Summer 2012

"Believe you can and you're halfway there"
Theodore Roosevelt

George is pictured with his Lowes Consultant Gavin Burton.

Lowes client is Olympic torch bearer

LOWES CLIENT, GEORGE NICHOLSON, WAS ONE OF THE PROUD BEARERS OF the Olympic torch as it made its way around the country. 63 year old George carried the flame through Stocksfield, Northumberland on 16 June 2012.

A member of the Elvet Striders running club, which nominated him to carry the Olympic torch, George has run every single Great North Run since they began in 1981.

George was chosen as a torch bearer because of his tireless work raising money for Acorns Children's Hospice since the untimely death of his granddaughter in December 2006. It was Acorns Hospice that looked after George's daughter and son-in-law after their tragic loss. George said: "I cannot change the fact that children will die but I can help make a difference by fundraising to help Acorns provide vital specialist care. It is the very least I can do to repay a wonderful Hospice who helped us so much in so many ways."

Information on Acorns can be found at: **http://www.acorns.org.uk** and George's Just Giving link is **http://www.justgiving.com/32ndGreatNorthRun.**

Chartered status for Consultant Gavin Burton

WE ARE PLEASED TO ANNOUNCE THAT Lowes Consultant, Gavin Burton, has been awarded Chartered Financial Planner status.

Gavin has been with Lowes since 2007 and is to be heartily congratulated on his Chartered status, which is only achieved through hard work and dedication.

Chartered status is an exclusive title only awarded to individuals who complete a significant number of professional qualifications and meet rigorous criteria relating to professionalism and capability. All Chartered Financial Planners commit to the Chartered Insurance Institute's Code of Ethics, reinforcing the highest standards of professional practice in their business dealings so they can deliver the highest quality advice.

Gavin's achievement reflects Lowes' commitment to retaining our position as a leading Independent Financial Advice firm with some of the most highly qualified individuals in the UK.

Financial impact of family giving

PRESSURE ON FAMILIES arising from the financial crisis, in particular on children and grandchildren facing tougher employment prospects, difficulty getting on the housing ladder, graduate debts and high rental costs, is seeing a growing number of the over-55s helping out the younger generation financially.

A recent survey by Aviva revealed that 41% of over 55s had provided financial assistance to family or friends in the previous 12 months and of the other 59%, over half said they would assist their family if needed.

Before helping out, however, retirees should consider the impact on their own finances. Since people are living longer, the cost of care is increasing and annuities and investments are returning less than in previous years, helping family by dipping into retirement capital could be storing up problems for the future.

Gifting or lending money to family members can impact on other areas of your financial planning, especially inheritance tax. There could be alternative ways to do so without potentially jeopardising your own future financial wellbeing, therefore, considering financial advice can be especially important.

Our cover shot:
Olympic rings installed at Tower Bridge, London

Make your money work
Best bank & building society unrestricted instant access accounts

Type	Amount	Provider	Account	Gross Rate	Contact
Branch based	£1+	Virgin Money / Northern Rock	Easy Access Saver	2.60%	Branch
	£25,000+	Kent Reliance	High Balance Easy Access Savings Account	3.10%	Branch
Non-Branch based	£1+	Virgin Money / Northern Rock	Easy Access E-Saver Issue 2	2.60%	www.northernrock.co.uk[1]
	£1,000+	Kent Reliance	Direct Savings Account	3.20%	www.krbs.com[2]

Note 1. Online account. Note 2. Account can be opened by post or online, but operated by post only. Sources: Providers' websites, www.thisismoney.co.uk, www.moneyextra.com, www.moneysupermarket.com, www.moneyfacts.co.uk 4 July 2012. All accounts subject to terms and conditions

Measures of inflation
The average change in prices of goods and services over a 12 month period to June 2012

Retail Prices Index (RPI)	Consumer Prices Index (CPI)
3.1%	2.8%

Source: Office for National Statistics

WINNER Investment Life & Pensions Moneyfacts Good Advice Awards 2011 Best Retirement Adviser
WINNER Investment Life & Pensions Moneyfacts Good Advice Awards 2010 Best Investment Adviser
WINNER Investment Life & Pensions Moneyfacts Good Advice Awards 2009 Best Tax and Estate Planner
Professional Adviser awards 2010 Winner Best IFA website
Professional Adviser awards 2010 Highly Commended Education

Goodbye to the coins in your pocket?

OUR ABILITY TO USE 'CONTACTLESS' CARD TECHNOLOGY TO PAY for goods costing up to £20 is becoming ever more widespread and predictions are that its use will soar in the next few years.

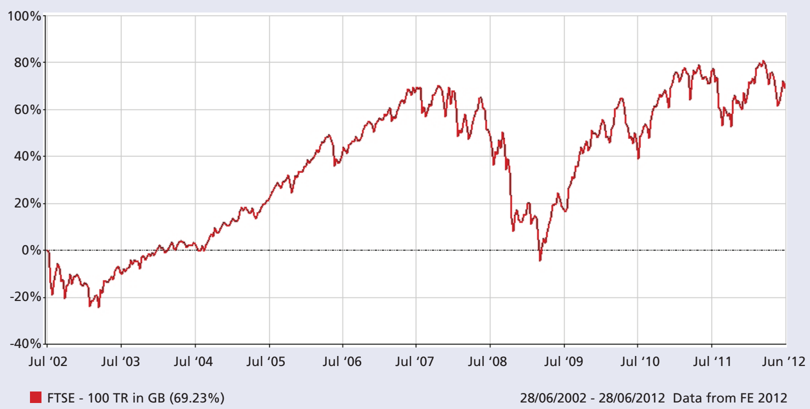
This technology allows the consumer to make fast and secure payments by holding their contactless card over a card reader without having to enter a PIN number. In June the price limit on purchases was increased from £15 to £20 in the UK to tie in with EU limits.

The Post Office recently announced it would become Europe's largest adopter of contactless technology when it rolls out 30,000 contactless payment terminals across its network of 11,500 branches.

At the same time, developments with iPhones and other Smartphones are allowing people to pay for their goods with their mobile phones.

While we are unlikely to see our coins disappear for many years to come, being able to buy a cup of coffee, sandwich or newspaper without carrying cash could quickly take off, especially with large high street banks like Barclays backing the system.

Concerns over ongoing market volatility



MANY CLIENTS WILL HAVE BEEN CONCERNED REGARDING THE ongoing volatility in the stockmarkets, exacerbated by the continuing Eurozone crisis.

An understandable reaction in this situation is to want to withdraw from the market when money has been lost but doing so at the wrong time can crystallise the losses already made with little hope of recouping them.

With interest rates at an all time low, to achieve above inflation returns on our investments it is necessary that we take some risk.

A look at the last 10 years' performance of the FTSE 100 index, including reinvested dividends (above), highlights what challenging conditions there have been over short periods. The periods of positive return mean the period overall is in positive territory and shows the benefits of investing for the long term.

Lowes advice has always been to invest for the long term and we help clients do that by investing across a range of assets and investment types. Where appropriate, we also recommend that clients have investments that can mature at different times to take advantage of unused capital gains tax allowances and to complement other parts of their portfolio.

■ ***If you would like to talk to your usual Lowes Consultant or this office, please call 0191 281 8811.***

COMMENT

IN MY PROFESSIONAL AND PERSONAL LIFE I AM OFTEN sent literature extolling the next great investment. Many of these are for esoteric - some of them exotic - investment schemes and most of them suggest they can provide rates of return that are significantly higher than any I might get by investing in traditional investment funds or trusts.

Some are based overseas, some offer investment opportunities in the UK and many are products that fall outside of the UK regulatory system. The UK's regulator, the Financial Services Authority, is sufficiently concerned about people receiving promotions for these investment schemes that it has limited their distribution by UK regulated distributors solely to 'sophisticated investors' and is currently consulting on whether to ban their sale in the retail market altogether.

The latest batch of literature to land on my desk offers the chance to make, in its words, a "highly conservative projected return on investment of 145%" in eight years by investing in a patch of bamboo in Central America.

After reading the brochure and the market analysis I now know a lot about the properties of bamboo and I am impressed, it is a remarkable timber, apparently with a higher tensile strength than steel and highly sustainable as a timber source.

But after my reading, I was left with one question – and it should be yours if you ever receive this kind of literature through the post – if this is such a good investment, why is the company going to the trouble and the cost of publishing glossy brochures and market analysis and producing marketing to try to sell it to me as an individual investor at $17,500 per half hectare, when they could go to an institutional investor looking for great deals like this on a day to day basis, and sell the whole 100 hectares in one go, job done? My conclusion is that there is a very good reason… and I hope the same conclusion is drawn by others receiving this promotion.

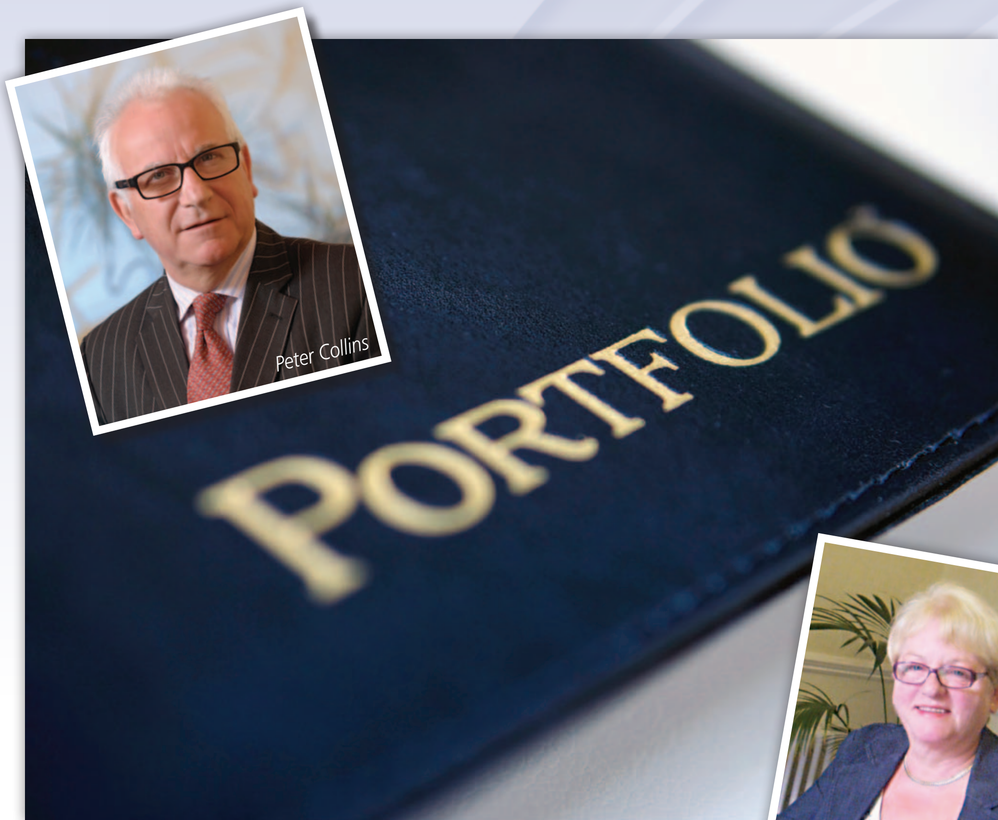
Other investment opportunities that I have heard of as being promoted to our clients recently range from gold that hasn't been mined yet, storage facilities where, if the promoters are unable to find a tenant the investor has to pay a penalty, and 'lucrative' re-development projects relating to derelict properties in America (as if there aren't enough American investors and corporations who would know a good thing if it was a real opportunity!)

As ever, if it seems too good to be true, it very possibly is, so before you consider investing your hard-earned money in anything that is promoted to you please talk to your usual Lowes Consultant.

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: **0191 281 8811**, fax: **0191 281 8365**, e-mail: **client@lowes.co.uk**, or write to us at: **Lowes Group PLC**, FREEPOST NT197, Holmwood House, Clayton Road, **Newcastle upon Tyne NE2 1BR.**

Patricia Lowes talks to **Rob Kings** 26-year association with **Lowes Fin**



Peter Collins


Pat Lowes

PATRICIA LOWES, WHO LIKES TO BE known as Pat and, for the record, is no relation to the Lowes of Lowes Financial Management, first became a client of the company in 1986, when her late husband Derek used the Yellow Pages to seek out a financial adviser to help with their finances following the death of Pat's mother.

Pat and her husband were looking to use the money from the sale of her mother's house to help put their two children through private education. At the time, Pat was working part-time in a major high street bank. She tells the story: "We had a house we wanted to sell to use the money to help finance our son and daughter's education. At that stage in our lives we couldn't afford to educate our children in the way we wanted without properly sorting our finances, so we went to see the bank's financial adviser. He tried to persuade us to take out a loan, which was not what we wanted to do at all. So Derek found Lowes Financial Management and Peter Collins came round and sorted everything out for us and we've been with Lowes ever since."

Unfortunately, the timing was not the best, as around the corner was the stockmarket crash of 1987. "This set us back," says Pat, "but with Lowes help we were still able to carry on our children's education, which we were very pleased about."

When Pat's husband retired in 2002 at age 55, he did so on a reduced pension so the task for Lowes was to take the couples' investments, which until that point were invested with a growth strategy and convert them into investments that could produce income within an acceptable level of risk. "We wanted to make up the difference between our working income and our pensionable income, so we could still keep living in the way we liked to. Again Peter and Lowes were able to do that for us." Pat says.

One aspect of the financial advice Pat receives from Lowes that she particularly likes, she says, is that the investments are explained in a way that she can understand. "The literature that I get from the companies providing the investments can be quite intimidating, but the reports that I get from Lowes I find are quite clear. They take the jargon and put everything in plain English."

Similarly, she says, if there are any problems with investments because of the stockmarkets or because companies merge or are acquired by others, "then Lowes always lets me know and explains what's going on".

"Also, when I'm talking to Peter he'll explain the investment risk and why he thinks it will suit us. He keeps everything clear and simple. And if it's something we don't want to do, he will find us an alternative. I rely on Lowes to ensure I have sufficient income to live and that comes down to trust."

It is not just Peter that Pat likes to deal with, she says: "The receptionists are always very pleasant when I phone up, and they remember my name so I feel like they know me and I'm not just another person on the end of the phone."

Asked if there is one area where Lowes might have done better, she struggles for a while then says: "It's always disappointing to see your investments affected by economic problems and stockmarket crashes. But having said that, everyone has lost money at these times and how can anyone manage things that are outside of their control."

One investment Pat highlights where Lowes has done very well for her has been in the running of the investments

bury about her family's **ancial Management**

inside a trust for her children. "We had the trust with a firm of stockbrokers but the relationship and communication was breaking down so about three years ago we decided to move it. Lowes took it over and since then it has done amazingly well. It has given us almost a 50% return."

Peter Collins has continued to serve Pat and her family since 1986, including Pat's late mother-in-law Dorothy. "We know that Peter will probably be looking to retire at some point in the future but he has said that when he does he will personally introduce us to the person who will be taking over from him. It is that personal touch that has kept us with Lowes. I am sure with other companies they would just switch consultants from one day to the next without this kind of attention to detail and care for the client," she says.

"Peter has advised on so many of my financial needs, particularly in the first few years after Derek died. Paying bills was easy but when it came to the

> *Lowes took it over and since then it has done amazingly well. It has given us almost a 50% return.*

investments I hadn't had anything to do with them as Derek had taken care of them all, so I really didn't have a clue. Peter and Lowes were a boon, helping me sort everything out."

Pat left the bank she was working for in the late 1980s and her career took an entirely different direction, in that she trained as a masseuse and in reflexology, running a clinic as well as 'onsite' massage from 1989 until 2007 when her husband became ill. Thereafter, she gave up the clinic but continued with the 'onsite' massage until 2009, when she herself retired.

Onsite or workplace massage is a different style of massage to the kind people normally think of, Pat explains: "You are taking the massage into the workplace so it is all done with people fully clothed and it is about removing their tension. Being able to do that for people is superb."

> *We trust Lowes and we have always trusted Lowes, which means we wouldn't go elsewhere.*

Asked to sum up the service she has received from Lowes over the years, Pat says: "When I look back at it, they have been a bit of a friend. They have been in the background to phone for help when we've needed to. That may not be what most financial advisers are about but it is what you need and it has kept us loyal to Lowes over all the years. From time to time I get approached by various financial institutions that want to manage our money, but I always tell them no thank you, we have our own financial adviser. We trust Lowes and we have always trusted Lowes, which means we wouldn't go elsewhere."

When Lowes Magazine talked to Pat she was preparing for the christening of her latest grandchild, her sixth. "We will have 50 or more people coming to the house, almost half of who will be children, so we're just hoping the rain holds off and they can play in the garden," she says. So I have to ask, will she be recommending Lowes to her grandchildren? Her reply is emphatic: "Absolutely."

Rob Kingsbury is a freelance writer specialising in financial services.

Top Tip

Lowes Consultant, John Walton, draws attention to the falling annuity rates and the new EU gender directive

For many people looking for a steady income stream throughout their retirement years, buying an annuity can be the best option. The most popular type of annuity purchased is a conventional guaranteed annuity. This guarantees an income for life and can provide many different payment and death benefit options, as well as allowing health factors to increase the income payments.

However, over the past 20 years or so annuity rates have been falling to the point where they are at an all time low – currently around £5,000-£6,000 per year for every £100,000 buying an annuity - and the ongoing crisis in the Eurozone is making the situation worse, as it is affecting the yields from gilts (UK government debt) against which annuities are benchmarked.

In addition to declining annuity rates, on 21 December a new EU directive comes into effect, eliminating gender as a factor in the pricing of annuities by insurance companies. Currently a single life annuity rate for a male is higher than for a female of the same age, as females are expected to live longer. The equalisation of annuity rates between men and women is likely to see these rates meet somewhere in the middle of the two, but not necessarily half way. The most likely outcome will be that new annuities from the end of 2012 will give more income to females, and less income to males than annuities currently provide.

Accordingly, anyone approaching retirement in the next 12 months should consider how the timing of an annuity purchase could impact on their annuity income and whether they may be better off buying sooner rather than later.

■ ***As ever if you have any questions, please talk you your usual Lowes Consultant.***

INSIGHT

Client questions

Continuing our series explaining financial industry terms, this issue we look at unit trusts

THE MOST COMMON WAY FOR PEOPLE TO INVEST IN THE UK is collectively, typically in funds called unit trusts (sometimes also referred to as mutual funds). This method pools many investors' money in a fund, which has a stated aim, usually to attain growth or income by investing in specific regions or areas, such as the UK or Asia and in particular sectors, such as Blue Chip companies or commodities. All the investors can then participate in the performance of the fund.

Investors buy 'units' in the fund and the fund manager buys shares and bonds in different stockmarket-listed companies, and sometimes other investments too, that are then held by the fund on behalf of all its investors.

In this way, rather than individuals investing directly into the stockmarket themselves, they can let a professional fund manager do that job for them. Also, because their money is being pooled with that of many other investors, it is possible for the fund manager to invest across a far wider range of investments, which spreads the risk for investors too.

Unit trusts are 'open ended' funds, which means a fund can keep adding units as long as people keep investing in it. So the number of units rises and falls as investors buy and sell them, with each investor owning a proportion of the fund depending on the number of units they hold.

Likewise, the value of the units will move in line with the overall value of the fund, which, in turn, is determined by changes to the prices of the underlying shares, bonds and other investments that the fund may hold. When companies pay dividends or interest this can add to the value of the overall fund.

Many unit trusts have been turned into Open Ended Investment Companies (OEICs, pronounced 'oiks'). In investment terms, these work in a similar way to unit trusts, but an OEIC is an investment company so instead of buying units the investor buys shares in the OEIC.

Investments into unit trusts and OEICs can be via lump sum or regular payments and typically an investor will pay an initial charge to invest in the fund and an annual fund management charge.

Lowes Face to Face

IN OUR REGULAR LOOK AT THE FUND MANAGERS THAT the Lowes Investment Team interviews on a regular basis, this issue we focus on Jupiter Asset Management's Peter Lawery.

Peter is fund management director with Jupiter and one of the fund managers on the Jupiter Independent Funds Team, alongside his colleagues John Chatfeild-Roberts and Algy Smith-Maxwell. All three worked for Lazard Asset Management before joining Jupiter in 2001, since then they have been responsible for running the Jupiter Merlin funds.

The Merlin funds are termed fund of funds vehicles, i.e. each fund invests in other funds in the market rather than directly in stocks and shares. The team researches, monitors and interviews the managers of the funds and then selects a range to use, blending them into specific portfolios, for example, aimed at producing income or growth, or taking a worldwide investment viewpoint for investors.

The central aim of the Jupiter Merlin Independent Funds team is to create long-term outperformance for investors by not being constrained to invest in a certain way. The team's philosophy includes four main principles:

- Invest for the future
- Invest with talented individuals
- Invest when the investment cycle is on the manager's side
- Back your convictions.

Peter and the rest of the Jupiter Independent Funds team believe that identifying good quality funds for investment is the most effective way to generate strong performance.

The team's strategy, he says, is to avoid spreading investments too widely, to consider each fund on its merits and to explore contrarian opportunities, i.e. those that go against the grain, particularly when stockmarkets are volatile or there are key economic or market turning points looming, such as changes to interest rates.

Jupiter Merlin team. Left to right: Algy Smith-Maxwell, John Chatfeild-Roberts, Peter Lawery.

As a starting point the team looks at the bigger picture, taking a view on the global economic situation and where it might create opportunities for contrarian fund managers. It then digs down into the performance and strategies of individual fund managers, looking at the figures as well as the thought processes, to determine which are most likely to perform well in specific market conditions.

From this the team constructs the Merlin portfolios. Peter points out, however, that when market conditions change, their strategy is flexible enough to move quickly and change as they see fit. "It is important for the team that all holdings are working hard for investors," he says.

Financial planning in divorce

HISTORICAL FIGURES PUBLISHED BY THE OFFICE FOR National Statistics show that the number of divorces typically rise at times of recession. Most recent figures, post 2009, reveal the current recession is no different, with divorce numbers rising again after several years of decline since the last recession.

As part of our financial planning process we provide advice on the financial consequences of marital separations and divorce. Next to the family home, the single largest asset that needs to be considered when a marriage breaks down is often the pension benefits. The Pensions Act 1995 made it compulsory for pension rights to be taken into account in divorce cases.

There are many issues that clients will need to consider when they separate or divorce. The main issues are:

- Provision of home and maintenance for children of marriage
- Pension sharing
- Investment portfolio splitting and financial planning of new portfolios
- Influence of pre and post nuptial agreement(s)
- Post divorce financial planning, including will writing
- Financial protection post divorce

Couples wanting to divorce are now encouraged to do so through mediation and having a full and up-to-date financial picture that takes into account the needs of individual parties, can facilitate that process.

Also, it is as important to consider financial planning needs post divorce as during the process. For example, an investment portfolio held by a couple might contain some aggressive strategies for growth that, post-divorce, might need to be changed to a less risky, cautious approach.

Similarly, maintenance payments might need to be protected in the event of death or ill health of one of the parties and a suitable life insurance or income protection policy may be necessary to take into account in such an event.

While it is natural for everyone to want to get to the decree absolute and to move on with their lives, often this can lead to snap decisions, such as around property and disposal of assets, resulting in both parties losing out, particularly from a tax perspective. Therefore, it is important that financial planning is considered as early in the process as possible.

What to do about with-profits bonds

MANY NEW AND EXISTING CLIENTS OF LOWES HAVE accumulated a range of different investments over the years. One of the popular investments in the 1980s and 1990s was the with-profits bond. The reasoning behind with-profits is sound – to smooth out the returns by holding some profit back in good years, adding it when markets are not performing well and topping up returns on exit with a bonus payment, if it was deemed fair to other remaining policyholders.

However, when the dotcom bubble burst in 2000 the stockmarkets plummeted and did not start to recover for several years. As a consequence with-profit companies were unable to continue smoothing the returns after running out of held back profits. At this time and perhaps unwisely, the regulator also forced the companies to sell investments to boost their capital reserves before the investments had an opportunity to recover and this compounded the poor returns.

As a result, many people wanted to sell their with-profit bonds, which then saw product providers impose MVRs (Market Value Reductions; sometimes called Market Value Adjusters – MVAs) to reduce the surrender value of a policy to reflect poor investment conditions. The purpose of the MVR is to ensure that the surrender value is not unfairly high and that a fair share of the pot is left for the remaining policyholders.

However, recently the FSA confirmed new rules about how MVRs are applied. These mean an MVR can now only be applied where the face value of a policy is higher than the value of the assets underlying that policy. This prevents MVRs being applied to restrict large volumes of surrenders. This is a positive change, nevertheless, cashing in a with-profits policy may not necessarily be in your best interest.

Key points to consider are:

- Whether the reasons you took out the policy still stand – e.g. if it was an endowment to provide both investment growth and life cover for an interest-only mortgage, do you still have the mortgage?
- Does your policy have a guaranteed payout at maturity, or specific dates where bonuses apply which you will lose if cashing in early?
- Is the with-profits company still imposing an MVR, so reducing any payout on encashment?
- How is the policy performing in current stockmarkets – is this the best time to encash it? This is particularly important if alternative investments could be more attractive.
- Would you be better off holding the policy until maturity or a set date to receive a bonus?
- Your income tax rate and how long you have held the investment for - some planning can be required to avoid paying higher rate tax or losing age-related income tax allowance.

■ ***If you have a with-profits policy and need advice please talk to your Lowes Consultant or call 0191 281 8811.***

INVESTMENT

Meaning in numbers

IT IS A WELL RECORDED FACT THAT IN CHINA A GREAT DEAL OF meaning is ascribed to numbers. So, when on the anniversary of the Chinese Government's crackdown on pro-democracy protestors in Tiananmen Square - June 4 1989 – referred to in China as 'six four', the Shanghai Composite stockmarket index fell 64.89 points, it quickly grabbed attention. Equally quickly, the Chinese Government, following its policy of silencing discussion of the events of that day, stepped in to censor reference to the index on websites and on Weibo, the Chinese version of Twitter.

The fact that the stockmarket had opened that day at 2,346.98 points, likewise was assigned significant meaning - 23 for the 23rd anniversary of the killings, and 46.98 a rehash of the date.

'Large forces' were deemed to be at work behind these numbers on this particular day.

There are many influences on stockmarkets around the globe but the ones we focus on at Lowes are the economic, financial and political forces. These may make for a more mundane explanation of events but they are the more tangible factors that can be assessed when constructing an investment strategy to help create a balanced and diversified portfolio built for the long term.

MARKET COMMENT

Doug's Digest

Doug Millward, Investment Analyst with Lowes, takes a long hard look at the impact of the ongoing Eurozone crisis and what it means for our investments and concludes all is not as bad as it may seem

AS I WRITE, THE CRISIS IN THE EUROZONE is in the news once again, with the usual doomsayers gleefully telling us how bad things are. For investors, it is easy to become pessimistic but it is important to remember that the current problems are more of a political than an economic nature.

For many years cheap credit was available to all and the lessons in prudence taught to us by our parents and grandparents were forgotten by many - and not just individuals but businesses and governments too.

During the financial crisis of 2008 to 2009 credit quickly dried up and those living beyond their means were soon exposed. Whilst governments and politicians were unable, or perhaps unwilling, to reduce their spending and live within their tax revenue, most companies were quick to move to protect themselves, as they cut their spending plans, paid off their existing debts and used the savings to build up their cash balances as an emergency "war chest", knowing that they could no longer rely on the banks as a source of capital. Although it was extremely painful at the time, with many losing their jobs or seeing their wages cut, from a corporate point of view it means many are now in a very healthy position.

Whilst the fears of the breakup of the Euro have led to the stockmarkets remaining stubbornly low, at times it has been a case of the baby being thrown out with the bathwater, which means that some very good companies are now attractively priced, with some good bargains to be had.

Demand from consumers across the western world has fallen as people have tightened their belts but thanks to the modern global economy a lot of companies have simply looked elsewhere for their markets. BMW, Gucci, and Burberry, for example, have seen their sales in China soar, as the new middle class looks to western luxury goods as symbols of its new affluent status.

Also, whilst it was wise for businesses to build up cash balances to protect themselves from the lack of credit, large amounts of cash aren't very good at generating profits, especially with interest rates at such low levels. At the end of the day, producing a profit is what all businesses are about, so sooner or later company directors are going to be looking for this money to be used more effectively. One way is to begin paying the money back to shareholders as dividends, which is what happened with Apple in America recently. Another way is for larger firms to buy up their smaller rivals, thus increasing their market share and benefiting from economies of scale.

Whatever steps are taken, making better use of their cash should increase the value of the companies on the stockmarkets. Of course, when companies will have the confidence to do this is the $64,000 question but from a hard-headed analysis of current balance sheets it is reasonable to conclude that there are bargains to be had, despite the problems being endured by governments.

This means that for those investors who can see beyond the current jitteriness of the markets and are prepared to invest for the medium to long term, now is a potentially good time to invest.