

**"We don't see
things as
they are,
we see things
as we are"**

Anaïs Nin



Predict the Indices

IN OUR LAST EDITION WE invited readers to enter our new competition to predict the relative performance of three of the leading world stockmarket indices over the course of 2005.

Nearly half the clients entering the competition favoured the domestic stockmarket, predicting that the FTSE 100 would out perform both the EuroStoxx 50 and S&P 500.

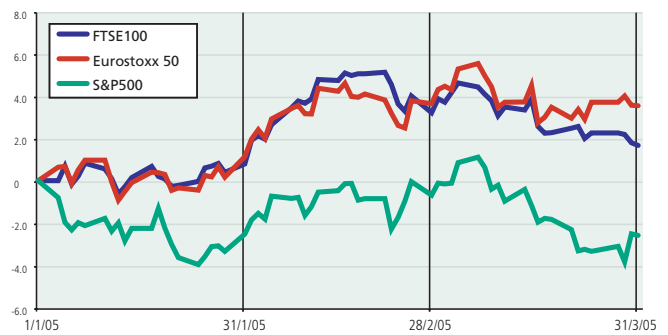
Those not favouring the FTSE were split down the middle, with 26 per

cent plumping for the EuroStoxx 50 and 27 per cent banking on the S&P 500.

No clients felt their predicted best performing market would produce a negative return, and the lowest return predicted for the best performing market was 2 per cent.

The average growth prediction for 2005 was 9 per cent for the FTSE 100 and S&P 500 and 8 per cent for the EuroStoxx 50. However, almost a quarter of entrants predicted that

Figure 1



their preferred index would rise by more than 10 per cent.

Whilst we feel that these predictions may be a little optimistic, we would be delighted to be proved wrong!

To check progress so far this year, see Figure 1 which shows the percentage growth in the three indices to the end of the first quarter of 2005.

Government to double IHT take



THE NUMBER OF PROPERTIES valued above the Inheritance Tax (IHT) threshold could rise from the current 2.4 million to 4 million in 2015 and 6 million in 2025 if the Government does not link the threshold to historical house price inflation, according to the Halifax.

It also says that, according to the

Government's own estimates in the latest pre-Budget report, the IHT take is expected to increase from £1.6 billion to a £3.3 billion between 1996/97 and 2005/06.

Halifax calculates that the IHT threshold would now be £390,000 if it had been increased in line with house price inflation over the past 10 years.

International comparisons

The UK IHT threshold at £275,000 is low by international comparison for a tax rate of 40 per cent. Whereas in the UK IHT is not charged for spouses, in some European countries such as France and Germany it is paid by spouses over certain thresholds. Additionally, some countries (e.g. the US) levy IHT at state and national levels. No IHT is levied in Italy, Australia and Canada.

IHT (% of total tax take in 2002)	
US	1.2%
Japan	1.1%
France	0.9%
UK	0.6%
Spain	0.6%
Ireland	0.4%
Germany	0.3%
Australia	0.0%
Canada	0.0%
Italy	0.0%

Source: Halifax March 2005.

Fraud detection hits £3.5 million a week

FIGURES RELEASED IN March by the Association of British Insurers (ABI) reveal a huge rise in the value of fraudulent insurance claims being detected, with £3.5 million a week now being exposed.

The number of detections is 95 per cent up on 2002, reflecting increased resources, new fraud detection techniques and insurers sharing information.

One detection method operated by the ABI is a 'Cheat line' which offers a free confidential service for people to report suspected or known insurance fraud.



The photograph used on this issue's cover is of Wardle Lock, Shropshire Union Canal.

Make your money work

Best bank and building society instant access/no notice accounts

Branch Based

Amount	Provider	Account	Gross Rate	Contact
£1	Abbey	Flexible Saver	3.55%	Branch ¹
£2,000+	Bradford & Bingley	Premier Saver	3.8%	Branch ²

Postal or Telephone

Amount	Provider	Account	Gross Rate	Contact
£1+	ING Direct	Savings Account	5%	0800 376 8844 to request application form and information pack ³

Internet

Amount	Provider	Account	Gross Rate	Contact
£1+	Alliance & Leicester	Online Saver	5.35%	www.allianceandleicester.co.uk ⁴

Note 1. Account holders must be UK resident private individuals and aged 10 or over. Note 2. Guarantees to pay no less than one percentage below base rate. Note 3. Account holders must be aged 18 or over, be a UK resident and hold a UK current account (with a cheque book and direct debit facility). Note 4. Account holders must nominate a current account to which transfers to and from this account can be made. Source: www.thisismoney.com, www.moneyextra.com 12/04/2005. All accounts subject to terms and conditions.

Inheritance is THE Budget issue



NOT FOR THE FIRST TIME, THE 2005 Budget made absolutely clear the need for careful inheritance planning.

Despite the IHT rise in the nil-rate band threshold to £275,000 and the promises for the future (£285,000 in 2006 and £300,000 in 2007), this represents average growth rate in the threshold of only 4.5 per cent. This is actually less than the average growth rate in the threshold over the last 10 years of 5.8 per cent.

This means that unless serious consideration is given to the level at which IHT is charged, in future the majority of estates will be liable to tax, not the minority as at present.

Other Budget highlights include:

Stamp Duty

The stamp duty threshold on house purchases has been increased from £60,000 to £120,000. According to the Halifax this should benefit 157,000 first-time buyers. However, the Halifax states that the stamp duty threshold would now be £156,900 if it had been increased in line with house prices since March 1993 – the last time that the threshold was increased.

ISAs

The tax advantages of ISAs will be maintained until at least 2010. This means you can invest up to £7,000 each tax year into a Maxi stocks and shares

ISA, or £3,000 each tax year into a Mini cash ISA and £4,000 into a Mini stocks and shares ISA. Also on 6 April new rules affecting Mini insurance ISAs came into force which are unlikely to affect many people – see page 4.

Civil partnerships

Tax benefits available to married couples will, from December, also be available to gay and lesbian couples if they formalise their relationship through a Civil Partnership. The benefits will also include the IHT and CGT exemptions, plus the tax credit rules, which previously only applied to spouses. However, the benefits will not apply to unmarried heterosexual couples or, for example, spinsters who have lived together for many years as companions.

Buying the 'grey vote'

The Chancellor also announced that pensioners would receive a one-off £200 council tax rebate this year – a move that was dismissed as a 'bribe' by Gordon Lishman, the Director General of Age Concern England and no substitute for a more equitable system of taxation. Pensioners will also receive a winter fuel allowance of £200, rising to £300 for the over 85s.

● *For advice on how the March 2005 Budget could affect you, contact your usual Lowes consultant or call us on 0845 1 484848.*

Taxes will rise

THIS ISSUE OF LOWES IS PUBLISHED TWO weeks before the General Election, which has and will no doubt continue to dominate the news.

At the time of writing, the various opinion polls are as ever proving nothing; however in my opinion, it does not matter which party wins, taxes in the UK will rise.

Gordon Brown's latest Budget was not a blatant piece of pure electioneering, but a fairly reasonable attempt to continue to please enough of the people for some of the time.

The fact is, however, that the democratic system that operates in the UK is flawed, in that pleasing enough of the people some of the time has become the apparent objective of the relevant incumbent party. This means that effective long-term planning, which has painful short-term consequences, is sacrificed.

With so many demands on the Chancellor's purse, be it health, transport, education, policing or school dinners etc., there simply isn't sufficient money to please most of the people's short-term requirements most of the time, let alone the important long-term requirements.

To this end, unless demands fall, taxes must rise. For those who believe cutting out inefficiencies is the answer, as I commented in the last issue, I believe that red tape and as such, inefficiencies are now an unwelcome but essential component of our economy. Cutting these out might seem an attractive option, but the effect could be devastating.



Ian H 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 1 484848**, fax **0191 281 8365**, e-mail client@lowes.co.uk.

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Lowes consultant, Peter Collins, gives you the benefit of his own experience ...

A QUARTER OF BRITONS APPROACHING pension age plan to retire abroad, according to a recent survey from the Prudential. The key attractions are lower living costs, better weather and cheap air travel to maintain contact with friends and family. As for the destinations, Spain is the most popular, followed by Australia and then France.

So, if you're planning to buy a house abroad, what are the key considerations?

Finding a property

Do plenty of research, get to know the market, take your time and only buy a place you feel comfortable with in terms of location, facilities, etc. Then do nothing until you have a solicitor.

Independent solicitor

The vendor or developer will offer you a solicitor's name. Turn them down! It's vital to have your own independent solicitor in the country of purchase who is fluent in English and knows about conveyancing and can explain to you precisely what it is you plan to buy. In your absence, your solicitor will be your eyes and ears and worth every penny of their fee.

Finance

A good option may be to remortgage your existing property to finance an overseas purchase. That way you are a cash buyer and can negotiate a good deal. Foreign currency mortgages can leave you exposed to exchange rate variations, while domestic mortgages for overseas purchases can be more expensive.

Maintenance and insurance

Apartments generally form part of a 'community' with all the residents sharing collective responsibility for upkeep. You should attend as many meetings as possible, as other residents' views on maintenance and other expenditure may not correspond with your own.

Insurance is no problem, as leading insurers have offices throughout Europe. Make sure your property is alarmed from the outset and windows are fitted with security bars.

Guarantees

On handover the builder will give you a 'snagging list' and you have 12 months to find any problems. If you discover any, report them to the builder and your solicitor.

Inheritance and tax issues

The tax authorities (here and abroad) are very vigilant and you must declare rental income plus any capital gains if you sell. You can offset a proportion of your maintenance costs, but only for the time it is rented out, not for when you are staying there or it is empty.

On inheritance matters sound advice is crucial. At the very least you need to change your existing UK will to take your new purchase into account and then have a will in the country you purchase your property.

When to buy

Years of booming demand for Spanish property have forced prices up and encouraged many new developments. But the Spanish market for tourist properties is UK driven and concerns about the UK housing market added to the increased supply mean prices are falling there. So it's potentially becoming a buyers' market.

ISAs

Rules changed for the better

CHANGES TO THE RULES governing Individual Savings Accounts (ISAs) which came into effect on 6 April could prove beneficial to many clients.

The key rule change abolishes the stand alone life insurance component of Mini ISAs. Only a handful of

providers offered these products and very few, if any, of our clients are likely to have made such investments. However, to compensate for their abolition, the Government has increased the amount you can invest in a Mini stocks and shares ISA from £3,000 to £4,000.

This means that in any one tax year you can now invest either:

- £4,000 in a Mini stocks and shares ISA PLUS £3,000 in a Mini cash ISA, or
- £7,000 in a Maxi stocks and shares ISA.

● *If you invested in a life insurance ISA, or should you require any guidance and advice on the implications of the ISA rule changes, contact your usual Lowes consultant or call 0845 1 484848.*

Who's stealing your identity?

IDENTITY THEFT IS ONE OF THE FASTEST GROWING crimes and according to the Home Office, more than 100,000 people are affected in the UK each year, at an annual cost of £1.3 billion.

It occurs when your personal information is used by someone else without your knowledge, possibly for criminal purposes such as fraud, deception, or obtaining benefits and services in your name.

Criminals commit identity theft by stealing your personal information, often by taking documents from your rubbish or by pretending to be from a legitimate organisation.

If you become a victim, it could be hard to obtain financial services in the future and the tips we offer here can help you protect your identity.

Has your identity been stolen?

You may be a victim of identity theft if:

- You apply for a financial service, believe you have a good credit history, but are declined because you have defaulted on a loan you know nothing about.
- You identify entries on your personal credit file from organisations you do not normally deal with.
- Financial institutions you do not normally deal with contact you to chase a debt.
- Mail that you normally expect from a financial institution does not arrive.
- You have lost or had stolen important documents.
- You apply for a welfare benefit and are told you are already claiming.

● For further information visit www.identity-theft.org.uk or contact Lowes on 0845 1 484848.

Security

- Regularly obtain a copy of your personal credit file from one of the three credit reference agencies listed below to see which financial organisations have accessed your details. This costs as little as £2:
 - Callcredit plc, Consumer Services Team, www.callcredit.co.uk
 - Equifax plc, Credit File Advice Centre, www.equifax.co.uk
 - Experian Ltd, Consumer Help Service, www.experian.co.uk
- Be extra careful if you live in a property where other people could access your mail. If you suspect your mail is being stolen, contact the Royal Mail on 08457 740 740. Check whether a mail redirection order has been made in your name without your consent.
- If you move house tell your bank, card issuer, financial adviser etc. and ask Royal Mail to redirect mail to your new one for at least a year.

Plastic Cards

- If plastic cards are lost or stolen, cancel them immediately. Further details are at the Card Watch website, www.cardwatch.org.uk
- When giving your card details or personal information over the phone, Internet or in a shop, make sure other people cannot hear or see your personal information.
- Never carry documents or plastic cards unnecessarily.
- Look after important documents and keep personal documents in a safe place. If your passport or driving licence is lost or stolen, contact the issuer immediately.
- Don't throw away bills, receipts, card slips, bank statements etc. destroy them instead.
- Check statements as soon as they arrive for any unfamiliar transactions.

Password Tips

- If you use Internet banking, always access it by typing the bank's address into your web browser, never via a link in an email.
- Never give personal or account details to anyone who contacts you unexpectedly. Banks never ask for your PIN or for a whole security number or password.
- Keep passwords safe and avoid using the same password for more than one account.

Last year for tax breaks

VENTURE CAPITAL TRUSTS (VCTs) are now in their last year of generous tax breaks, which enable investors to reclaim 40 per cent of their outlay as an instant tax rebate.

VCTs were introduced in 1995 to encourage investment

in start up and young companies. The March 2004 Budget increased the tax reliefs available on investments in new VCT shares made between April 2004 and April 2006.

The reliefs are as follows:

- 40 per cent Income Tax rebate on the investment, provided the investor has paid that amount of tax and provided the investment is held for at least three years
- No further liability to

Income Tax on dividends for higher rate taxpayers.

- No tax on realised gains or CGT on disposal.
- Investment is open to UK residents aged 18 and over and the maximum investment each tax year is £200,000.**



Get a grip on Gift Aid

Lowes consultant, Doreen Coyle, explains how to make the most of Gift Aid ...



GIFT AID PROVIDES A great opportunity to increase the value of your donations to recognised charities, especially if you are a higher rate taxpayer.

If you are a UK taxpayer, the charity can claim tax back at 28p for each £1 you donate, provided you pay enough tax to cover the claim on the gifts.

However, if you pay higher rate Income Tax, then not

only does the charity benefit, but you can reclaim the difference (currently 18 per cent) between the higher rate of 40 per cent and the basic rate of 22 per cent on the gross donation.

- *Your chosen charity can give you a simple form to complete declaring that you wish to make donations under Gift Aid.*

You can calculate the amount of tax the charity can reclaim using this formula:

Amount of gift x (basic rate income tax)/(100 - basic rate income tax)

So, with the basic rate of 22 per cent, the charity reclaims 22/78ths of your gift.

Take this example:

- You give £400 to charity. With the basic rate at 22 per cent, the amount of tax the charity can reclaim is £112.82 (£400 x 22/78). So if you have paid tax of £112.82 or more then you can use Gift Aid to make your donation worth £512.82 (£400 + £112.82).
- If you are a higher rate taxpayer you can claim the difference between the higher rate of tax at 40 per cent and the basic rate of tax at 22 per cent in your Self Assessment return. So, in the example above, you can reclaim higher rate relief of £92.30 (£512.82 at 18 per cent) on your gross donation of £512.82.
- You can either keep the relief of £92.30 – or you can donate it to charity. If you use Gift Aid, then not only will the charity be able to reclaim 28p for every additional £1 you donate, but you can claim higher rate relief on your gross donation! Whatever you do, remember that if you don't reclaim higher rate tax relief, the Government is taking your money!

Invest an interest free loan

MOST READERS WILL diligently repay their credit card borrowings each month to avoid paying any interest.

Likewise, many will diligently mover their savings from one provider to another in pursuit of the highest interest rate – and rightly so.

However, there are only a relatively small number of us who take advantage of what's on offer to the extent that it effectively generates income out of 'thin air' and we believe more people should have a go.

The multitude of interest free credit card offers available are, of course, directed at those who need the credit. However, for those who don't, taking advantage of the various banks' generosity (or stupidity?) can be a profitable hobby.

Interest free deals usually offer either:

- Zero per cent on purchases for an introductory period.
- Zero per cent on balance transfers for an introductory period.

If you take advantage of the former and use your credit cards for all of your purchases, but don't repay the full balance at the end of each month, you could end up with a high balance in a very short space of time.

Whilst each month you still have to make the minimum payment (usually 5 per cent), the trick is to deposit the cash you would have used to repay the balance in a high interest account, thereby earning interest on money that you have borrowed for free.

Towards the end of the introductory offer, simply transfer the balance to another provider offering zero per cent interest on transfers and take out a further card that offers interest free purchases. There are literally dozens of such providers so it could be some time before you run out of options.

In a short space of time you could have built up a considerable sum on deposit, with a corresponding balance due on your credit card accounts. For most people, the interest they will earn will more than compensate for the time spent organising credit cards.

Of course, you can at any time use the cash on deposit to clear the credit card balances and close the accounts.

Points to note:

- Carefully check the terms and conditions of any offer.
- Be careful before spending on a card after transferring any balances to it. If the interest free offer doesn't apply to purchases, when you make repayments the credit card company pays off the transferred balance, not the recent purchases. This leaves debts on purchases accruing interest, which can't be paid off until all of the transferred balance transfer debt is repaid.
- Be on time with payments. Interest free doesn't mean nothing to repay and missing a payment can result in losing the special offer deal.
- Always pay at least the minimum amount every month, otherwise you will be held liable and a charge will be applied to your account.
- Ensure any zero per cent balance transfer offer doesn't incur balance transfer fees.
- Consider future benefits. Some cards offer existing customers balance transfer deals e.g. on the anniversary of when you obtained your card.

The importance of a will

THAT MANY PEOPLE DON'T have a will probably owes much to the fact that we don't like to think about our own death.

However, if we die intestate – i.e. without a valid will – we can create considerable heartache and financial uncertainty for those we leave behind.

The crucial thing about a will is that only if you have a valid one can you be certain that your possessions will go where you want them to when you die. If you die intestate, then the State determines who inherits your property according to a strict formula, which may bear no resemblance to your wishes. In the worst case scenario, all your possessions might go to the crown!



Inheritance planning

A more palatable way of looking at a will is as a fundamental Inheritance Tax planning tool. By determining precisely how your estate is carved up when you die, you ensure that as little as possible of it goes to the Chancellor of the Exchequer.

Completing a will

If you have a reasonably sized estate, or if your financial affairs are anything other than straightforward, then it is in the best interests of yourself and your nearest and dearest to make sure that your will is expertly drafted and properly integrated into your broader financial

planning. This is especially important if you live with your partner but are not married to them.

Of course, you can complete your will yourself and on our website, www.lowes.co.uk, there is an excellent facility which enables you to do this. This approach may not be the best, but it is certainly better than having no will at all!

● *For more information on how we can help you expertly draft your will to fully take into account your wishes and financial affairs and potentially mitigate Inheritance Tax, contact your Lowes consultant or call 0845 1 484848.*

MARKET COMMENT

Take the risk out of equity investment



TWO YEARS have passed since global

stockmarkets started recovering from the depths of 2003, says Lowes Investment Manager, Melvyn Bell.

Without being too confident, the improvement in corporate fundamentals and the global economy make us more optimistic that the recovery will continue.

However, it's no easier now than in the past for investors, who want growth, to choose the right stocks. This is where Harry Markowitz comes in. His thinking won him a Nobel prize and led to Modern Portfolio Theory.

In broad terms, this says the key thing for any equity investor is to maintain a diversified portfolio which matches their attitude to risk.

"If we knew the future with any degree of certainty, an investor would only invest in one thing. However, in the real world, we are dealing in probabilities not certainties"

Harry Markowitz

Many people do this by investing in a diversified investment fund but, unfortunately, this is becoming increasingly difficult. This is due, in large part, to the huge number of funds which, on the surface, appear very similar but in reality differ considerably in terms of their risk. To reduce the risk of picking the wrong fund, an investor must analyse his or her individual tolerance to risk and then select only those funds where

the mix of assets most closely matches the risk profile.

However, it's impossible to get it right all of the time, as even the best fund managers can underperform. When this happens, Sod's Law takes over. Investors invariably switch to the current best performing fund in the sector, only to find that the original fund picks up again.

At Lowes we have created a range of managed fund portfolios tailored to meet the specific requirements of our

clients. They comprise a blend of funds and styles which enable us to reduce the risk of being in the wrong fund at the wrong time.

We only select fund managers who have demonstrated their ability to provide above average returns over the longer term. We then continually monitor them to ensure they fulfil their investment brief and when necessary, we make adjustments. Equally, where investors' circumstances or attitude to risk change, we recommend changes to their portfolio to keep it in tune with their new circumstances.

We are realistic and accept that we can't get it right all of the time, but aim to achieve results over the medium to long-term whilst minimising risk.

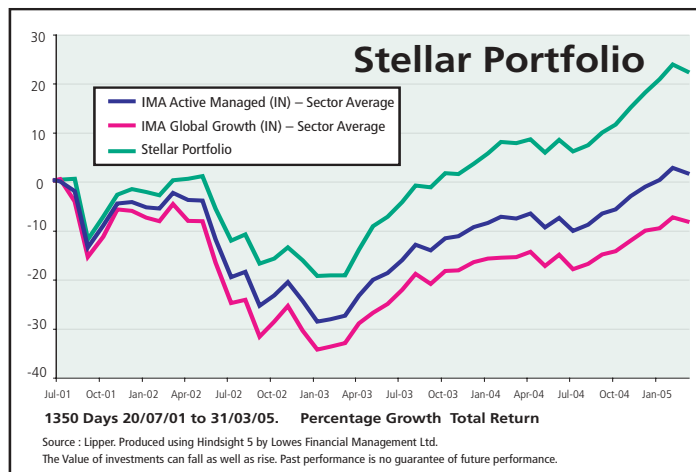
A Stellar investment opportunity

THE SECRET OF SUCCESSFUL equity investment is to spread your risks by investing in a balanced portfolio of funds and this is precisely why we have constructed the Stellar Portfolio.

What's more, to give you maximum flexibility and convenience, every investment in the Stellar Portfolio is contained in a 'wrapper' provided by Cofunds. This means simplified paperwork and enables you to obtain a valuation at any time via the Lowes website, www.lowes.co.uk, as well as receiving regular valuations by post.

A further key advantage relates to ISA investments. Normally, you can only invest in the funds of one fund manager in any one tax year. But thanks to the Cofunds 'wrapper', you can invest your ISA in funds offered by different fund managers – so increasing investment diversity!

Full details of the benefits of the Cofunds wrapper are detailed below.



12 month discrete portfolio performance: Total return net income reinvested at payment date		
1/4/2002 to 31/3/2003	1/4/2003 to 31/3/2004	1/4/2004 to 31/3/2005
-19.73%	35.94%	13.81%

The funds and discounts

Stellar's underlying funds are managed by two of the UK's leading fund managers, Jupiter Asset Management and New Star Asset Management.

In terms of risk, we rate the Stellar Portfolio as 'medium' because its volatility approximates to the average volatility of all UK authorised OEIC and Unit Trust funds. Details of these excellent fund

managers are contained in the accompanying literature.

To ensure that as much as possible of your money is invested, we have negotiated discounts with the fund managers for all investments in the Stellar Portfolio. Full details are contained in the accompanying literature which also gives the instructions on how to invest.



Important: It is important to appreciate that past performance is not a guide to the future and may not be repeated. The value of the investment will fluctuate and you may get back less than you invested. The Stellar portfolio should not be considered suitable as a short term investment and is designed to be held for the medium to long-term (at least five years). Please ensure you understand how the investment product is taxed and how this may affect your personal tax position. If you have any doubts about the suitability of this investment, or if there is any aspect you do not understand, then please contact your Lowes Consultant or the office on 0845 1484848.

The Cofunds service



– Convenience and now at the click of a mouse!

THE COFUNDS WRAPPER SERVICE offers you a number of benefits and greater convenience.

What's more, you pay no extra charges to use this valuable service – it is paid for entirely by the fund managers.

The main benefits to you include:

- You keep your investments in one place – making it easier to monitor and analyse them.
- You have an expanded choice of ISA funds. Normally you would only be able to have an ISA with one fund manager in any one tax year. In contrast, the Cofunds service allows you to hold a portfolio in your ISA which invests with two or more fund managers.
- You can use the Lowes website – www.lowes.co.uk – to obtain a valuation of your investment portfolio at

- any time. Fund values are updated daily.
- There is a significant reduction in the complexity and amount of paperwork you have to deal with.
- You receive consolidated valuation reports and tax vouchers covering all your holdings.