



January 2003

**"Do not let
your fears
control your
destiny."**

Anon.



INSIDE – SERPS: Time to contract back in?

Green light for Amber

A GREAT BIG THANK you to all the clients who responded to the appeal by Ken Lowes in his retirement letter to make a donation to the Amber Foundation; a charity which was formed to help young people get back on track after having lost their way in life.

We are delighted with the response which raised £4,505.85 from clients to which Lowes added a further £560, making a total of £5,065.85.

All donors were entered into our free wine draw and the winners are:

- A case of fine wine for each quarter of 2003 (four cases in all) to Miss J Keenan of Newcastle upon Tyne.
- A case of fine wine for each half of 2003 (two cases in all) to Mrs G Shield of Morpeth, Northumberland.
- A single case of wine to Mr and Mrs A D Young of Dewsbury, West Yorkshire.

■ *The Amber Foundation is a registered charity which aims to help young people who are unemployed and lacking basic skills and motivation to transform their lives. Of those who have gone to Amber since it was founded in 1995, 70 per cent have moved on to sustainable jobs of their choice or work-related training courses.*

Funding comes from the young people themselves, who live in residence and contribute their Unemployment and Housing Benefits; from Amber's contracts with Employment Services and Social Services; and from the general public and grant making trusts.

War on

WITH PRESIDENT BUSH still seemingly on the verge of declaring war on Iraq, many investors are asking how will 'Gulf War II' affect the already fragile stockmarkets?

City analysts and other experts agree that so long as any conflict is a short one, then the negative impact on the markets will be limited. Indeed, some argue that if Saddam can be toppled quickly and replaced with a popular figure liked by the West, there could be significant positive benefits. But if it is a drawn out affair, the impact could be much deeper – or very dangerous if the conflict spreads to other states.

Andrew Milligan, head of global strategy at Standard Life Investments, says: "By and large, our conclusion is that so long as any conflict was a relatively short affair then the impact would be limited. But a more protracted situation could impact a variety of markets, in particular the price of oil which could have adverse implications for the major economies."

Jonathan Wilmot, global strategist at Credit Suisse First Boston, recently published a paper: 'A war for Middle East Peace?' He argues that a protracted or inconclusive conflict would risk a dramatic spike in oil prices, higher gold prices, a weaker dollar, and higher risk premia in general. But a successful operation could provide a fiscal boost through increased military spending, while reduced terrorist risks could boost investor and business confidence, global growth, and equity markets.

Another analyst, Bob Semple of Deutsche Bank,



Sign of The Times

LOWES' WEBSITE - WWW.LOWES.CO.UK - HAS BEEN IDENTIFIED AS ONE OF THE INTERNET'S "Best kept web secrets". The accolade was given by *The Times* newspaper on 19 October.

The Times was looking at websites dealing with income bonds and 'structured' investment products and noted that Lowes offers a detailed assessment accompanied by either an 'endorsed' or 'not endorsed' stamp.



The spectacular photograph used on this issue's cover was taken in St Johana, Tyrol, Austria

Make your money work

Best bank and building society instant access/no notice accounts

Branch Based

Amount	Provider	Account	Gross Rate	Contact
£1-£5,000	Alliance & Leicester	Easy Saver	3.5%	Branch
£5,000+	Bank of Scotland	Instant Access Savings Account	3.75%	0500 804 804

Postal or Telephone

Amount	Provider	Account	Gross Rate	Contact
£1-£499	Legal & General Bank	Easy Access Tracker Account	3.53%	0800 0966959
£500+	Cheltenham & Gloucester	Tracker Account	3.85%	0800 226341

Internet

Amount	Provider	Account	Gross Rate	Contact
£1+	Northern Rock	Tracker Online	4.15%	www.northernrock.co.uk

Source: Latest information published on company websites (6/1/2003). All accounts subject to terms and conditions.

n the markets

Crisis hits the Dow Jones

Event	Reaction dates	% Gain/Loss in Dow Jones Industrial Average	% Gain/Loss 22 market days later	% Gain/Loss 63 market days later	% Gain/Loss 126 market days later
■ Fall of France	9 May - 22 Jun 1940	-17.1	-0.5	8.4	7.0
■ Pearl Harbour	6 - 10 Dec 1941	-6.5	3.8	-2.9	-9.6
■ Korean War	23 Jun - 13 Jul 1950	-12.0	9.1	15.3	19.2
■ Sputnik	3 - 22 Oct 1957	-9.9	5.5	6.7	7.2
■ Cuban missile crisis	19 - 27 Oct 1962	1.1	12.1	17.1	24.2
■ JFK assassination	21 - 22 Nov 1963	-2.9	7.2	12.4	15.1
■ US bombs Cambodia	29 Apr - 14 May 1970	-14.4	9.9	20.3	20.7
■ Arab oil embargo	18 Oct - 5 Dec 1973	-17.9	9.3	10.2	7.2
■ Nixon resigns	9 - 29 Aug 1974	-15.5	-7.9	-5.7	12.5
■ Hunt silver crisis	13 Feb - 27 Mar 1980	-15.9	6.7	16.2	25.8
■ Financial panic 1987	2 - 19 Oct 1987	-34.2	11.5	11.4	15.0
■ Gulf War ultimatum	24 Dec 1990 - 16 Jan 1991	-4.3	17.0	19.8	18.7
■ ERM UK currency crisis	14 Sep - 16 Oct 1992	-6.0	0.6	3.2	9.2
■ Asian stock market crisis	7 - 27 Oct 1997	-12.4	8.8	10.5	25.0

Source: Ned Davis Research

told *The Observer*: "It will be bad for financial markets; clearly, all bets are off if someone chucks anthrax down an American subway.

"On the other hand, if there is a clear military victory and a 'friendly' regime takes over in Baghdad, there could be a sudden abundance of Iraqi oil – bad for the oil companies but good for the western economies as a whole."

But because confidence is already fragile, Semple points out that a war will stop people travelling and consumer spending will grind to a sudden halt.

Energy specialists point to two likely scenarios. One is a repeat of the 1990/91 Gulf War, where the impact on oil markets was slight. In such a situation, the cessation of Iraq's production of between 1 million and 1.5 million barrels a day would be made up by other Opec members.

The other is the nightmare scenario of Iraq launching a pre-emptive strike on the Saudi oilfields. This could lead to a significant hike in oil prices and a detrimental impact on the developed economies and stockmarkets. To some extent this will be tempered by the availability of reserves.

"Generally speaking war has helped the US economy."

The International Energy Agency, IEA, says it now has sufficient reserves to cope with any disruption of the scale seen in the past. The worst supply crisis happened during the 1979 Iranian revolution, when the oil markets lost 5.6 million barrels a day for six months.

The US' strategic oil now totals around 700 million barrels, compared with a normal 550 million.

But what of the impact of war in general on stockmarkets? As the table above illustrates, the fact is that many of the largest stockmarket falls have been caused by events other than military actions.

Generally speaking though, war has helped the US economy. WWII rescued it from the 1930s' depression. Between 1942 and 1945, the economy grew by an annual average of 7.7 per cent as idle resources were mobilised for military purposes. Indeed, production of new ships was so rapid that they ran out of names for them.

Niall Ferguson, the Oxford University historian, points out in his book, *The Cash Nexus*: "The biggest American boom of the 20th century occurred not in the much-vaunted Clinton era, but during the Second World War."

Change at the top

IT IS A GREAT HONOUR TO TAKE OVER the reins of Lowes Financial Management following my father's retirement last month.

With over 30 years of history behind us, Lowes is now identified as one of the UK's top 100 Independent Financial Advisers. Whilst I do not have any aspirations for the number one slot, it is my objective to increase the Company's standing over the coming years, but not at any price. The Company ethos of putting the client first will continue throughout my tenure.

I am often asked by clients whether I would invest in a particular product that Lowes have promoted. Whilst my investment objectives and risk profile may be different, the answer virtually every time is a categorical "Yes". It has always been our philosophy to work on the basis of recommending only those products which we would buy ourselves given comparable circumstances to the client.

Whilst it would be financially impossible to invest in everything, I can assure you that, as a family, we have holdings in many of the products promoted by Lowes over the years and both my father and myself have invested an element of our portfolios in the Phoenix Venture Capital Trust described on the back page of this magazine.

May I take this opportunity to wish all our clients the very best for 2003.

Ian Lowes,
Managing Director



If you would like to receive further information on any of the subjects featured in this issue of **LOWES** please call 0845 148 4848, fax 0191 281 8365, e-mail client@lowes.co.uk. Or write to us at: **Lowes Group Ltd, FREEPOST NT197, Holmwood House, Clayton Road, Newcastle upon Tyne NE2 1BR**

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Second-rate State

The value of State additional pension schemes is heading...

MANY READERS APPROACHING retirement may be contracted out of the State Earnings Related Pension Scheme or SERPS (see table, right). If so, then they are faced with a choice – should they stay contracted out, or should they contract back in again?

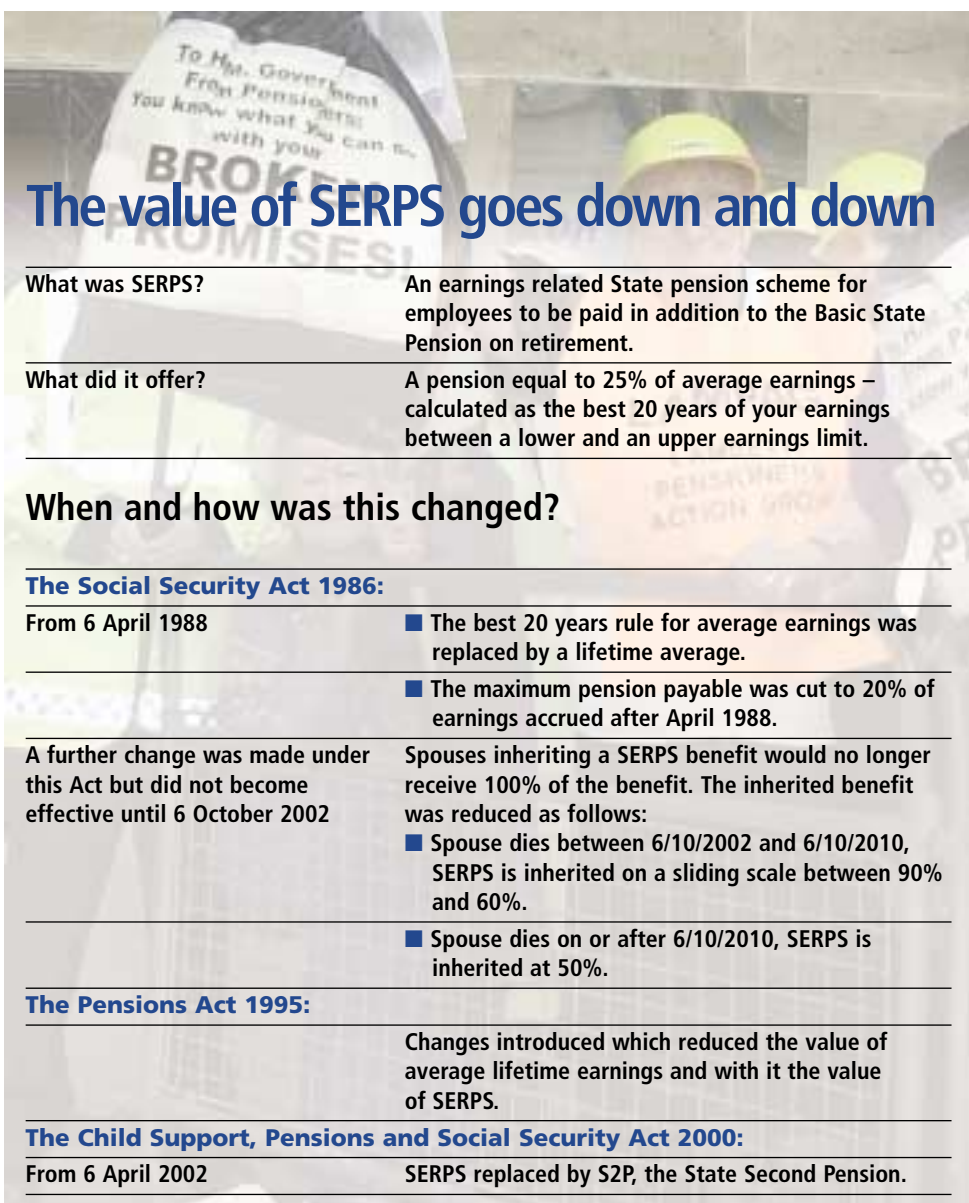
During the period they are contracted out of SERPS they receive an age-related rebate of their National Insurance Contributions from the Government. This is reinvested – either into their company’s contracted out money purchase pension scheme, or into what is called an Appropriate Personal Pension (a Personal Pension with reduced charges). Either way, the aim is for these contributions to benefit from investment growth and potentially exceed the benefits which would be available in the future from SERPS.

At the time of contracting out, they were probably told that at some point in the future it may be beneficial to contract back into SERPS. However, the big issue now is – does it still make sense to return to SERPS? To answer this, let’s take a look at what’s happened in the interim.

Tinker, tinker

SERPS is not the first State pension scheme which had been devised as a means of bolstering the Basic State Pension (BSP), which is a flat rate pension currently payable at a rate of £75.50 a week for a single person and £120.70 a week for a married couple.

Its predecessor was called the Graduated State Pension. This came into force in April 1961 and, like the BSP, it was a flat rate scheme. For every £7.50 of contributions for a man and £9 for a woman, an extra pension unit of 9.21p a week is currently earned. But the scheme became too costly and was abolished in 1975. The current maximum rate of extra pension available for both men and women is £7.92 and £6.63 a week respectively.



The value of SERPS goes down and down

What was SERPS?	An earnings related State pension scheme for employees to be paid in addition to the Basic State Pension on retirement.
What did it offer?	A pension equal to 25% of average earnings – calculated as the best 20 years of your earnings between a lower and an upper earnings limit.
When and how was this changed?	
The Social Security Act 1986:	
From 6 April 1988	<ul style="list-style-type: none"> ■ The best 20 years rule for average earnings was replaced by a lifetime average. ■ The maximum pension payable was cut to 20% of earnings accrued after April 1988.
A further change was made under this Act but did not become effective until 6 October 2002	<p>Spouses inheriting a SERPS benefit would no longer receive 100% of the benefit. The inherited benefit was reduced as follows:</p> <ul style="list-style-type: none"> ■ Spouse dies between 6/10/2002 and 6/10/2010, SERPS is inherited on a sliding scale between 90% and 60%. ■ Spouse dies on or after 6/10/2010, SERPS is inherited at 50%.
The Pensions Act 1995:	
	Changes introduced which reduced the value of average lifetime earnings and with it the value of SERPS.
The Child Support, Pensions and Social Security Act 2000:	
From 6 April 2002	SERPS replaced by S2P, the State Second Pension.

When SERPS first became effective in April 1978, the benefits to be paid were based on earnings between certain limits and, like the Graduated State Pension, it was to be paid in addition to the BSP. The maximum pension worked out at a quarter of those earnings falling between a lower and an upper level over a maximum period of 20 years. If more than 20 years were worked, then the best 20 years would be used. Currently, the maximum SERPS entitlement that any person can receive

based on these terms is £134.54 per week.

However, in April 1988 changes were made to SERPS which had the effect of reducing its value (see table above).

The tinkering did not stop here. Provisions in the Pensions Act 1995 had the effect of cutting the value of a person’s lifetime earnings used in calculating SERPS which, in turn, reduced the value of SERPS yet again. Not only that, but anyone who stood to inherit a SERPS benefit from a spouse

e pensions

ing just one way – down!

dying after 6 April 2000 would only receive half the SERPS benefit, not all of it as was previously the case. These changes did not actually become effective until 6 October 2002 and, even then, were in a slightly changed form (again, see table for details). But the point is that the value of SERPS was reduced again.

Farewell SERPS

With effect from 6 April 2002, SERPS was replaced by what is called the State Second Pension, or S2P. In fact, anyone who is currently contracted out of SERPS and is considering contracting back in, will actually contract back into S2P, so it is important to understand what it is – and is likely to become!

S2P is, initially, another State pension based on earnings which is payable in addition to the BSP. The emphasis is on providing better benefits for those on low earnings, carers looking after the young or the elderly, and the long-term disabled with broken contribution records. However, it seems the Government's aim is to make S2P a flat rate benefit at some point in the future with a likely date of 2006/07.

Currently, S2P has three bands based on earnings, and providing you have earnings of less than £24,600 you will be slightly better off than under SERPS. Above this amount and the benefits are about the same. But, of course, all this could change.

Broken promises

Over time, the value of additional State pension benefits available to employees has been reduced.

Not only have successive Governments reduced the maximum value of pensions available under SERPS, but they have also slashed in half the value which can be inherited by a spouse.

As for the new S2P scheme, superficially it looks like a good deal. But if, as expected, the earnings link is removed and S2P becomes a flat rate pension scheme, then even those on modest earnings may be worse off than they were under SERPS.

When people first contracted out of SERPS, they were told that it may be beneficial to contract back in at a later date. Indeed, in order to encourage people to remain outside SERPS, it was argued that the Government would have to increase the size of the National Insurance rebates they were offering. Instead, the Government has made SERPS much less attractive.

Stay out, or come back in?

The decision to stay contracted out of SERPS is based on the view that the National Insurance rebate invested in a company scheme or an Appropriate Personal Pension is likely to provide a better pension than the additional state pension – formerly SERPS, now S2P.

In the past, any recommendation to contract out – or to contract back in – has been based on the so-called 'pivotal ages' published by the pension providers. Pivotal ages are those ages at which the transition is expected to be made from being better off contracted out to being better off contracted in.

Pivotal age-based advice assumes that there exists an age for each sex below which contracting out makes financial sense and above which it doesn't. But thanks to the changes made to SERPS – and anticipated with S2P – many pension providers now say there is no guarantee that one route is necessarily better than the other and that each case should be examined on its merits.

In many ways, the decision is a philosophical one. Given the way the Government has generally cut the benefits payable, do you prefer to keep the money you've been given and manage it yourself rather than trade it in for an entirely uncertain benefit?

competition:

Where will the FTSE be?

HERE'S YOUR CHANCE TO WIN A monster helping of champagne – a whole Jeroboam containing a massive three litres of bubbly!

All you have to do is predict the value of the FTSE 100 Index of Britain's largest companies at the close of business on 31 December 2003.

You'll find a pull-out reply-paid coupon inside this month's **LOWES** magazine. When you think you've got the right answer, just fill it in and send it off to us. Providing we receive it before 14 February, you'll be entered into our competition where the client who comes closest to the correct figure will be the winner. All tied entries will be placed into a draw.

To help concentrate your minds, we've prepared some information which may (or may not!) be of value:

Closing values of the FTSE 100 Index over the last decade

Close of business	Level of FTSE 100 Index
31/12/2002	3940.4
31/12/2001	5217.4
29/12/2000	6222.5
31/12/1999	6930.2
31/12/1998	5882.6
31/12/1997	5135.5
31/12/1996	4118.5
29/12/1995	3689.3
30/12/1994	3065.5
31/12/1993	3418.4

Possible future events:

Key events which could upset the markets in 2003

- Long drawn out war with Iraq
- Soaring oil prices
- Israeli-Palestinian situation deteriorates
- Major terrorist attacks
- House prices collapse.

Key events which could boost the markets in 2003

- No war with Iraq
- Israel makes peace with the Palestinians
- Al Queda defeated
- Falling oil prices
- Corporate profits start rising again
- House prices stabilise
- Positive signs of a recovery in the US.

Herd on the streets

“When I see hysteria, I usually look to see if I shouldn’t be going the other way.”

Jim Rogers,
well known investor and
former partner of George Soros

“I believe it is critical not to be part of the herd when investing in financial markets. Just because most investors are moving in a particular direction doesn’t make it the best direction. In fact, often it has meant the opposite.”

Jeffrey Vinik,
former manager of the world’s largest
mutual fund, Fidelity’s Magellan Fund



■ Better out of the herd

MANY READERS WILL HAVE encountered the term ‘herd instinct’ in the context of investing. But what does it mean and what are the implications of following the herd?

A popular definition says herd instinct is a form of ‘investment insecurity’ that encourages and reinforces individuals’ desire to buy (or sell) whatever everyone else is buying (or selling).

The most recent manifestation of the herd instinct is undoubtedly the technology and internet bubble and in the chart below we illustrate how the herd started to stampede.

Arguably, the herd instinct applies equally well to fund management companies and helps explain why so

many similar funds appear on the market at or about the same time as each other. By the time the technology bubble peaked in March 2000, nearly every fund manager had launched a technology fund – many of them little more than just a few months old.

After technology came funds investing in biotechnology and pharmaceutical companies. Now we are seeing a growth in commercial property funds which supposedly offer high yields and a safe haven from stockmarket volatility.

How to avoid the pitfalls of moving with the herd

While there may be nothing inherently wrong with the ‘herd instinct’, the

problems occur when the herd is behaving irrationally and buying (or selling) just because everyone else is.

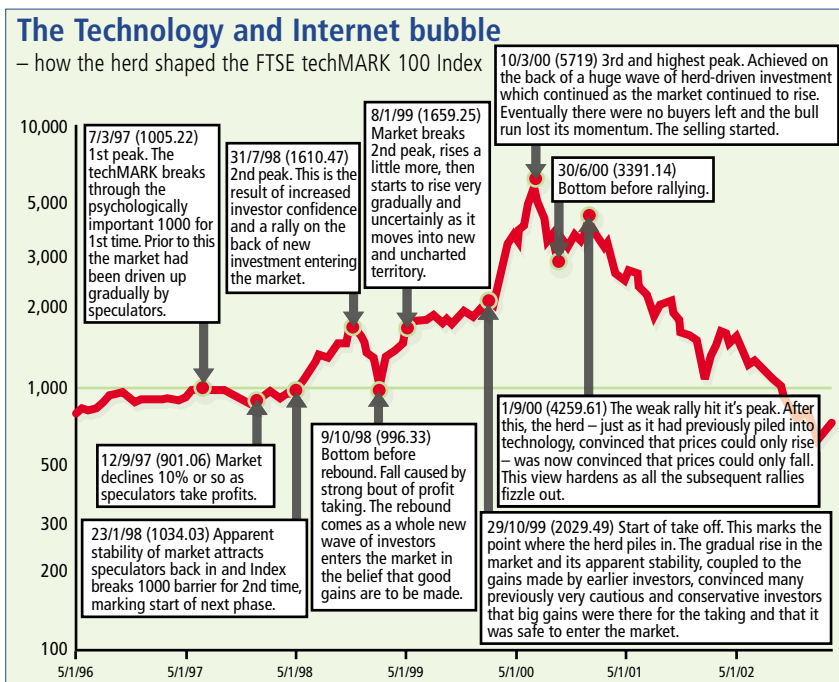
As a general rule, the most successful investors are ‘contrarians’ – people who dare to analyse and purchase (or sell) out of favour, undervalued securities. A good example is Warren Buffet whose main investment principle is: “I don’t buy anything I don’t understand”.

Contrarian investing is not easy and involves considerable patience and the courage of your convictions. But it can be a lot easier with the benefit of sound financial advice.

At Lowes, one thing we’re particularly proud of is the way we’ve consistently discouraged investors from moving with the herd.

Don’t be stampeded into action

INVESTMENT SITUATIONS GENERALLY INVOLVE THREE types of investor – speculators (leaders), settlers (more adventurous investors) and the herd (conservative investors who hate taking risks). The irony is that those who least like taking risks are usually the ones who end up taking the most risk. The reason is straightforward. They tend to delay their investment decisions until the situation appears safe – usually when many other investors have piled in. However, this can be the most dangerous moment to invest. At the time of the technology boom, one contributor to a discussion forum on the Motley Fool website summed up why this was the case: “The money people are making is actually the money of people that follow, not the money made by the technology companies themselves.” In short, the price of the tech companies was being forced up to unrealistic levels by the pressure of demand. When everyone was invested, demand collapsed and with it the share prices.



Where there isn't a will ... there's now a way

Commercial property bandwagon starts to roll

ONE OF THE LATEST examples of fund managers following the 'herd instinct' is commercial property. It comes at a time when investor confidence in the stockmarkets is at a low ebb but demand for income is as high as ever.

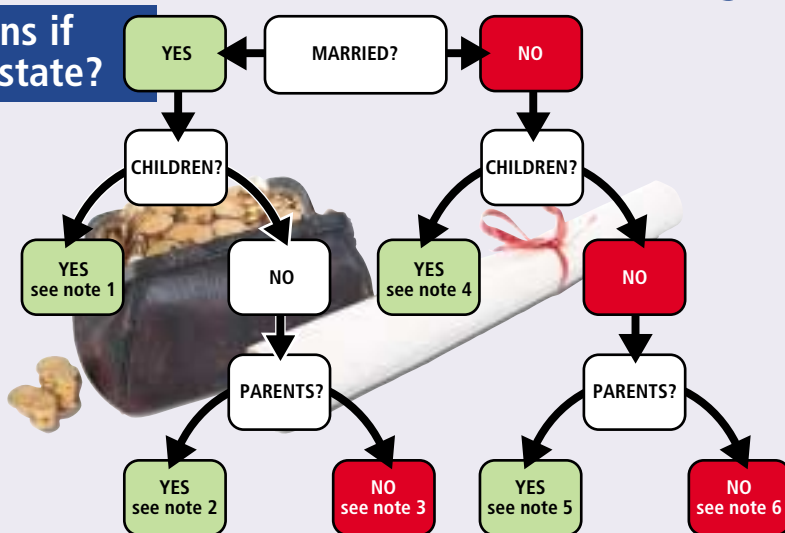
According to Louis Armstrong, the chief executive of the Royal Institution of Chartered Surveyors (RICS) in its latest survey of the market published on 24 October: "With the FTSE 100 down 21 per cent since the start of the year, activity in commercial property investment has been very strong. Investors are looking for profitable alternatives to equities and the relatively high yields in the property sector are proving attractive."

However, the survey points out that the third quarter of 2002 has seen further falls in business demand for commercial property, while September's stock market sell-offs and uncertainty over a possible war in Iraq could further weaken occupier activity.

RICS adds: "Available space rose for the sixth consecutive quarter across all sectors. As a result the third quarter has seen a decline in lease lengths and a rise in incentives on offer to tenants. Rental expectations have also been adjusted downwards."

Much of this is due to the poor performance of the London office market, and RICS says that many areas outside London and the South East have been largely unaffected by failures of dot.com companies and the contraction of the financial services sector. However, 14 per cent more chartered surveyors reported a fall in activity than reported a rise in the survey, which is 2 per cent more than in the previous quarter.

What happens if you die intestate?



NOTES

- 1 Spouse gets everything up to £125,000 and personal possessions. Anything remaining is divided into two:
 - Half to the children at 18 or earlier marriage.
 - Half in trust during spouse's lifetime. The spouse gets the income and on his/her death this half goes to the children.
- 2 If there are parents, brothers or sisters of the whole blood, nephew or nieces:
 - Spouse gets everything up to £200,000 and personal possessions.
 - Anything remaining is divided into two: half goes to spouse, half to parents. If no parent is living then it goes to brothers or sisters or their children.
- 3 Spouse takes whole estate.
- 4 Estate goes to children at 18 or earlier marriage.
- 5 Estate goes to parents.
- 6 To siblings of the whole blood or their issue, or:
 - If none, then to siblings of the half blood or their issue.
 - If none, then to grandparents.
 - If none, then to uncles and aunts of the whole blood or their issue.
 - If none, then to uncles and aunts of the half blood or their issue.
 - If there are none of the above, estate goes to the Crown (or to the Duchy of Lancaster or the Duchy of Cornwall).

This is a simple guide only. There may be exceptions to the general rules which are not set out.

ONE OF THE HIGHEST IMPACT BUT least expensive pieces of financial planning you can do is to prepare a will. But, amazingly, half of all adults in the UK aged 45 to 64 haven't done so.

Die without a will and you die intestate, which means that your possessions are distributed according to the law of intestacy, not the way you would have intended. For example, most people assume that their possessions will automatically pass to their husband or wife – or even to their unmarried partner. This is not the case.

The fact is that the consequences of dying without a valid will can be unwelcome and unfortunate for those left behind. Obtaining letters of administration and appointing an administrator can take months or sometimes years. In the meantime your surviving spouse or partner has all the usual expenses to cover and they'll probably be on a reduced income.

Fortunately, all these problems can be easily avoided. It doesn't take long to make a will. As for the cost, a solicitor will do a basic will for £50 to £70. Alternatively, if your affairs are relatively simple, you could prepare a will for no cost at all.

Whilst Lowes has always offered a free will writing service to clients, events last year – when the best friend of Ian Lowes died suddenly at the age of 34 – brought home the importance of this free service. It was very fortunate that, despite his age, we had prepared his will as the effect on his partner could have been financially devastating. It was this tragic event which prompted Ian to direct the Lowes IT Department to produce a facility for anyone to write a simple will online, quickly and at no cost. The result can be accessed at the Lowes' website www.lowes.co.uk. "If just one family benefits from this service it will have been worth it," says Ian.

If you still have any doubts about why you should make a will, then here's six very good reasons:

- 1. Peace of mind.
- 2. To protect your family's future.
- 3. To ensure that your property is passed on as you wish without undue delay.
- 4. It can help stop the taxman getting your money.
- 5. It's a tax efficient way of giving money to charity.
- 6. Statistically you live longer.

Back tomorrow's winners – and receive tax relief

GIVEN THE CURRENT STATE of global stockmarkets, it's hardly surprising that many investors have gone running for cover.

But there are still many who are looking to invest in tomorrow's winners. Their view is that if we take no risks, we can't expect any rewards, and one area worth considering for those who are prepared to take a higher investment risk is a Venture Capital Trust or VCT.

VCTs are not new. They were introduced by the Government in 1995 to encourage individuals to invest into a diversified portfolio of smaller private trading companies. These smaller companies are able to use these funds to develop and grow and, since 1995, over 30,000 people have invested more than £1.5 billion into VCTs.

After the initial fund raising exercise, the shares in the VCT are quoted on the London Stock Exchange and their shareprices are featured in the *Financial Times* and other newspapers.



The Phoenix VCT

Our preferred VCT is the Phoenix VCT from Octopus Asset Management, whose fund managers have many years of experience of this type of investment. Phoenix aims to build a diversified portfolio of investments in UK smaller companies which are listed on the

Alternative Investment Market (AIM).

The FTSE AIM Index is currently below the level it was launched at in 1995 and most AIM-listed companies have seen their share prices decline since the stock market peak of 2000. However, the managers of the Phoenix VCT believe there has been little distinction between good and bad companies. As a result, the managers believe there are some excellent opportunities available to invest in those well run smaller companies whose share prices have been hit just as hard as their less well run counterparts.

The managers' investment objectives are to provide investors with attractive returns in all market conditions whilst striving to minimise the level of risk.

How to invest

We feel that this investment offers an exciting complement to the investment portfolios of those clients who are prepared to invest for the medium to long-term by exposing some of their capital to an element of higher risk.

The minimum investment is set at £3,000. As an investor with Lowes, if you apply for shares before **15 February 2003**, you will receive an extra allocation of 15 shares for every 1,000 shares (i.e. for every £1,000) you purchase.

■ If you would like to receive a copy of the prospectus and application form please return the request slip accompanying this issue or call us on **0845 148 4848**.

If you have any questions or, indeed, if you have any doubts as to the suitability of this product for you, then please call your Lowes consultant or our office.

Tax savings

VCTs offer investors four valuable tax incentives which help to boost returns and reduce risk. They are available to all investors aged 18 or over on investments up to a maximum of £100,000 in each tax year. These are:

1. **Income tax relief.** Subscribers for new ordinary shares in VCTs can claim income tax relief at 20 per cent in the year the shares are issued, provided they are then held for at least three years.
2. **Tax free dividends.** All dividends on VCT ordinary shares are exempt from income tax.
3. **Tax free capital gains.** Profits on the disposal of VCT shares are exempt from capital gains tax.
4. **Deferral of capital gains tax** arising on the disposal of any asset up to the amount invested in the VCT shares. To qualify for this, the VCT shares must be issued in the period beginning 12 months before and ending 12 months after the disposal that gave rise to the capital gains tax.

Important Notice: Past performance is not necessarily a guide to the future. This investment is not guaranteed and if you need to sell it you may get back less than you invested and may also lose any tax reliefs. Levels and bases of reliefs from taxation are based on our understanding of current tax legislation and are subject to change.