |

## FINANCIAL PROTECTION PLANNING

**Action**

**Establish three complementary policies that will protect against the most pressing financial risks:**

| Type of cover | Insurer | Sum Assured | Payable in event | Monthly premium |
|---|---|---|---|---|
| Mortgage Protection | Aviva | £148,000 | If either of you die or suffer a critical illness over the next 18 years | £128.85 |
| Family Income Benefit | Ageas | £18,000p.a. | If either of you die during the next 18 years | £39.01 |
| Income Protection | LV= | £41,244p.a. | If David is unable to work due to illness for 26 weeks or more | £196.03 |

**THIS WILL HELP YOU ACHIEVE OBJECTIVE 1 LISTED ON PAGE 4**

**Implications of Advice & Managing your Expectations**

These plans would normally carry a cost in terms of commissions. We have, however, opted to waive these commissions.

If either of you die or contract a 'critical illness' whilst covered, your mortgage will be redeemed and your surviving family will receive £18,000p.a. income.

If David falls ill and cannot work for more than 26 weeks, you will receive an income of £41,244p.a.

**IMPORTANT POINT – YOUR RESIDENCY IN BAHRAIN IS LIKELY TO UNSETTLE SOME OR ALL OF THE INSURERS. WE SHOULD MAKE AN APPLICATION TO THE PREFERRED INSURERS, BUT IF THEY MAKE A LOADING WE MAY NEED TO MAKE A SPECIAL APPLICATION TO A BESPOKE INSURER. AS SUCH, ANY PREMIUMS OUTLINED HERE MAY BE SUBJECT TO LOADING OR EVEN FULL DECLINE.**

**Details**

- **Cost Comparison**

I have selected these plans as they offer the most competitive premium using our research tool. This is crossed referenced with our own analysis of the market to select a list of companies that we are happy to entrust with your financial security.

You have no existing policies that we need to compare the cost to.

- **Risk Requirements**

I have recommended premiums that will not be reviewed in the future. This reduces any risk of increasing costs making the cover unaffordable.

- **Impact on Existing Arrangements**

You have no existing policies for us to consider.

- **Impact On Other Assets Remaining After The Action**

You have no other plans that will be affected by these new plans.

- **Tax Implications**

Premiums are payable from your net income. The benefits from each plan will not suffer any tax liability.

**Review Criteria**

- **Criteria to track progress towards the Ultimate Goal**

We will be looking at the risks (mortgage debt, expenditure and so on) and checking this against the level of cover. We will also look at available premiums and see if replacement contracts can offer the same cover for a lower cost.

- **Review Frequency**

We should review these plans at least annually.

**Contribution to Objectives**

- **If one of you dies, the survivor will be able to redeem the mortgage and receive £18,000p.a. over the next 18 years.**

- **If one of you suffers a critical illness, you will also be able to redeem the mortgage.**

- **Finally, if David suffers ill health (that isn't necessarily a 'critical illness) that prevents him from working for 26 weeks or more, half of your current income will become payable.**

# EMERGENCY FUND

**Action**

**Continue with your current level of savings. Ideally, you should have £37,500 in easily accessible reserves.**

**This will help you achieve objective 1 listed on page 4**

**Implications of Advice & Managing your Expectations**

Given the current rate of savings, this should take you 4 months to achieve the optimum level of savings

You are happy with the account you are using, but we will review the continuing suitability when we next meet.

**Details**

- **Cost Comparison**

The account has no charges to consider, but we should compare the relative rate of interest being paid.

- **Risk Requirements**

Cash deposits are well within the limit covered by the FSCS in the event of a bank collapsing.

- **Impact on Existing Arrangements**

There will be no impact on any other arrangements

- **Impact On Other Assets Remaining After The Action**

There will be no impact on any other arrangements

- **Tax Implications**

The interest will be taxable at your highest rate of income tax. You may, therefore, want to consider ensuring that all deposits are held by Lynn as she is a non-taxpayer.

**Review Criteria**

- **Criteria to track progress towards the Ultimate Goal**

We need to review the interest rates being offered. Once you have reached the target sum, you may wish to consider alternative options for the monthly savings.

- **Review Frequency**

Review the sum in 4 months and review the account at our next review.

**Contribution to Objectives**

- **This will provide you with emergency cash should the need arise.**

# PENSIONS

**Action**

We will review the analysis on your pensions in this report and decide the action to follow when we next meet.

We should also discuss the possibility of Lynn making personal contributions, as she is allowed to contribute £300p.m. with no reference to income.

## This will help you achieve objective 2 listed on page 4

**Implications of Advice & Managing your Expectations**

We would estimate your existing provision to provide you with £22,285.16p.a.

You must appreciate, this is the 'real' rate of income, and in today's terms this would be the equivalent of circa. £12,000 in today's terms, allowing for the effect of inflation (assuming inflation is 3% per annum).

This represents about half of your current expenditure.

ABC scheme will penalise your fund if it is transferred away and the plan will provide a guaranteed minimum pension of £4,277.12p.a.

**Details**

- **Cost Comparison**

Three of your plans (ABC, XYZ and DEF) are provided by your employer, so the costs are absorbed within the scheme.

The AXA scheme, however, is a group personal pension, so will be paid for by fees from your own fund.

- **Risk Requirements**

All of the plans provide an income based on the final values at retirement, your age and prevailing annuity rates, so none of the projections are guaranteed.

The investment plans within ABC are very much lower risk than you could support, so you are missing potential returns.

XYZ and DEF are invested in very generalist funds.

The AXA plan is much higher risk than you are willing to tolerate.

The options for changing investment funds on all of these schemes should be explored.

- **Impact on Existing Arrangements**

There are no other pensions that need to be considered.

- **Impact On Other Assets Remaining After The Action**

There are no other pensions that need to be considered.

- **Tax Implications**

These plans are all benefitting from a tax privileged environment for the funds. Furthermore, you are well within lifetime allowance funding limits.

### Review Criteria

- **Criteria to track progress towards the Ultimate Goal**

We need to firstly establish the goal for these monies before we can establish a review criteria.

When we next meet, however, we need to discuss the relative charges and investment options.

- **Review Frequency**

We will review this when we meet to review your wider financial planning.

### Contribution to Objectives

**The short term objective was to understand what the existing pensions will provide you with in retirement.**

**Now we need to set a goal for these plans and review the progress together.**

# INVESTMENTS

**Action**

**I recommend that Lynn maximises her annual ISA allowance through monthly investment of £890.**

**I also recommend that David considers making an investment of £500p.m. into a Personal Portfolio using the same investment service.**

**Detailed later are the recommended providers and portfolios for you.**

**This will help you achieve objective 3 listed on page 4**

**Implications of Advice & Managing your Expectations**

Lynn, the ISA will protect your savings from the worst effects of personal tax. David, however, you must appreciate that your savings will be subjected to both income tax on distributions and capital gains tax when you realise any gains.

Both the ISA and the personal portfolio are immediately realisable, albeit the investment risk may mean you have less or more than you invested.

**Details**

- **Cost Comparison**

We are not transferring any plans, so there is no cost comparison.

- **Risk Requirements**

Your risk profile and your capacity for loss have been considered when recommending the investment portfolio.

- **Impact on Existing Arrangements**

Neither of you have any existing arrangements that may need to be transferred following this recommendation.

- **Impact On Other Assets Remaining After The Action**

Neither of you have any existing arrangements that may need to be adjusted following this recommendation.

- **Tax Implications**

Lynn, the ISA wrapper protects the investments from most personal taxation, although full details are in the key features documents. David, your investments will face both income tax and capital gains tax.

**Review Criteria**

- **Criteria to track progress towards the Ultimate Goal**

Once we have discussed your pension and retirement plans in more detail we can start to set criteria to track goals for these investments.

We will also review your risk profile and the underlying risk profile of the investments to ensure they remain appropriate. Furthermore, we will look at the charges to make sure they remain competitive.

- **Review Frequency**

We will review these at our next annual review.

**Contribution to Objectives**

**This will help make your surplus income work harder for your future.**

**The ISA will protect Lynn's investments from the worst effects of taxation.**

**David's investments will face tax liabilities but these can be carefully managed each year using individual, annual allowances.**

# MAKING THE PLAN HAPPEN TOGETHER

| | Action | Responsibility | Timescale |
|---|---|---|---|
| **1** | Continue to develop your emergency and opportunity fund with regular savings | David and Lynn | Ongoing, reviewed at our next annual review. |
| **2** | Establish a range of policies to protect you against the most pressing financial risks you face | David, Lynn and Andy Viser to confirm, complete paperwork and put into place | Immediately, and reviewed at our next annual review. |
| **3** | Consider investment of £890p.m. for Lynn to maximise the ISA allowance and £500 for David to start to build a personal portfolio. | David, Lynn and Andy Viser to confirm, complete paperwork and put into place | Immediately, and reviewed at our next annual review. |
| **4** | Discuss more detailed plans for pensions, including retirement goals, existing personal pension plans and whether Lynn should start to make regular pension contributions. | David, Lynn and Andy Viser to discuss when we next meet. | Immediately. |

# 4 Recommended Arrangements

## Protection Plans

### PROVIDER AND PRODUCT

- Aviva Mortgage Protection Policy
- Ageas Family Income Benefit
- LV= Income Protection

### COST

- £128.85p.m.
- £39.01p.m.
- £196.03p.m.

### ACCESS

- None of these plans accrue any value, so stopping or cancelling does not create access to any money.
- The sums assured will be payable on the events covered;
    - Aviva covers £148,000 if either of you die or contract a critical illness.
    - Ageas covers £18,000p.a. if either of you die.
    - LV= covers £41,244p.a. if David is ill for more than 26 weeks and can't work.

### TERMS

- The plans run for the following terms;
    - Aviva lasts for 18 years, which is how long your mortgage is expected to remain.
    - Ageas lasts for 18 years, until the mortgage is expected to be redeemed.
    - LV lasts to age 65, when David expects to stop work.

- The Key Features document outlines the main contractual terms of these investments.

## Investments

### PROVIDER AND PRODUCT

- AXA elevate ISA for Lynn
- AXA Elevate personal portfolio for David

### COST

- Both plans are charged at the same fees:
    - 0.5% initial fee for investing on the AXA platform.
    - 0.75% p.a. for the investment management funds.

### ACCESS

- The funds are accessible without penalty or notice.
- You do need to be mindful that investment fluctuations will vary the values.
- Also, monies removed from ISAs cannot be added back in unless using up the current year's allowance.

### TERMS

- These investments are open ended, so have no set term
- The Key Features document outlines the main contractual terms of these investments.

## Recommended Investment Portfolio

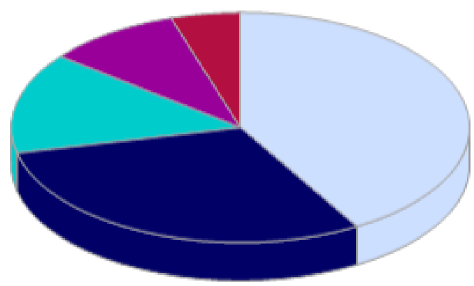
### INVESTMENT COMPANYAND PORTFOLIO

Architas Multi Asset Passive Fund

### ASSET ALLOCATION

| Rank | Change | Name | % |
|---|---|---|---|
| 1 | ▶ | INTERNATIONAL EQUITIES | 41.53 |
| 2 | ▶ | UK FIXED INTEREST | 29.89 |
| 3 | ▶ | UK EQUITIES | 14.20 |
| 4 | ▶ | PROPERTY | 9.48 |
| 5 | ■ | GLOBAL FIXED INTEREST | 4.90 |

- ▼ Faller
- ▲ Riser
- ▶ No Change
- ■ New Entry



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### PERFORMANCE

# Summary of Our Charges

These are not additional charges to those already covered, we have simply summarised our charges in one place for your ease of reference and so you can confirm these are in line with our agreement.

You are being charged £1,500 for the production of this report.  In addition, we will be helping to monitor your investments.

## INVESTMENT PLANNING

| | % | £ |
|---|---|---|
| **Immediate Charge** | 0.0% | £0 |
| **Annual Charge** | 0.5% | The fee is based on the fund value.  To give you an example, if the fund reaches £1,000 we will receive £5 |

# 2016

Prepared for
David and Lynn Friction

By
Andy Viser

20th January 2016

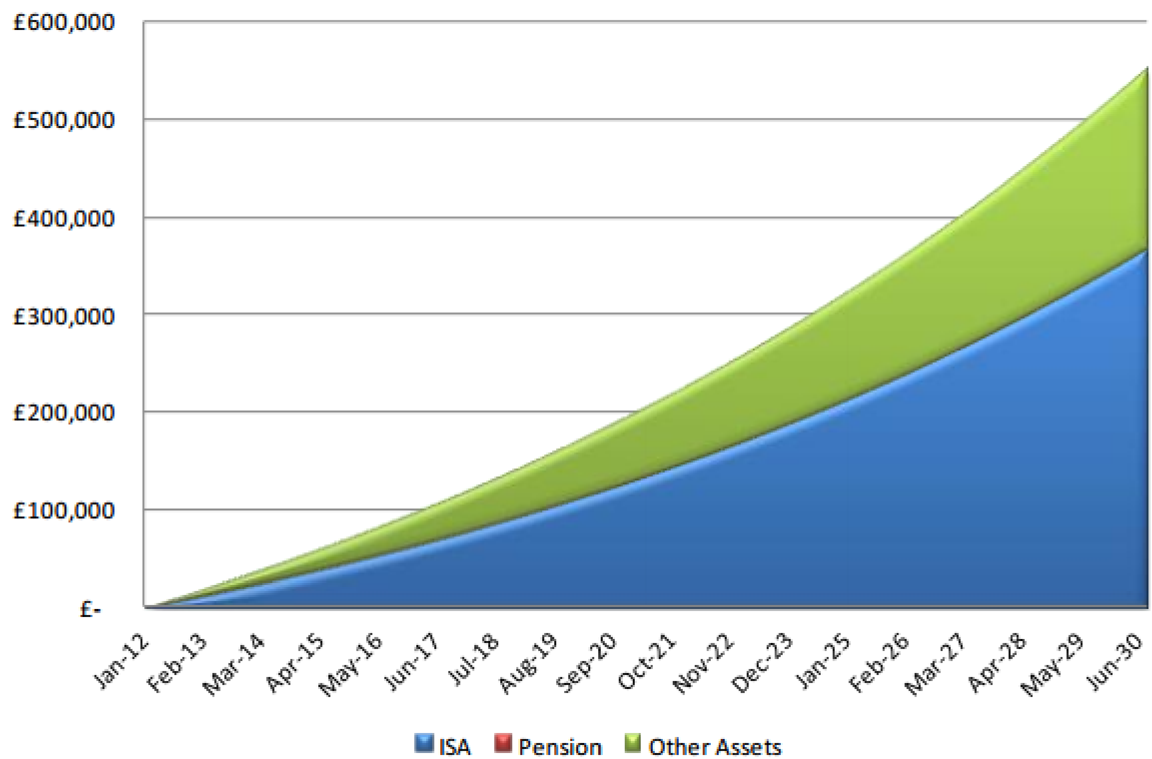
# ANALYSIS REPORT

This is the workings behind the recommendations we have designed.

# Cashflow Forecasts

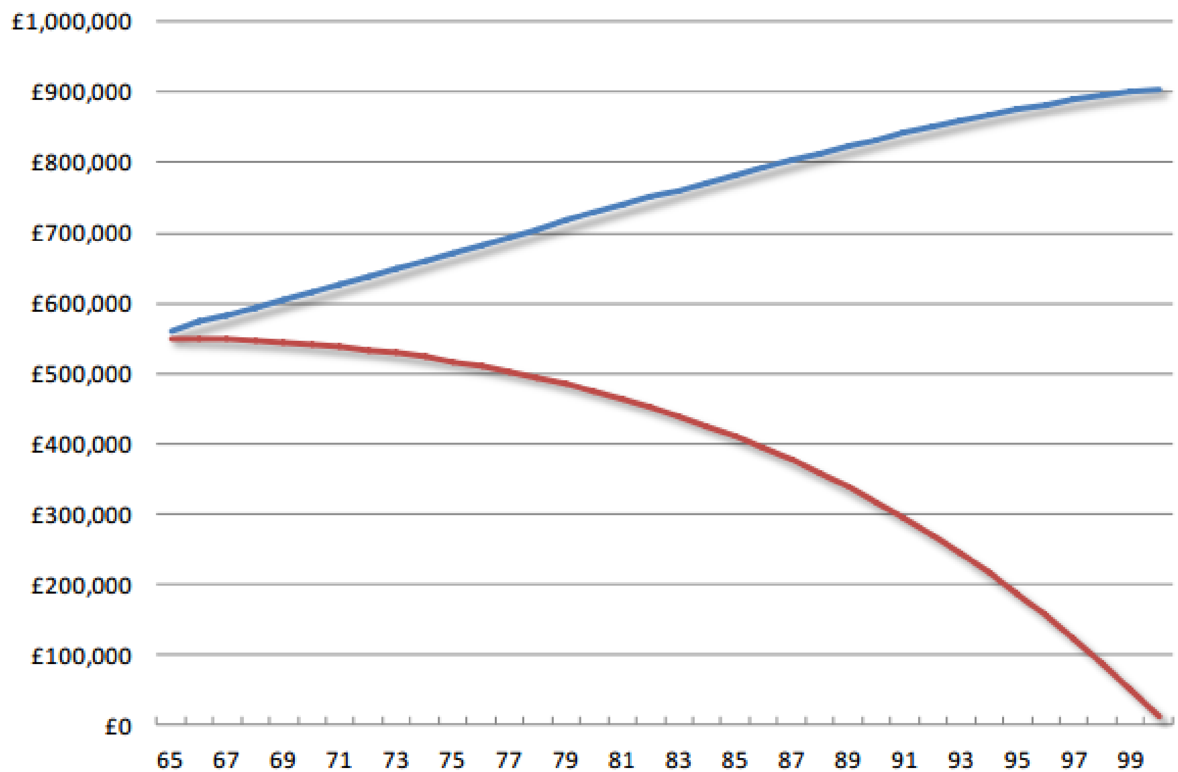
We haven't conducted a complete cashflow for the Frictions. We will do this at our next review, once they have a better understanding of their goals.

Instead, we have taken the proposed investments and projected these forward to help them understand what level of potential income these could add to the pension income.




As you can see, between now and August 2030, assuming the Frictions made the suggested investments and these achieved 6%p.a. growth for the ISAs and 5% p.a. growth for the Personal Portfolio, they could accumulate personal investments worth £550,857, in addition to the pensions.

If we then assume that they take an income of £10,000p.a. net in today's terms, the chart below shows the projected value of the investments assuming the investments return either 3%p.a. net (the red line) or 5%p.a. net (the blue line):




The assumptions include:

• The estimated annual investment return applied to the fund before retirement is a modest 6%p.a. for ISAs and 5% for the General Investment Account

• The estimated annual rate of inflation is 2.5%

• The estimated rate of income withdrawal on a fund at the retirement date is 6% for Collective Investments

• These projections are assuming they do not make any changes to the recommendations.

• The falling wealth is because we have been very conservative about the impact of tax, and the fact that we have provided an inflation proofed income, increasing by 2.5%p.a. to protect its purchasing power. We will always be conservative in our outlook, which we feel does the client a better service than trying to reflect well on ourselves by being over optimistic about the future. They are simply a guide to help the client work out a good balance between what is comfortable today and what may be needed in the future.

## CASH ASSETS

Deposit accounts offer an excellent resource to provide for unexpected emergency expenditure, but are not the most efficient resource to make up part of an investment portfolio unless the client fit into our first risk group. The reason for this is that any interest generated is taxed at the account holder's highest rate, and currently interest rates are not very generous. The client has the following cash assets:

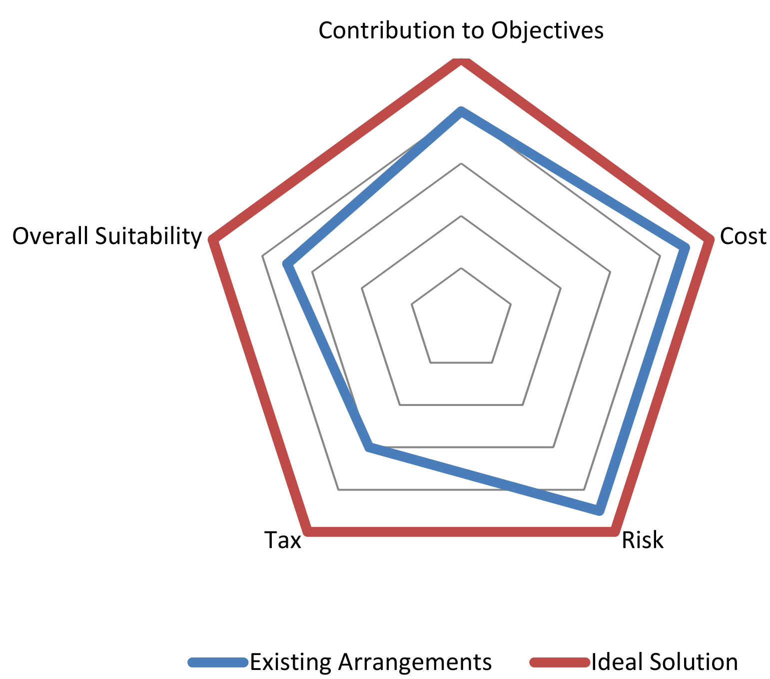
| Account | Owner | Value |
|---|---|---|
| Lloyds Saver | David | £26,000 |
| National Savings Premium Bonds | Lynn | £6,000 |
| Lloyds Current | David | £1,500 |

### Contribution to Objectives Analysis

Used as emergency fund

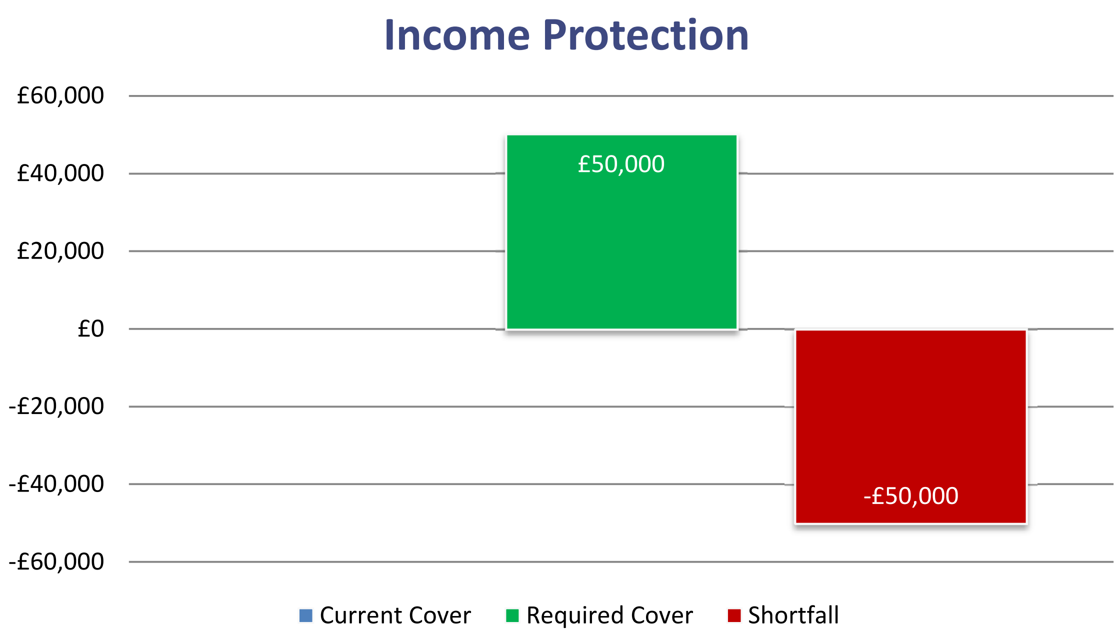
### Comment And Summary

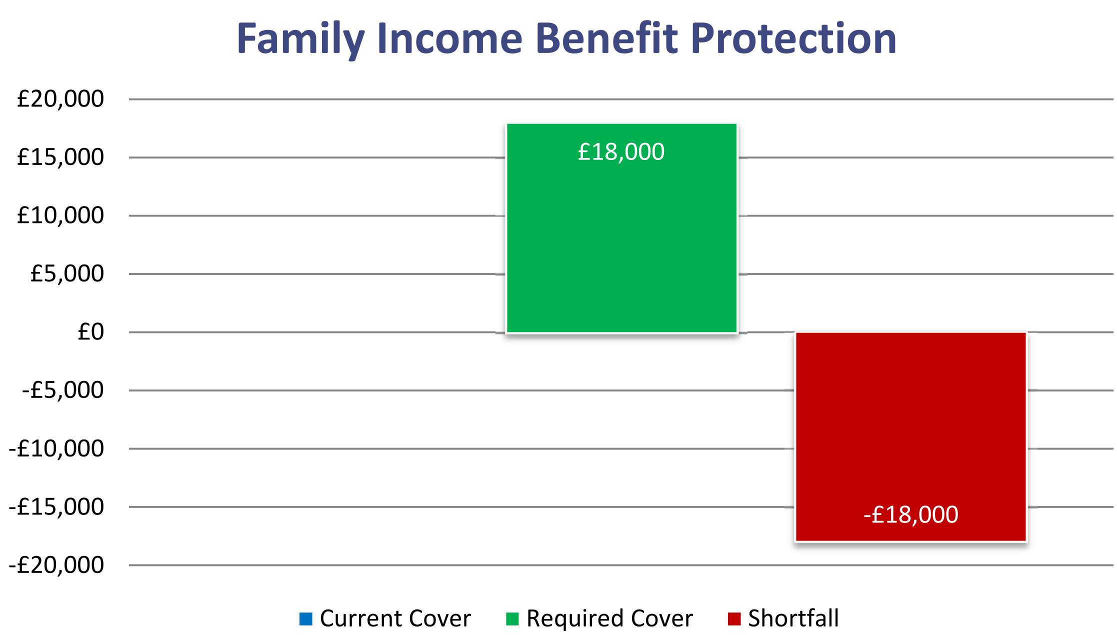
The accounts are perfectly serviceable for their use. The Lloyds Saver and Current accounts may be better held by Lynn as a non taxpayer.

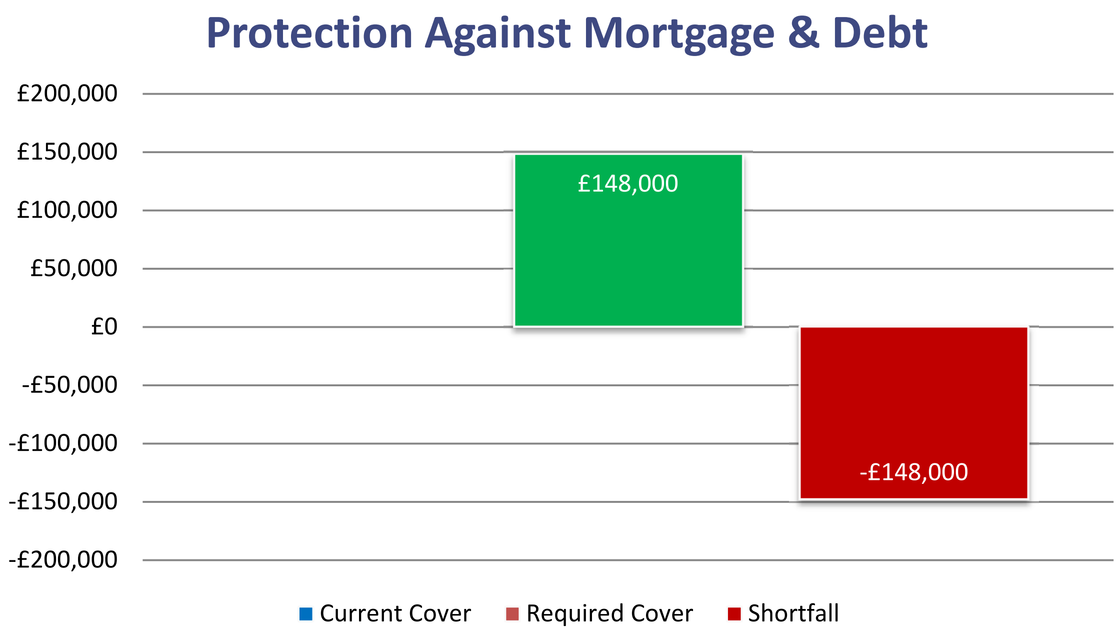


# FINANCIAL PROTECTION

### SUITABILITY ANALYSIS

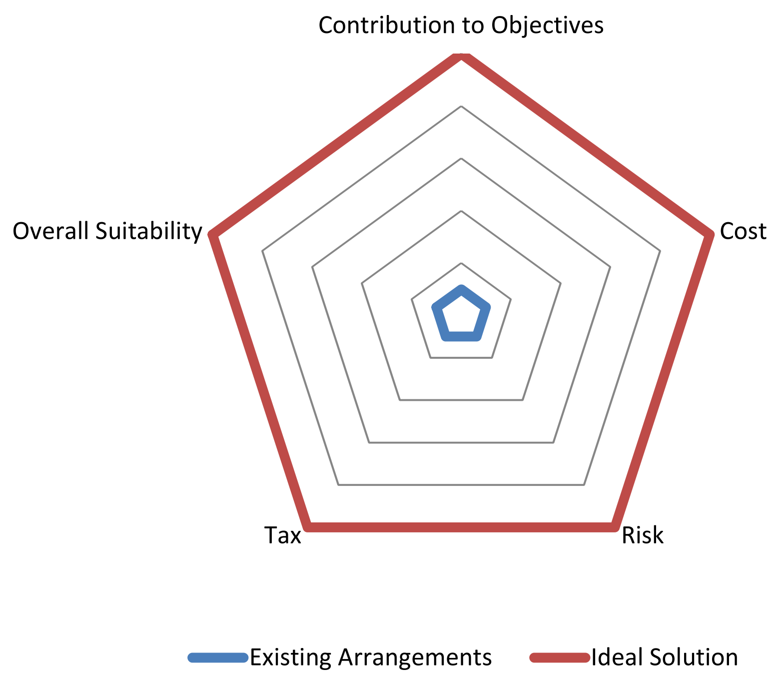





### COMMENT AND SUMMARY

The clients have no existing provision.



# PENSION SCHEMES

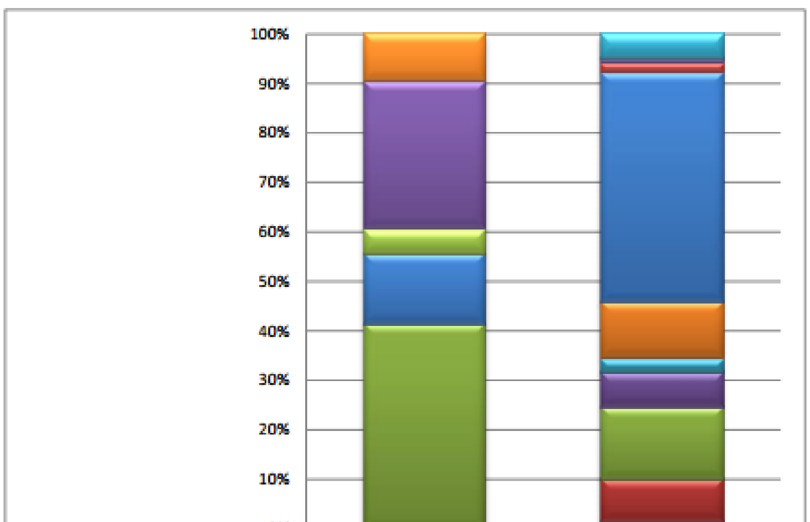
| Owner | Provider | Scheme Number | Fund | Value |
|---|---|---|---|---|
| David | ABC Company pension | 123456 | N/A | £18,446.65 |
| David | DEF Company Pension | 78921LL | Passive Global Equity (60/40) index fund | £34,594.69 |
| David | XYZ Company | ABC123 | Passive Equity Fund | £37,760.08 |
| David | AXA | YU7564 | Retirement 2030 | £34,264.67 |

### CONTRIBUTION TO OBJECTIVES ANALYSIS

The only objective from the client is to understand what they have ready to have a further discussion about creating planning objectives. ABC, DEF and XYZ are all occupational pensions, and we are awaiting details of investment options for these plans. AXA, however, is a group personal pension.

### RISK ANALYSIS

As already identified, the ABC Company scheme is too cautious whilst the ABC Private Plan is too risky. Detailed below is the makeup of the AXA plan against an investment fund that would be appropriate for your risk:




| | Architas - Balanced Multi Asset Passive Ret Acc in GB | [redacted] Existing Pension TR in GB |
|---|---|---|
| Property | 9.48 | |
| Money Market | | 4.7 |
| UK Fixed Interest | 29.89 | 1 |
| Global Fixed Interest | 4.9 | |
| Fixed Interest | | 1.9 |
| UK Equities | 14.2 | 46.5 |
| North American Equities | | 11.4 |
| Global Emerging Market Equities | | 2.9 |
| European Equities | | 6.9 |
| International Equities | 41.53 | 14.5 |
| Asia Pacific Equities | | 8.7 |
| Alternative Assets | | 1.5 |

### Retirement Commencement Lump Sum analysis

All of the plans can commute part of the fund as a tax free cash sum.  The final details are yet to be provided to us, and we will discuss this when we meet.

### Transfer Penalties

There are no penalties to leave the AXA scheme, and we are waiting on confirmation from the other schemes.

### Death Benefits Analysis

All of the schemes will provide a return of the fund on your death to your nominated beneficiaries.

### Guaranteed Annuity Rates Analysis

No plans have any guaranteed annuity rates, although the plan with ABC will provide guaranteed minimum pension.

### Internal Transfer Analysis

It would be possible to rebase the investment profiles using other funds in all of the plans.  We are waiting for details of these before considering the action to follow.

# Client Circumstances

## BACKGROUND AND CURRENT SITUATION

### Personal

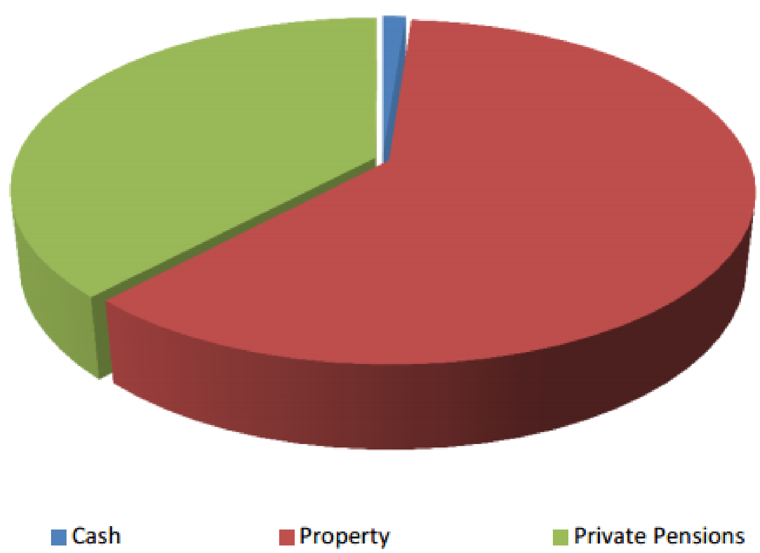
As we understand, David, is 46 years old and in good health. Lynn who is 46 and also in good health. They have 2 financially dependent children, although they are mature with Mark being 13 years old and Stephanie 18.

### Employment

David is a General Manager for XXX, working in Bahrain with a salary of £75,000 per annum, free of tax. Lynn is a Housewife.

### Asset Summary

| | | David | Lynn | Joint | Total |
|---|---|---|---|---|---|
| Cash | 1% | £0 | £0 | £4,000 | **£4,000** |
| Property | 61% | £0 | £0 | £200,000 | **£200,000** |
| Private Pensions | 38% | £68,859 | £0 | £0 | **£68,859** |
| | **Totals** | £68,859 | £0 | £204,000 | **£272,859** |




### Legal

Both have up to date Wills.

## RISK PROFILING

Bothe clients have a balanced attitude toward investment risk.

### CAPACITY FOR LOSS

Their capacity for loss was considered during our discussions. We used a number of ‘what if’ scenarios as part of our discussions around cashflow and budgeting forecasts.

We discussed the effect the loss of any capital invested would have in relation to standard of living and/or future objectives. They confirmed that their financial position was such that any loss of capital would not impact on their standard of living and/or objectives.

**We calculate that they would have a capacity for loss of around 100% of non-pension assets without affected household expenditure.**

This is simply an indication of the amount they could afford to lose if markets etc. do not perform as anticipated. They confirmed that you could afford to lose this amount without it seriously affecting current standard of living or future objectives.

### RISK TOLERANCE

Unlike risk required and capacity for loss, which are financial calculations, risk tolerance is psychological. Risk tolerance is how clients feel about taking risk.

Through discussion we assessed risk tolerance and any inconsistencies were highlighted and discussed.

# Investment Risk Warnings

- The value of the investment is determined by the value of the units, the price of which can fall as well as rise. The overall value of the investment is therefore not guaranteed and you might get back less than you originally invested, especially in the early years.

- You should remember that past performance is not necessarily a guide to future performance. Fund selection has been made on the grounds of investment strategy. Past performance data has been provided by Financial Express Analytics as at November 2015.

- Unit prices can fall as well as rise and as such the capital value, growth and income payments are not guaranteed.

- The value of investments and the income from them may fall as well as rise. Investors may not get back the amount they originally invested when they sell their investment. The value of investments may be affected by changing Stockmarket conditions and, where applicable, by exchange rate movements. Where investment is made in emerging markets their potential volatility may increase the risk to the value of the investment. The registration and settlement arrangements in emerging markets may be less developed than in more mature markets so the operational risks of investing are higher. Political risks and adverse economic circumstances are more likely to arise within emerging markets putting the value of the investment at risk. Investment in technology related stocks could be more volatile than investments in more traditional or longer established companies. Above average price movements can be expected.

- You may not be able to encash your investment in the Property Fund whenever you choose because the land and buildings in the fund may not always be easy to sell. During periods when they are not readily saleable, the fund manager may refuse to repurchase your units / the life office may refuse to accept a surrender of your policy. Typically providers of Property Funds retain discretion to defer capital withdrawals for up to 6 months during such periods.

# Explanation of Products Recommended

## MORTGAGE PROTECTION

Mortgage Protection policies provide cover that matches the outstanding balance of your mortgage loan. If you die during the term of the policy, a lump sum is payable which can be used to pay off some/all of the remaining balance of your mortgage. The premiums are based on your personal circumstances but the main areas for consideration by an insurer are your age and state of health. The older you are, the higher the premiums will be.

Similarly if you have or had a serious ailment the insurer may seek to charge you more or in some cases be unwilling to cover you at all. Higher levels of cover and longer policy terms all increase cost as does smoking. As this is a fixed term contract, there is no flexibility and you will be unable to increase cover or extend the term, without taking out a new policy. Turning then to my specific recommendation: Term In discussing your objectives it was appropriate to consider a contract with a term of 18 years designed to coincide with the repayment of your mortgage debt.

Having considered both your income and expenditure we agreed that your premium was affordable. This premium was selected on the basis that it was sufficient to provide the amount of cover required to repay your mortgage in the event of your death within the term.

This assumes that interest rates do not exceed 10%, within the term. Should the interest rate on the mortgage exceed 10% per annum then the sum assured payable under the policy may be insufficient to fully repay the mortgage You have sufficient surplus income or capital in the event of any short term requirements and confirmed that this expenditure will remain affordable to you in future. Type of Premium Some companies offer guaranteed or fixed premiums, whilst other plans reserve the right to review premium levels on a periodic basis.

There is usually a small additional cost for the advantage of a guaranteed premium. I have recommended that you pay a guaranteed premium and you have agreed to this. Provider In reviewing your objectives we considered a number of criteria which we agreed were important to you, including (insert details such as cost of premiums). Having undertaken appropriate research on your behalf I believe that Aviva will offer the most suitable contract given your stated objectives as they combined good cover with competitive premiums.

Critical Illness Cover In the event that you suffer a critical illness then the sum assured under the contract will become payable. Once this sum assured has been paid the life cover will/will not remain in force. Definitions of a critical illness vary between different insurers and you can find a list of which illnesses are covered within the Key Features Document. I have recommended that you purchase this benefit

Waiver of Premium This option ensures that premiums continue to be paid in the event that you are unable to work as a result of accident or sickness. This benefit commences after a specified period of absence, referred to as the deferred period.

The definitions of disability vary considerably. For this particular contract an own occupation definition is used. Own occupation is defined as an occupation which is the same or similar to your current occupation. Any occupation is, as the name suggests, any occupation whatsoever. Key Features Document I have provided you with a Key Features Document and illustration. This documentation is important and contains information regarding the product which I have recommended, particularly with regards to the product's aims, the commitment which it entails, together with its legal (including policyholder protection) and tax status.

If there are any points on which you are unsure or require further clarification, please contact me and I will be pleased to explain these in greater detail. Financial Services Compensation Scheme ('FSCS') The FSCS was set up under the Financial Services and Markets Act 2000 and exists to protect clients of FSA authorised firms and covers deposits, insurance and investments. The Scheme can pay compensation to clients who have lost money as a result of their dealings with FSA authorised firms that are unable to pay claims against them, usually because they are insolvent or have stopped trading.

As outlined earlier, the limit of protection varies between different types of products and is detailed in our Key facts about our services and costs document) (insert name of other document where you detail the FSCS coverage. For pensions, life assurance and non-compulsory insurance (e.g. home and general), the compensation level is 90% of the claim. Risks The Key Features Document also provides you with details of any risks and potential disadvantages associated with the contract recommended. We have previously discussed these, and I would like to highlight the following points:

- Please note that at the end of the term selected, cover will lapse and no further benefit will become payable.
- This contract is designed to provide you with cover over the term of your contract, at minimal cost, and therefore does not acquire a surrender value.
- If you discontinue premiums during the term of the contract, cover will lapse and no further benefit will be payable.

It would be prudent to review your contract on an ongoing basis. I should be happy to advise you in the future, should you require this. The advice provided to you is based upon the information you have disclosed and therefore, if this letter does not accord with your view of the situation or you require any further clarification please contact me immediately. All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and HM Revenue and Customs' practice. Levels and bases of tax relief are subject to change. Cancellation rights Details of the appropriate cancellation period for the contract recommended are contained within the illustration which was provided to you.

## FAMILY INCOME BENEFIT

Family income benefit policies provide an income for the rest of the term of the contract if you die during the policy term. Premiums remain level throughout and should the person assured survive the policy term, there will be no benefit.

As this type of contract only provides cover in the event of death there is no surrender value, so if you stop paying the premiums at any time, your cover will cease. Premiums are based on your personal circumstances but the main areas for consideration by an insurer are your age and state of health. The older you are, the higher the premium will be. Similarly if you have or had a serious ailment the insurer may seek to charge you more or in some cases be unwilling to cover you at all.

Higher levels of cover and longer policy terms all increase cost as will the fact that an individual smokes. As it is a fixed term, there is no flexibility and you will be unable to increase cover or extend the term. Should you therefore find yourself ill at the end of the term you may be unable to obtain further cover.

In order that income payments keep pace with inflation it is usually possible to have them paid on an increasing basis. It may also be possible that upon death a cash sum be taken instead of the income. Many policies now have additional features such as waiver of contribution or terminal illness benefit.

The former ensures that your contributions are maintained should you be unable to work through accident or illness, whilst the latter allows the payment of the sum assured in the event of you being diagnosed as having less than twelve months to live.

Turning then to my specific recommendation: Term In discussing your objectives it was appropriate to consider a contract with a term of 18 years designed to coincide with your children/family being no longer financially dependent on you.

Having considered both your income and expenditure we agreed that your premium was affordable for you. This contribution was selected on the basis that it provides the desired level of cover to meet your objectives. You have sufficient surplus income or capital in the event of any short term requirements and confirmed that this expenditure will remain affordable to you in future. Some companies offer guaranteed or fixed premiums, whilst other plans reserve the right to review premium levels on a periodic basis.

There is usually a small additional cost for the advantage of a guaranteed premium. I have recommended that you pay a guaranteed premium and you have agreed to this. Level of Cover We agreed that an annual income of £18,000 would be required in the event of your death, to provide for your children/family. Cover will remain level throughout the term.

Provider Having undertaken appropriate research on your behalf I believe that Ageas will offer the most Waiver of Premium This option ensures that premiums continue to be paid in the event that you are unable to work as a result of accident or sickness. This benefit commences after a specified period of absence, referred to as the deferred period.

The definitions of disability vary considerably. For this particular contract an own occupation definition is used. Own occupation is defined as any occupation for which you are suited by reason of experience and/or qualification. Any occupation is as the name suggests any occupation whatsoever. I have recommended that you purchase this benefit and you have agreed to incorporate it within the contract Key Features Document I have provided you with a Key Features Document and illustration. This documentation is important and contains information regarding the product which I have recommended, particularly with regards to the product's aims, the commitment which it entails, together with its legal and tax status. If there are any points on which you are unsure or require further clarification, please contact me and I will be pleased to explain these in greater detail.

Financial Services Compensation Scheme ('FSCS') The FSCS was set up under the Financial Services and Markets Act 2000 and exists to protect clients of FSA authorised firms and covers deposits, insurance and investments. The Scheme can pay compensation to clients who have lost money as a result of their dealings with FSA authorised firms that are unable to pay claims against them, usually because they are insolvent or have stopped trading. As outlined earlier, the limit of protection varies between different types of products and is detailed in our Key facts about our services and costs document) (insert name of other document where you detail the FSCS coverage.

For pensions, life assurance and non-compulsory insurance (e.g. home and general), the compensation level is 90% of the claim. Risks The Key Features Document also provides you with details of any risks and potential disadvantages associated with the contract recommended. We have previously discussed these, and I would like to highlight the following points:

- If you cease paying premiums your plan will be terminated.
- Failure to disclose any requested or relevant information may affect any claim.
- Payment will not be made for a critical illness claim arising from an excluded cause.
- Your plan has no surrender value.
- At the end of the term selected, cover will cease and no further benefit will be payable.

The advice provided to you is based upon the information you have disclosed and therefore, if this letter does not accord with your view of the situation or you require any further clarification please contact me immediately. All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and HM Revenue and Customs' practice. Levels and bases of tax relief are subject to change. Cancellation rights Details of the appropriate cancellation period for the contract recommended are contained within the illustration which was provided to you.

## INCOME PROTECTION

Under an income protection plan or permanent health insurance (PHI) policy, as it is sometimes known, an income benefit would be paid to you if you were unable to work because of disability caused by sickness or accident. The benefit is paid, basically, as compensation for loss of earnings. Benefit will normally start at the end of an initial waiting period, which is normally 4, 13, 26 or 52 weeks long and is payable until you either return to work, die or the policy term expires.

The policy term is normally linked to your expected retirement age. You were happy to start any benefit payable after a deferred period of 26 weeks, as you consider you will have sufficient capital to support your expenditure for this period once you have accumulated these to thee level recommended in this report. The level of premium for the required amount of cover will depend on the type of plan and the company chosen. Some companies offer guaranteed or fixed premiums, whilst other plans reserve the right to review premium levels or offer the potential to build up a surrender value.

For a slightly higher premium the option is normally available to have the level of cover automatically increased each year in order to potentially provide some protection against the effects of inflation. The definitions of disability vary considerably. Generally, in order to make a valid claim, the policyholder must demonstrate that he is “totally unable by reason of sickness or accident to follow his own occupation or any other for which he is suited by reason of experience and/or qualifications” or, indeed, “any occupation whatsoever”. The definition of disability, i.e. whether “own occupation” or “any occupation”, is obviously crucial for underwriting and claim purposes and will affect premium rates. In your case I have recommended an own occupation contract.

The main objective of an income protection policy is to replace earnings lost through illness or disability without reducing the insured’s financial incentive to return to work. Otherwise the policyholder would simply be content to draw benefits for the rest of the term. All income protection policies therefore stipulate a maximum income benefit limit. Typically, this is in the region of 50% - 60% of the average monthly earnings of the insured in the year prior to disablement. Benefits from other income protection policies will usually be taken into account, and it is common for State incapacity benefit to be taken into account in calculating the benefit limit.

Turning then to my specific recommendation: Term In discussing your objectives it was appropriate to consider a contract with a term designed to coincide with your intended retirement age. Having considered both your income and expenditure we agreed that your premium was affordable for you.

This contribution was selected on the basis that it was sufficient to provide for the level of cover required to meet your objectives. You have sufficient surplus income or capital in the event of any short term requirements.

The contract recommended is designed to commence income payments after a period of 26 weeks. We have selected this timescale on the basis that you realistically believe that you have sufficient reserves to meet your needs over this timescale. Provider In reviewing your objectives we considered a number of criteria which we agreed were important to you, including (insert details such as cost of premiums). Having undertaken appropriate research on your behalf I believe that LV= will offer the most suitable contract given your stated objectives.

Waiver of Premium: This option ensures that premiums continue to be paid in the event that you are unable to work as a result of accident or sickness. This benefit commences after a specified period of absence, referred to as the deferred period.

The definitions of disability vary considerably. For this particular contract an own occupation definition is used. Own occupation is defined as any occupation for which you are suited by reason of experience and/or qualification. Any occupation is as the name suggests any occupation whatsoever. I have recommended that you purchase this benefit and you have agreed to incorporate it within the contract Key Features Document I have provided you with a Key Features Document and illustration. This documentation is important and contains information regarding the product which I have recommended, particularly with regards to the product's aims, the commitment which it entails, together with its legal (including policyholder protection) and tax status. If there are any points on which you are unsure or require further clarification, please contact me and I will be pleased to explain these in greater detail. Financial Services Compensation Scheme ('FSCS') The FSCS was set up under the Financial Services and Markets Act 2000 and exists to protect clients of FSA authorised firms and covers deposits, insurance and investments. The Scheme can pay compensation to clients who have lost money as a result of their dealings with FSA authorised firms that are unable to pay claims against them, usually because they are insolvent or have stopped trading.

As outlined earlier, the limit of protection varies between different types of products and is detailed in our Key facts about our services and costs document) (insert name of other document where you detail the FSCS coverage. For pensions, life assurance and non-compulsory insurance (e.g. home and general), the compensation level is 90% of the claim.

Risks: The Key Features Document also provides you with details of any risks and potential disadvantages associated with the contract recommended. We have previously discussed these, and I would like to highlight the following points:

- You should review the level of cover required on a regular basis to ensure that it keeps in line with your earnings, otherwise, cover may be less than you need.
- If for any reason you cease contributions cover will lapse.
- The benefit payable may affect your claim to means tested state benefits.
- The present tax free treatment of the policy benefits may change.

The advice provided to you is based upon the information you have disclosed and therefore, if this letter does not accord with your view of the situation or you require any further clarification please contact me immediately. All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and HM Revenue and Customs' practice. Levels and bases of tax relief are subject to change. Cancellation rights Details of the appropriate cancellation period for the contract recommended are contained within the illustration which was provided to you.

## INDIVIDUAL SAVINGS ACCOUNT

We have considered the various ways you could achieve your present objectives as outlined above and I have recommend that you consider in an ISA via the Elevate Platform. Any investment returns received will be largely tax-free, although the tax credit on dividend income received by the fund is not recoverable.

However, cash and fixed interest funds are deemed to receive interest rather than dividends and a 20% credit is recoverable within the fund. There is no personal tax on any income taken and no capital gains tax on any gains made. Stakeholder Standards: These are a specific type of ISA which meet Government guidelines covering cost, access and terms. Both types of ISA component can qualify for a Stakeholder standard. The cost limit varies with each investment type and the access and terms criteria specify that investors must be able to get their money back at any time without penalty and with no other restrictions.

The ISA must also offer low minimum investment limits and can only invest a maximum of 60% in equities and property, with the remaining 40% in less volatile assets such as bonds and cash. Because of these limits, Stakeholder standard Stocks and Shares ISAs are designed to meet the needs of a wide range of investors. For this reason, they may be less appealing to experienced investors who want to maximise their long term growth potential and are therefore more likely to seek specialist funds. The presence or absence of a Stakeholder standard cannot predict whether an ISA will prove to be a good or bad investment.

A Stakeholder standard ISA has not received Government approval of any kind, nor is your money or investment return guaranteed by the Government in any way. The recommended contract is not a Stakeholder standard ISA. Turning then to my specific recommendation:

Risks: The Key Features Document also provides you with details of any risks and potential disadvantages associated with the contract recommended. We have previously discussed these, and I would like to highlight the following points:

- Past performance is no guarantee of future returns.
- The price of shares and the income from them can fall as well as rise.
- The value of this investment is not guaranteed and on encashment you may not get back the full amount invested.
- There remains the possibility that you could lose income or growth following a rise in market conditions while the transfer remains pending.

All statements concerning the tax treatment of products and their benefits are based on my understanding of current tax law and HM Revenue and Customs’ practice. Levels and bases of tax relief are subject to change.

## PERSONAL PORTFOLIO

OEICs/Unit Trusts are forms of collective investment, which allow individuals to participate in a large portfolio of assets by pooling their money together with other investors.

This gives the individual access to a much wider spread of holdings than can normally be achieved with smaller sums of money, which in turn reduces the risk. The fund is divided into units or shares, which are valued on a daily basis and reflect the underlying value of the fund.

This value will fluctuate on a daily basis with market conditions. Basically, OEICs and Unit Trusts are a flexible and relatively cheap way to invest in the stock market. They are run and regulated in a similar way, and you can hold them within an ISA. There are differences - an OEIC is set up as a company whereas a Unit Trust is a trust and you will usually find that unit trusts have two prices - the 'bid' price which is the lower price you receive when you sell, and the higher 'offer' price you pay to invest. The difference between the two prices is commonly known as the bid/offer spread. With an OEIC there is usually a single price to buy and sell shares, so it's easier to see the actual effect of charges.

However, unit trusts are expected to become 'single-priced' eventually, with some already so. It is therefore important that you understand the way your investment charges are made - the Key Features Document explains this. It can cost fund managers less to run an OEIC than a Unit Trust, so some companies reduced their initial charges when they converted their unit trusts to OEICs, although annual charges remain much the same.

Another advantage of OEICs is that it may be cheaper to switch between an OEIC manager's different funds than between unit trusts because of the OEIC’s structure. Each OEIC may be made up of various sub-funds, and when you buy shares in an OEIC you actually invest in one or more of the subfunds.

Changing between sub-funds e.g. UK for European or vice versa, is easier than switching between completely separate unit trusts. Several OEIC managers have therefore cut switching charges or even offer free switches. Income (the yield, dividend or interest) from these funds can be distributed or accumulated within the fund and is paid net of basic rate tax.

Higher and additional rate taxpayers will have to declare this income on their tax return and pay the difference between the tax deducted and either higher or additional rate tax, in the case of interest, or 32.5% (higher rate) or 42.5% (additional rate) in the case of dividend income.

Non taxpayers can no longer reclaim the tax which has been deducted at source from dividend income but they can reclaim tax deducted from income that is classed as interest, e.g. such as that payable from a fixed interest fund or a fund holding a substantial proportion of interest-bearing assets such as corporate bonds.

When the holding is surrendered, if there is a gain, this is subject to capital gains tax. However, each individual has the benefit of an annual allowance currently £10,600 and as long as the gain together with any other gains you may have in the same tax year is less than the allowance, there is no tax to pay. Any gain in excess of the annual allowance will be taxed at a rate of 18% if, after adding the net taxable gain to your taxable income in the relevant tax year, the total falls within the basic rate income tax band.

A tax rate of 28% applies to gains or parts of gains which exceed the upper limit of the basic rate income tax band.

Term In discussing your objectives it was appropriate to consider a contract which did not have a fixed term. We agreed that, given the medium to longer term nature of the investment, it was appropriate to consider an investment term of five years plus. Level of Investment Having considered both your income and expenditure we agreed that your reinvestment of the full encashment proceeds was affordable for you. You have sufficient surplus income or capital in the event of any short term requirements and confirmed that this expenditure will remain affordable to you in future.

Risks The Key Features Document also provides you with details of any risks and potential disadvantages associated with the contract recommended. We have previously discussed these, and I would like to highlight the following points:

- Past performance is no guarantee of future returns.
- The price of units and the income from them can fall as well as rise.
- The value of this investment is not guaranteed and on encashment you may not get back the full amount invested.

The advice provided to you is based upon the information you have disclosed and therefore, if this letter does not accord with your view of the situation or you require any further clarification please contact me immediately. All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and HM Revenue and Customs' practice. Levels and bases of tax relief are subject to change.

Provider In reviewing your objectives we considered a number of criteria which we consider important, and have made a strategic decision to use the Elevate Platform from AXA. Key Features Document I have provided you with Key Features Documents. This documentation is important and contains information regarding the product which I have recommended, particularly with regards to the product's aims, charges, the commitment which it entails, together with its legal (including policyholder protection) and tax status. If there are any points on which you are unsure or require further clarification, please contact me and I will be pleased to explain these in greater detail. Financial Services Compensation Scheme ('FSCS') The FSCS was set up under the Financial Services and Markets Act 2000 and exists to protect clients of FSA authorised firms and covers deposits, insurance and investments. The Scheme can pay compensation to clients who have lost money as a result of their dealings with FSA authorised firms that are unable to pay claims against them, usually because they are insolvent or have stopped trading.

As outlined earlier, the limit of protection varies between different types of products and is detailed in our Keyfacts about our services and costs document. Investments covered include stocks and shares, unit trusts, futures and options, personal pension plans and other long term policies such as endowments, the compensation is paid for bad advice, negligent investment management or misrepresentation only. The maximum level of compensation for investments is £50,000 per individual However for a claim to be eligible for compensation it must meet ALL of the following criteria: a) the advice you received to buy the investment must have been given on or after 28 August 1988; AND (b) the firm that advised you must have been authorised by the appropriate regulator to do so at that time; AND (c) you must have lost money as a result of the advice you were given; AND (d) the firm (or its principals) no longer has sufficient assets to meet claims for compensation. Cancellation rights Details of the appropriate cancellation period for the contract recommended are contained within the illustration which was provided to you

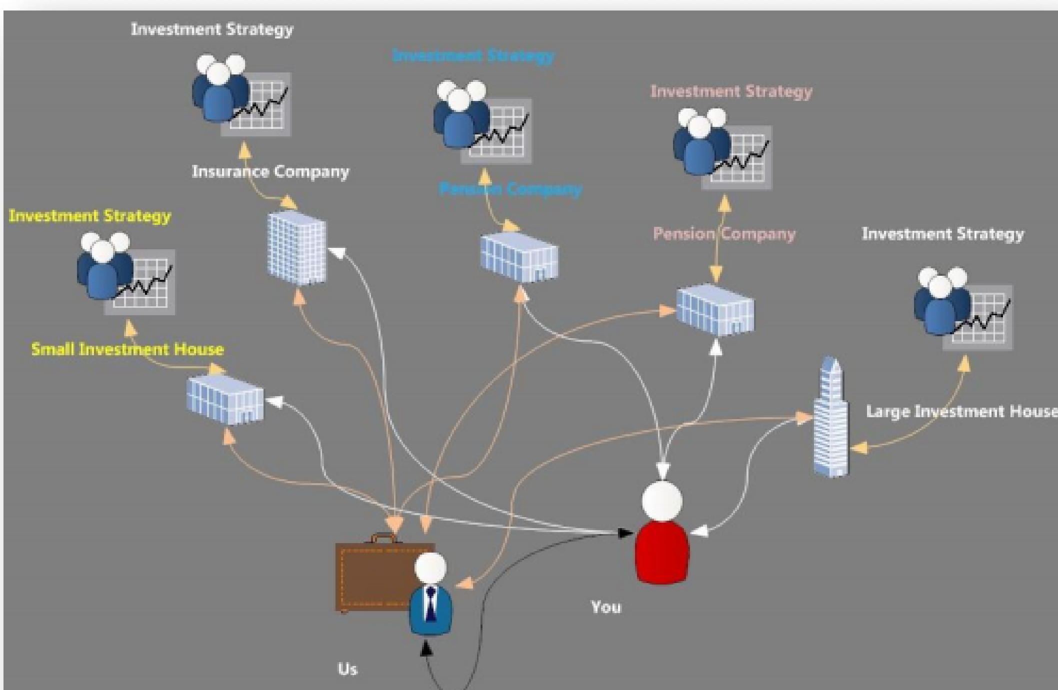
# Our Investment Strategy

## How Other Financial Advisers Work

Financial planning is about creating solutions to satisfy a financial planning need, which generally involves using the characteristics or tax structures of 'products'. These products would generally be built by an insurance company or investment company based on certain tax legislation. For example, people often think of a pension as the source of their income in retirement, when in fact the pension is merely a savings account that has been designed by an insurer to exploit the tax legislation laid down by the government.

One of the reasons that we have so many different types of pension is that each successive government likes to make their mark by tinkering with this legislation. So, having identified a structure that would be suitable, most advisers would then research the market to find which providers had the most appropriate product in terms of cost, flexibility and options.

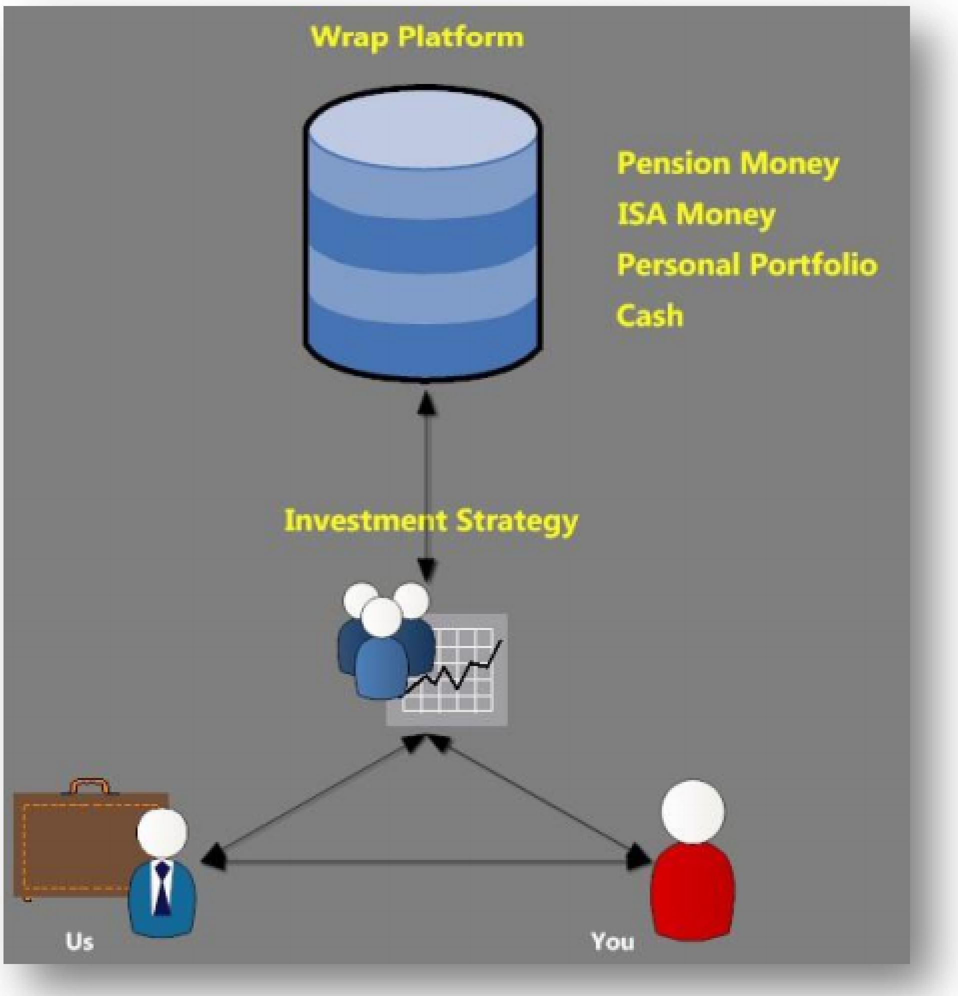
Once the provider had been selected, they might then select the investments from whatever funds that company offered. Of course, their range may have been great at the time, but they were never going to stay at the top so the next time that you needed to put a new product in place, a different company would be selected. What makes this worse is that if you need several structures, invariably the most appropriate company for the pension would be different to the most appropriate for the ISA so what you ended up with was a collection of policies with different companies, selected at different times during your life, all with different investment options within them, as illustrated below.



## How We Put The Client Back In Control

Our Investment Strategy is designed to un-bundle all of your planning. In other words, we are moving away from talking about pensions, ISAs and investments as separate entities and instead we are focusing on your wider wealth.

The way we do this is to create a single point from which all of your money is managed with a defined, appropriate investment strategy. The illustration below shows how different this is to the old way:




We are able to do this due to the emergence of 'wraps' or 'platforms' in recent years. These are essentially technology driven arrangements that unifies your money so we can build a portfolio of funds with many specialist investment companies. We have used technology designed by AXA to implement this service. An important distinction is that this platform is purely a piece of technology. We will use it to access the various tax planning products that are appropriate for your needs. The reason that we think they are suitable for your needs are outlined in a later section.

For us, this means that we don't have to just accept whichever funds that company decides to make available, but instead we can work on a 'best of breed' basis, picking the most appropriate managers to do different jobs. Furthermore, if we need to change the profile this can be done easily right across your wealth. In addition, and in reality most exciting of all, we can also apply the monies to different structures, such as Pensions and ISAs all from one portal. This arrangement enables us to tactically exploit the tax planning benefits of the different structures to best serve your interests and objectives. Furthermore, this will greatly ease the administrative burden of managing your monies.

We have used technology designed by a company called 'AXA Elevate' to implement this service. An important distinction is that this platform is purely a piece of technology. We will use it to access the various tax planning products that are appropriate for your needs. The reason that we think they are suitable for your needs are outlined in a later section. For us, this means that we don't have to just accept whichever funds that company decides to make available, but instead we can work on a 'best of breed' basis, picking the most appropriate managers to do different jobs. Furthermore, if we need to change the profile this can be done easily right across your wealth.

In addition, and in reality most exciting of all, we can also apply the monies to different structures, such as Pensions and ISAs all from one portal. This arrangement enables us to tactically exploit the tax planning benefits of the different structures to best serve your interests and objectives. Furthermore, this will greatly ease the administrative burden of managing your monies. The charges for this are outlined in this report.

## Recommended Investment Portfolio

We believe specialists should do specialised jobs, so when it comes to the job of managing your investments, we have built strategies exploiting others abilities.

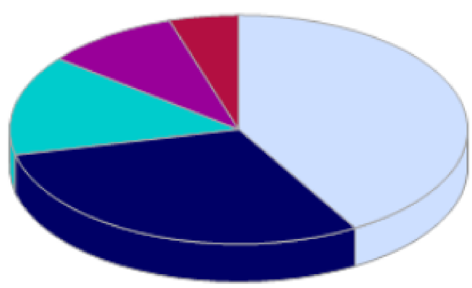
As a result, based on your profile, tolerance to risk and objectives we are recommending you use the Architas Balanced Multi Asset Passive Fund for your retirement and investment savings.

Architas Balanced Multi Asset Passive Fund The fund aims to achieve medium to longer term returns by giving the investor exposure to a range of asset classes and geographical sectors. The fund invests in a range of collective investment schemes, offered by a range of leading fund managers seeking to invest in those that are predominantly of a passive nature.

Assets of a passive nature are financial instruments that track indices. The fund may use derivatives for investment purposes as well as for efficient portfolio management.

| Rank | Change | Name | % |
|---|---|---|---|
| 1 | ▶ | INTERNATIONAL EQUITIES | 41.53 |
| 2 | ▶ | UK FIXED INTEREST | 29.89 |
| 3 | ▶ | UK EQUITIES | 14.20 |
| 4 | ▶ | PROPERTY | 9.48 |
| 5 | ■ | GLOBAL FIXED INTEREST | 4.90 |

- ▼ Faller
- ▲ Riser
- ▶ No Change
- ■ New Entry



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