



- *Investments*
- *Savings*
- *Pensions*
- *Mortgages*

68 Athol Street  
Douglas  
Isle of Man  
IM1 1QQ

Tel: 01624 612611  
Email: [advice@financialoptions.co.im](mailto:advice@financialoptions.co.im)  
Website: [www.financialoptions.co.im](http://www.financialoptions.co.im)



## Financial Options Summer 2011 Newsletter

# Facing up to Investment Challenges – some helpful ideas

**Bank Base rate at 0.5%, Inflation above 6% - here are some helpful hints for making the most of your savings and investments:**

### **At the lowest level of risk**

UK government backed debt and Bank and Building Society interest with the capital covered by statutory compensation schemes.

- National Savings index-linked certificates, guaranteed by the UK Government – Tax free and probably the best rate for one of the safest investments around.
- UK Banks and Building Societies - yes some accept our deposits

and the compensation scheme is higher (£85,000 per person).

- “Structured Deposits”, deposit accounts, covered by Depositors Compensation Schemes and may provide much higher returns.

**Further up the risk ladder** are products which invest in a basket of investments, such as Equities, Fixed Interest and Property and therefore offer greater growth potential.

These can provide between 80% to 100% capital protection for your initial investment, grow largely tax free and are not currently subject to Income Tax.

**Long term savers** may invest in

Unit Trusts (portfolios of securities, such as Equities or Corporate Bonds). Generally such Unit Trusts offer no capital protection, but do offer the opportunity for higher long term returns.

- We run four standard portfolios for clients
- We create bespoke portfolios for Clients according to their wishes

For a full version of this article with helpful investment and savings ideas telling you where and how to save and invest, please email us at [advice@financialoptions.co.im](mailto:advice@financialoptions.co.im)

## *The Mortgage Myths that can cost you a fortune*

**(Or how a 1% interest rate change on a £100,000 mortgage can cost you a tank full of petrol a month)**

**My bank will look after my best interests** If you have not reviewed your mortgage for a while then you are likely to be on the lender's own standard variable rate which could be much higher than the new deals they and other lenders are offering.

**The press tells us that mortgage approvals are falling** and the banks are not lending anymore. This is not true. Lenders have changed their criteria but there are still some very good deals to be had and with guidance you can find them.

**It will cost far too much to review** and change my mortgage. At Financial Options all of our advice is **free** and the only reason we would recommend moving your mortgage is if it will actually save you money.

Your mortgage is likely to be the largest monthly expense you have, yet often we forget to review it. Improving your mortgage rate by 1% on a £100,000 mortgage could save you over £80 per month (as we said above - more than enough to fill the average family car!)

So for instance do you know?

- **The mortgage rate you are currently paying and if it is a variable deal**
- **If your monthly payments will go up if the Bank of England increases the base rate**

And most importantly,

- **If you are getting the best deal you could**

**If you are not sure of the answers then throw out the mortgage myths and get along to see us to take another look at your mortgage.**

# Fed up with the paltry returns on deposit accounts?

If so then you are not alone. Below-inflation rates on offer have persisted for so long that financial service providers have started providing new types of deposit accounts, with returns based on different measures or alternatively very good returns for just minor increases in indices. These offerings change constantly, for instance:

- Earlier this month there was a deposit plan available based on

the FTSE 100 providing a 45% return at the end of 6 years even if the final measurement level of the FTSE 100 were to be no higher than the opening level at the start of the Plan.

- In another recent example, returns were based on Emerging Market indices or a Commodity index. "Back testing" to simulate the returns that would have been achieved if invested over past 5 year periods were published by

the plan provider. These were published as an average of 20% and 11% per annum respectively.

All these plans are covered by Depositors Compensation schemes so there is no risk to the initial capital invested, (although it is possible there will be no increase in the monetary value).

For a complete list and description of the products we recommend please email us at [advice@financialoptions.co.im](mailto:advice@financialoptions.co.im)

## ....and all sorts of other "alternative Investments"

**Diversifying your savings in an uncertain world is one of the key principles of successful investing.**

Or as the old saying goes "don't put all your eggs in one basket"

Consider for example:

**Alternative Investments** which may include investments in Student Accommodation, Life Settlements, land and many more.

**Income Provision Plans** where typically income is paid on a regular basis, but continuity of payment is dependent upon stock market indices.

**Kick-out plans** which end if and

when stock market levels on anniversary dates are equal to their opening levels at the time the investment begins – the "initial strike level". These can be very useful investments in times when stock markets are relatively stationary.

A recent example of one we particularly liked is the "Walker Crips Defensive Dual Index Plan". This plan is due to close on August 5th but may well be repeated. Similar plans are normally available. This is a six year kick-out plan which ends on the first anniversary that both the FTSE 100 (the index of the

top 100 UK companies) and the Standard & Poors 500 (the index of the top 500 US companies) is equal to the initial strike price.

For each year the plan is in place 8% per annum is paid on Kick-out. Even if there is no payout before the sixth anniversary there is a 48% return providing neither index closes on the last day of the plan below the respective strike levels. Returns are tax free. Unlike Deposit-based plans these are all investments which involve risk and could result in loss of capital. Investors need to be fully aware of these risks before investing.

---

## Are you the owner of a "Dud Fund"?

How often do you look at your Unit Trusts? Back in June the Daily Mail reported that "Investors have £26 Billion in dud funds" - funds which really have performed badly. Often they are run by big banks such as Lloyds which owns Scottish Widows and Bank of Scotland which owns Halifax. Insurance companies fare little better - Insurance giant Legal and General had 5 under-performing funds. Its Equity trust –

which invests in UK firms made a loss of 5.1% over 3 years. The average equivalent made a profit of 11.2% and the better ones made returns of 20% to 30%.

**To put it in hard cash terms £10,000 invested in a fund which makes a loss of 5% over 3 years versus one that makes a gain of 30% is a difference of £3500!**

Now one can never guarantee that one fund will always be better than another – That's why we diversify between funds and constantly monitor. However the best fund managers often have long track records and it is to these managers we look, the areas of the world we think will best perform and the sectors where we see growth.

# The Financial Options Team

## – Who are we and how can we help?

If you like to speak with us regarding any of these articles then please feel free to contact us by phone or email.

We are:

**Gerald Chase** (Rear Left). FCIB, CertPFS, ACISI. Founder, Rotarian, frustrated golfer who covers personal pensions, group schemes such as life insurance, pensions and income protection for companies.

**Simon Faulkner** (Next to Gerald). BA, Dip Econ, MBA CertPFS. Keen photographer, traveller and clueless gardener who has never grown a carrot but who can offer comprehensive advice with any aspect of savings and investments.

**Frank Bowker** (Rear Right). IAC, LICIPD. Keen sailor, walker and socialite, again for Investments including Guaranteed Bonds in particular.

**Paul Chase** (Next to Frank). BA, CertPFS Co-owner along with his father Gerald, a bit of a film buff and a Southampton FC fan. Paul will answer any mortgage or life insurance queries that you may have and will also deal with any general



insurance and income protection questions.

Not least is our admin support team which comprises **Kriss** (Front Middle), an avid guitarist and obsessive fan of the rock group, Kiss. **Kerri** (Front Right) who is passionate about horse-riding but has just recently found a new love in her chihuahua, 'Casper' and **Rachael** (Front Left) who is a budding thespian (whatever that means) and has a guinea pig called 'Rodney'!

Financial Options are at  
**68 Athol Street**  
**Douglas**  
**Isle of Man**  
**IM1 1QQ**

[www.financialoptions.co.im](http://www.financialoptions.co.im)

Chase Financial Services Limited trading as Financial Options is registered in the Isle of Man No. 084203C and is licensed by the Isle of Man Financial Supervision Commission. Chase Financial Services Limited is registered with the Isle of Man Insurance and Pensions Authority in respect of general business.

## Living on the Isle of Man with a UK Pension – do you know

- How to get the highest income payments?
- How your pension is performing?
- That up to 55% of your pension could be taken in tax?

Pensions are complex and confusing. To increase your income or to maximize future savings then you need a regular review. This means:

- Investigating how to obtain the best monthly payments.
- Understanding how to obtain up to 30% of your pension as a tax-free lump sum.

- Reviewing performance even if in draw down since this will critically affect your future living standards.
- Seeking the best way to pass on your remaining pension to dependents. The difference in tax on your legacy could be as great as 55% tax versus just 7.5%.

There are many differences between UK and Island pensions. To be sure that you are doing the best thing to secure both your and your dependents future prosperity then why not contact us for a review?

# *“The breadwinner is always worth more than the stay at home house-person”*

Well actually, now that we have your attention, let us tell you that the answer is quite often **NO!**

Agreed the breadwinner’s income pays the mortgage, the bills and upkeep of the family home. Often the breadwinner is insured for this very reason. And what a good reason it is when you consider for instance:

- More than 1 in 3 people in Britain will develop cancer at some time in their lives (cancer research UK,11/2005)
- 270,000 people in Britain suffer a heart attack each year – one every

2 minutes (British Heart Foundation,11/2003)

So, let us turn our attention to the importance of insuring the house-person as well. Consider how much you would need to pay someone to clean, iron, prepare the meals, shop, look after the children and taxi them around (including the school run). The list goes on. In fact according to a survey carried out in 2008\* - in order to cover the tasks of an average house-person you would have to pay someone approx. £30,000 per annum.

Therefore it is crucial that you give

equal consideration to the value of the person that stays at home and looks after the house and children. If they were to die or to suffer a critical illness the family would need help and it could be expensive.

The good news is that insurance does not need to be expensive. Simple term assurance policies start from as little as £5.00 per month and we can tailor a policy that suits you, your family and your budget - Peace of mind has never been so affordable!

\*taken from BBC website – [www.news.bbc.co.uk](http://www.news.bbc.co.uk) on 19th February 2008 – [www.alljoinon.com](http://www.alljoinon.com)

## Given up smoking? You can save even more

If it is more than a year since you last smoked a cigarette it is possible, in fact I might even say that it is probable that we could re-quote your life insurance and secure a significant reduction. The table below shows how much can be saved and as life insurance is becoming cheaper as life expectancy is rising we could all benefit from reviewing the cover that we hold.

Male	Premium smoker	Premium non smoker
25	£8.40	£6.50
35	£15.10	£8.70
45	£38.10	£18.50

The illustrations above are for a male applicant for a £100,000 policy over 25 years assuming that the applicant is free of all medical problems.

The insurance companies know that if you have given up smoking that you are likely to become more fit and that your overall health will improve. Because of this you will live longer and the insurance companies can charge a lower premium. This of course will work best if your general health has not suffered but even if it has deteriorated a little we may still be able to assist you.

If you would like a new quote or would just like to talk about life and critical illness insurance please do not hesitate to contact us



Financial Options  
68 Athol Street  
Douglas  
Isle of Man  
IM1 1QQ

[www.financialoptions.co.im](http://www.financialoptions.co.im)

Chase Financial Services Limited trading as Financial Options is registered in the Isle of Man No. 084203C and is licensed by the Isle of Man Financial Supervision Commission. Chase Financial Services Limited is registered with the Isle of Man Insurance and Pensions Authority in respect of general business.