Wise Words

the latest financial news from Aaron Tawny

We Wish You A Very Merry Christmas & A Happy New Year

with the hope that we can help make it a very prosperous 2011!

Aaron Tawny will be making a donation to the Help for Heroes Charity, instead of sending out Christmas cards this year

Investment

Get one of the Best Rates in town - Whilst it's still around!!

RBS Royal Deposit Plan – 4.1% p.a. for three years

The Royal Deposit Plan 7 has been open for investment for a week now and is proving popular with investors. That's hardly surprising since the Plan offers one of the top rates around for a fixed term deposit, with no equity exposure - 4.1% for three years. It comes with full capital protection and because it's a deposit account, its covered by the Financial Services Compensation Scheme (FSCS).

Key Features of the Royal Deposit Plan

- Three year investment
- Fixed annual 4.1% interest payment
- 100% capital protection provided the plan is held until maturity
- Plan is covered by the FSCS
- Pre-investment interest paid at 0.87% p.a.
- Available for offshore investment
- Money will be deposited with Ulster Bank Limited, a wholly owned subsidiary of The Royal Bank of Scotland.
- Available to utilise your cash ISA allowance of £5,100 p.a.
- Ability to transfer existing Cash ISAs into the plan
- Ability to withdraw 4.1% p.a. interest if required
- Minimum investment £3,600

Offer closes 24th December 2010.

New 'Junior ISA' for children

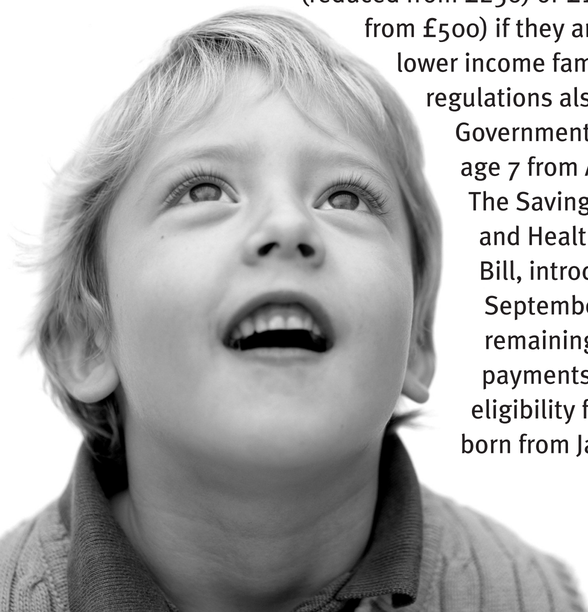
Financial Secretary to the Treasury, Mark Hoban, announced recently that the Government will create a new tax-free children's savings account. The new accounts, described as 'Junior ISAs' will offer parents a simple and tax-free way to save for their child's future. The Government will now work closely with stakeholders to finalise the structure of the accounts, and intends for the new accounts to be available by Autumn 2011.

The Government is committed to encouraging saving for children, within the constraints of the public finances. Following an informal consultation, it is clear there is an appetite for families to have a clear, simple and tax-free savings option for their children, following the end of Child Trust Fund (CTF) eligibility from January 2011.

The new account will have the following key features:-

- All returns will be tax-free
- Funds placed in the account will be owned by the child and would be locked in until the child reaches adulthood
- Investments will be available in Cash or Stocks and Shares
- Annual contributions will be capped
- There will be no Government contributions into the account
- Eligibility for the new account will be back-dated, to ensure no child born after the end of CTF eligibility, will miss out on the chance to have one of the accounts.

With regards to the current CTF, in July the Government made regulations to reduce payments at birth for children born from August 2010 to £50 (reduced from £250) or £100 (reduced from £500) if they are from a lower income family. The regulations also stopped all Government payments at age 7 from August 2010. The Savings Accounts and Health in Pregnancy Bill, introduced on 15 September, will stop all remaining Government payments and end new eligibility for children born from January 2011.



Are your Family at risk of losing their home?

A shocking report has revealed that nearly half the mortgages in the UK are not backed by any life insurance.* So, in simple terms, if something happened to a main breadwinner, their family could be in danger of losing their home.

Skimping on life cover is a big risk to take with a family's security. And it makes little sense when insurance can be surprisingly affordable.

Traditionally, there is a choice of two simple types of policy:

- Level Term Assurance - gives you the same amount of cover, throughout the life of the policy.
- Decreasing Term Assurance - has cheaper premiums, because the level of cover decreases over the years, as you gradually pay off your mortgage (applicable to Capital Repayment mortgages not Interest only mortgages).

Family & Personal Income Plans

How would your family cope if, for instance, one parent was to die, without the appropriate cover, how would your family maintain its standard of living and keep up with its day-to-day expenses? It is doubtful whether the family would have sufficient income to meet half of its current expenses!

Your mortgage isn't the only payment you need to make each month - what about your other day-to-day expenses - utility bills, food, shopping, council tax, car insurance, childcare and the list goes on and on.

This is why a Family & Personal Income Plan could be just the cover you need. It's a cost effective way to provide a regular monthly income for your dependants, if you were to die during the term of the plan.

The plan could also be used to protect maintenance payments for/from an estranged spouse/partner.

Please feel free to contact us if you have any concerns in this area, and you'll see how little it can cost to get the cover you need. Or you might be able to save money by switching your current policy to a new company.

Simply call us on 01536 512724 for more information

If you don't look after yourself, don't expect the Government to!

-not to an acceptable standard anyway

Automatic Enrolment & NEST (National Employement Savings Trust) Work Review Update

The Government recently announced that Automatic Enrolment into a workplace pension scheme will be staged, according to the size of the employer, between October 2012 and September 2016. The largest employers will have to comply first from 2012. The purpose of the review was to ensure there is a balance between costs and benefits for the individuals and automatic enrolment will not create a disproportionate burden on employers. Automatic enrolment is proposed to run alongside NEST (National Employement Savings Trust), although it can be utilised with any appropriate Pension Scheme. However, whichever scheme is linked, the Employer will be required to contribute, as well as the Employee.

Summary of Proposed Changes in the Review

Eligibility Criteria

Those aged between 22 and State Pension age with earnings equal or greater than the personal allowance will be auto-enrolled.

Employer Duties

Auto enrolment will apply to all employers and there will be no exemption based on size of the employer.

Waiting Periods

A period of up to three months will be permitted before an employee is auto-enrolled. An employee who wishes to opt-in during the waiting period, will have the right to do so and benefit from the employer contributions.

An employer will have to choose which qualifying scheme to use, either:

1. Nest scheme
2. Occupational pension scheme, or
3. Work place pension.

Contribution Levels

An employer will be able to certify contributions are meeting the required minimum, by choosing one of the three following methods:

1. A minimum of 9% of pensionable pay (including 4% employer) or

The DWP estimate that around seven million people are not saving enough to deliver the income in retirement from a pension arrangement they are likely to want or expect.

2. A minimum of 8% of pensionable pay (including 3% employer) provided pensionable pay constitutes 85% of total pay or
3. A minimum of 7% of pensionable pay (including 3%employer) provided pensionable equates to total pay.

The Department for Work & Pensions (DWP) estimate that around seven million people are not saving enough to deliver the income in retirement from a pension arrangement they are likely to want or expect.

Therefore put simply, the Governments aim is for savers to be better off in retirement, having saved.

This concept is not new, although you may be interested to know the U.K. lags behind many other countries in introducing such a scheme, for instance the following are countries which introduced similar type schemes and their year of inception:

Australia 1992; Canada 1957; Denmark 1991; New Zealand 2007; Poland 1999; Uruguay 1995

We will endeavour to keep you informed of the progress and advise relevant employers of the choice of schemes available, as the way forward becomes clearer. In the meantime a point worth considering is adding in the costs of these pension contributions to any long-term contracts you may be quoting, that may continue into 2012 and beyond.

If you require more specific information relevant to yourselves, please do not hesitate to contact us.

Buy to Let making a comeback

The housing market continues to face many challenges, with house sales down and values remaining uncertain.

This however may present an opportunity for potential landlords as rents are on the increase, so these could be the perfect conditions for the Buy to Let sector.

As with residential mortgages, Buy to Let has had little to cheer about for a while, but this trend may be shifting and prospects may be looking up.

Sale prices have dropped drastically in recent times and continue to stagnate, whereas rent appears to be heading upwards. Tennant demand also appears to be rising yet the supply of rental properties does not appear to be rising fast enough to meet the demand.

The average rent is now £689 per month, which represents an increase of 3.1% from the same time last year, and is a staggering £972 per month in London*.

One of the main factors here is that would be first time buyers are finding themselves frozen out of the mortgage market due to tighter lending criteria. This means many potential buyers are forced to rent for longer – which is of course good news for landlords and potential landlords.

As well as potential first time buyers, a reduction in new build developments and a continued shortage of social housing have both increased demand.

According to the Association of Registered Letting Agents (ARLA), the average void period – the time during which a property is unoccupied by tenants has fallen to 3.2 weeks, its lowest point for 8 years.

There are also signs that Buy to Let finance is becoming more flexible and accessible, with some lenders opting to re-enter the market as well as new ones joining it.

The required deposit is also getting smaller as it is possible to obtain a Buy to Let mortgage with a deposit as little as 20%.

Please contact us if you would like to discuss any area of Buy to Let Mortgages or for further information.

* according to LSL Property Services

Changes to Remuneration

As a company we continue to face many changes and challenges put in front of us and one of the most significant changes will be the Retail Distribution Review, which will be in force from 2013. One of the main points of the review is that Financial Advisers will have to change the way they are remunerated for some of their services.

Traditionally, most IFA firms have been paid via commission payments from product providers, whilst also offering clients the choice to pay via fees and this is the model we offer at Aaron Tawny.

In the future, IFA companies will no longer be able to receive commission from providers.

The move is designed to ensure that:

- Advice is purely independent and reflects investors needs
- People can clearly understand and identify the service they are being offered
- Investors know upfront about how much advice is going to cost and how they will pay for it.

The new rules will only apply to the sale of investments such as Pensions, Annuities and Unit Trusts, but not to Mortgages or Life Insurance policies.

Any fees may be paid directly by the client at the outset of any advice or transaction or they may be taken from the initial investment or over a period of time.

Our vision for the future

The dynamic nature of the UK Financial Services environment presents a myriad of change for the industry. These changes stem from a combination of regulatory, financial and environmental pressures.

The pressures will no doubt drag many Advisory practices screaming and shouting into the future, but not Aaron Tawny. From our previous newsletter you will be aware that for a number of months we have been very proactive in developing an entirely new business strategy from a traditional "transaction-based" business model to a more sustainable customer focused advice-based model.

Focusing on products and investments causes clients to concentrate on product performance - a situation which could prove to be unsustainable. For example what chance do you have with the markets if you consider the following facts, which we came across recently:

Of the 50 top-performing funds in 2005 -
40 are no longer in the top 100
30 are no longer in the top 250
25 are no longer in the top 500

We feel what clients really want and what they attach more value to, is personal interaction leading to a deep, trusting and long lasting relationship, based upon ongoing advice that will help them fulfil their lifestyle and financial goals.

It is, therefore, our intention to provide a "Lifestyle Financial Planning Service" - This service will concentrate on adding value for our clients, identifying goals, defining direction, agreeing milestones, with advice and service aligned to and underpinned by clients goals.

The model we have developed is based on:

- Maximising the probability of clients achieving their lifestyle goals
- Cash-flow modelling tools to support lifestyle discussions and to illustrate alternative scenarios
- Review meetings, which focus on annual planning and progress towards goals, rather than fund performance justification.

There are of course, as you will appreciate, certain areas over which we have no control or influence:

- Changes in Clients' employment, family or wealth status
- Changes to legislation, regulation or fiscal policies
- Investment, market performance and economic behaviour
- Performance of individual Fund Managers
- Career decisions of "star" Fund Managers.

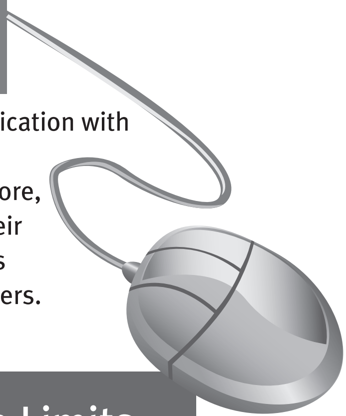
We feel what clients really want is a long lasting relationship, based upon advice that will help them fulfil their lifestyle and financial goals.

However, the model, which we have now developed and which will be available from early 2011, will allow the above to be closely monitored, to allow amendment or adoption, to any changing circumstances.

We intend to introduce this new service model from early 2011. This will be rolled-out on a general basis, as and when reviews take place, but should anyone wish to have immediate discussions or take early advantage of the system, please give us a call.

Effective Client Communication

It is our intention to make communication with clients more efficient by the use of Email. We would appreciate, therefore, clients letting us have details of their Email address. We will also use this method of forwarding our Newsletters.



More about Bank and Building Society Compensation Limits

The current limit for Deposits is £50,000. The Financial Services Compensation Scheme limit for deposits will increase on 31 December 2010 following European legislation to the equivalent in sterling of 100% of the first 100,000 euros per person.

A Quiet Revolution: Innovating the Equity Release Market

Over 70,000 homes are sold each year to pay for residential care with just 3,000 people taking out an immediate care annuity, often from savings and investments or family support. Where else is the money to come from if not the home?

There's a quiet revolution going on in the area of later life planning. It hasn't gained much publicity, and not many people seem to have noticed, but hugely significant developments have been made this year. Two companies have launched ground breaking solutions to the problem of how we are going to pay the cost resulting from increased longevity and in particular, the cost of care.

As people live longer, they can expect to become increasingly frail or ill, requiring practical support for longer in old age.

They have in effect, made the financial planning equivalent of a breakthrough linking two cave systems. It is easy to underestimate the importance of what they have done; we have the beginning of a symbiotic relationship between Equity Release and funding for care fees, that will become the model for future product development.

They are designed to provide money to pay for care in a residential or care home. It involves taking a rolled–up interest mortgage secured against the home, with the cash funding an immediate or deferred care fees Annuity, payments being made directly to the care provider. The money never touches the hands of the homeowner so there is no personal income tax liability, nor should it lead to loss of means-tested benefits such as Pension Credit. 'Spending' money this way by borrowing to pay for care, could hardly be construed as depriving oneself of capital.

The homeowner (who must be single, over 80 years of age) is required to vacate the property by the time of completion of the loan. The now vacant property to be let out for a commercial rental income, paid to the owner, which could go some way toward paying for care fees. The effect on Age Allowance and means-tested benefit entitlement need to be carefully considered, but at least it's a valuable option.

The significance of this product is that for the first time, a single homeowner or the last of a couple to go into care can pay for their residential care, without having to sell their home at a distressed price during a weak, slow housing market. Financial considerations aside, moving into care is hugely stressful for the elderly and their relatives, who typically handle the practical things. Anything that makes the task simpler and less stressful is to be welcomed, although capital protected options for the Annuity ought to be considered. This could provide a temporary solution before selling the home, as the loan is absent of early repayment penalties.

The other major move this year has been the re-entry of an enhanced lifetime mortgage. A series of 13 short medical and lifestyle questions could mean a homeowner qualifying for higher release amounts by having just one or two medical conditions or influencing lifestyle factors. An 80-year-old for example could release a 3% greater loan-to-value than under any other lifetime mortgages if they qualify for the plan. This might not seem a great difference, but for those seeking maximum releases it can be all the difference.

As people live longer, they can expect to become increasingly frail or ill, requiring practical support for longer in old age. Two specialist companies have recognized ahead of others that the humble home is not just there to provide a roof over one's head. Instead they see the home as being fundamentally a vehicle for paying for the extra years that people are going to live once their working days are over.

If you require any further information or on other types of Equity Release schemes available, please do not hesitate to contact us.

The Irish Bail Out

It is a slow day in a damp little Irish town. The rain is beating down and the streets are deserted. Times are tough, everybody is in debt and everybody lives on credit.

On this particular day a rich German tourist is driving through the town, stops at the local hotel and lays a €100 note on the desk, telling the hotel owner he wants to inspect the rooms upstairs in order to pick one to spend the night.

The owner gives him some keys and, as soon as the visitor has walked upstairs, the hotelier grabs the €100 note and runs next door to pay his debt to the butcher. The butcher takes the €100 note and runs down the street to repay his debt to the pig farmer. The pig farmer takes the €100 note and heads off to pay his bill at the supplier of food and fuel. The guy at the Farmers' Co-op takes the €100 note and runs to pay his drinks bill at the pub. The publican slips the money along to the local prostitute drinking at the bar, who has also been facing hard times and has had to offer him "services" on credit. The hooker then rushes to the hotel and pays off her room bill to the hotel owner with the€100 note. The hotel proprietor then places the €100 note back on the counter so the rich traveller will not suspect anything.

At that moment the traveller comes down the stairs, picks up the €100 note, states that the rooms are not satisfactory, pockets the money and leaves town.

No one produced anything. No one earned anything. However, the whole town is now out of debt and looking to the future with a lot more optimism.
And that, ladies and gentlemen, is how the bailout package works - what's the problem?!!

Your financial needs: How we can help

All of our advisers are trained to offer unbiased, jargon-free advice on any of these areas:

- Pensions
- Inheritance Planning
- Pre & Post Retirement Planning
- Equity Release/Home Reversion Schemes
- Life Assurance/Income Protection
- Investments
- Mortgages/Re-Mortgages/Buy to Lets
- Commercial Mortgages
- Business Protection
- Financial Planning

Simply call us on 01536 512724 or email us your enquiry at: enquiries@atawny.co.uk

We hope you find this a useful and informative read. With our constant strive for excellence in customer service we always appreciate to hear your feedback, whether good or bad.

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Aaron Tawny

To detach please cut along dotted line

If you would like more information on any of the following areas, please tick the relevant section, fill in your details and send this back to us at:
Aaron Tawny Mortgages Ltd. 6 Market Place, Kettering, Northants, NN16 0AL

- ☐ Automatic Enrolment & NEST (National Employement Savings Trust) Update
- ☐ New Junior ISA for Children
- ☐ Enhanced Lifetime Mortgage/Equity Release Schemes
- ☐ RBS Royal Deposit Plan
- ☐ Buy to Lets
- ☐ Life Cover
- ☐ Lifestyle Financial Planning Service

Name: .... Address: ....

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Telephone: .... Email: ....