Autumn 2009

"If you wait long enough everything changes."

Carl Sagan.

INSIDE: THE POLITICS OF LONG TERM CARE

Lowes wins tax and estate planning award

TAX AND ESTATE PLANNING HAS BECOME AN AREA OF growing importance for financial advisers in recent years and is no longer the preserve of wealthy clients.

As such, we are delighted to have received the Moneyfacts Good Advice Award for the Best Tax and Estate Planner 2009.

The judges were particularly impressed with the commitment to professional qualifications shown by Lowes and the level of expertise on offer when dealing with tax and estate planning matters. They said: "It was one of the first advisers in the country to achieve the accreditation 'Chartered Financial Planners' and is still one of only four such companies in the North East that can boast this status. Key staff and policy makers at Lowes are not only Chartered Financial Planners but also Fellows of The Personal Finance Society. In addition, one director holds a distinction in tax and trust exams and another is an examiner and scrutineer for the Chartered Insurance Institute's trust exams."

After receiving the award at a ceremony staged at The Brewery in London on 25 September, Managing Director Ian Lowes said: "The expertise within the company means that we have a very good understanding of most off the shelf tax and estate planning solutions and the requisite knowledge of when and where they should be used. In addition, over the last four years we have designed a number of our own specialist, packaged estate preservation solutions. These propositions have met with both legal and client approval and have been fundamental in protecting tens of millions of pounds worth of assets for hundreds of clients."

The judges also felt Lowes excelled in terms of the quality of its client newsletter and its educational programme of financial planning seminars which cover aspects such as tax reduction and Inheritance Tax mitigation. Over 98 per cent of the last 2,000 attendees who completed a seminar feedback form rated their attendance as time well spent; a clear demonstration of client satisfaction.

Ian Lowes receives the award from Mark Green, Head of Tax & Estate Planning at Legal & General.

Age changes boost ISAs – and affect pensions

IF YOU WERE BORN ON OR BEFORE 5 April 1960 then as of 6 October the amount you can contribute each year to an ISA was increased to £10,200.

The total £10,200 allowance can be invested as a Stocks and Shares ISA, or split between a Stocks and Shares ISA and a Cash ISA, each with a value of up to £5,100. For all other savers, the ISA limit will rise to £10,200 on 6 April 2010. To ensure that you use all of your ISA allowances, please contact your Lowes consultant on 0191 281 8811.

Age change for pensions
The minimum age for taking a pension is increasing from 50 to 55 from 6 April 2010. This change will happen overnight, without any phasing-in period, so if you are considering taking your pension or tax free cash and are affected by the age change you will need to take action now.

■ *For more information, please contact your usual Lowes' Consultant or call us on 0191 281 8811.*

Our cover shot: Ribblehead, Yorkshire Dales, North Yorkshire

Make your money work

Best bank and building society unrestricted instant access/no notice accounts

Amount	Provider	Account	Gross Rate	Contact
Branch Based				
£1+	Northern Rock	Branch Saver	1.9%	Branch[1]
Postal or Telephone				
£1+	Sainsbury's Bank	Easy Saver	2.8%	Call 0500 40 50 60[2]
£1+	ING Direct (new customers only)	Savings Account	3.16%	Call 0800 376 8877[2]
Internet				
£1+	Barnsley Building Society	Online Saver	3%	www.barnsley-bs.co.uk[3]
£1+	ING Direct (new customers only)	Savings Account	3.16%	www.ingdirect.co.uk[3]

Note 1: Rate guaranteed to remain at least 2% above the Bank of England base rate for 12 months. After 12 months the rate will revert to the standard Easy Saver interest rate, which is currently 0.5%. Maximum of 5 withdrawals permitted each year.
Note 2: Offer for new customers only. Rate fixed for 12 months. After 12 months the rate will revert to the ING Direct Savings Account variable rate, which is currently 0.5%.
Note 3: Yorkshire Building Society is the underlying deposit taker for this account. Rate includes a 0.5% bonus that is payable until 31/12/2010.
Sources: Providers' websites, www.thisismoney.co.uk, www.moneyextra.com, www.moneysupermarket.com, www.moneyfacts.co.uk 20/10/2009. All accounts subject to terms and conditions.

Stockmarket bond updates

THE RELAUNCHED LOWES' stockmarket bond or 'Structured Product' review service located on our website now contains a facility to notify you about new product launches – as soon as they appear.

This website has, with just a brief gap, published reviews of these products since 2000 and those plans we considered worthy of our endorsement have generally produced excellent returns. In 2002 the service received the accolade of being one of the 'Best kept web secrets' in *The Times* of 19 October, 2002.

The best structured products have continued to produce good returns and protect investors' capital in falling and volatile markets and, as such, they have an important role to play in financial planning strategies.

■ *To stay informed about new launches, visit our website at www.lowes.co.uk, then click **'Structured Product Review'** in the left hand website menu. Once there select the **'Register for Updates'** button. Alternatively, email us at **updates@Lowes.co.uk***

Cash back on Structured Products

For a limited period, where there has been no advice or discussion as to the potential suitability of a proposed investment, we will rebate 1 per cent of the amount invested in the structured products featured on Lowes' Structured Product Review and processed via ourselves. For further details please see page 7.

End for final salary?

BECAUSE OF THEIR COST, 'final salary' pensions, where the benefits are based on years of service rather than the stockmarket performance of the pension contributions, are vanishing in the private sector.

However, there are now growing calls to review these pensions in the public sector, where some 5 million employees are entitled to receive benefits when they retire, including 1.6 million local government workers, 1.5 million NHS staff, 600,000 teachers, a similar number of civil servants, 200,000 members of the armed forces, 150,000 police officers and 50,000 firemen.

While 80 per cent of public sector employees are in final salary schemes compared to 15 per cent in the private sector, many private sector employers have closed their schemes to new entrants and are now closing them to existing employees in respect of future service. The problem is that many schemes face huge fund shortgages. In September 2009, the Pension Protection Fund (PPF) said 85 per cent of the UK's 7,400 remaining final-salary schemes were in deficit to the tune of £173.2 billion.

Compensation

If an employer becomes insolvent the Pension Protection Fund (PPF) will pay compensation to members of eligible final salary pension schemes and, broadly speaking, there are two levels of compensation:

- Pensioners: Compensation equal to 100 per cent of the pension in payment, with compensation for service on or after 6 April 1997 increased each year, in line with the Retail Prices Index (RPI), capped at 2.5 per cent.
- People below their scheme's normal pension age: 90 per cent compensation capped at £28,743 per year, subject to RPI revaluation up to 5 per cent in most cases.

In addition there will also be compensation for spouses of 50 per cent of the PPF compensation.

■ *For more information, contact your usual Lowes' Consultant or call us on 0191 281 8811.*

COMMENT

Payback time!

We're not out of the woods yet but it looks like the concept of total global economic collapse is now a distant nightmare. Whilst I stand by the belief that the media fuelled many of the darkest moments of the crisis, I always felt that there was too much invested in capitalism for it to be allowed to fail. But, that said, the cost of the rescue will be felt for generations to come.

From my perspective, any financial system needs one of two elements to succeed - either confidence or ignorance but, ideally, both. The danger of too much ignorance has been well and truly demonstrated and, as a result, the cost of restoring confidence has been significant.

In 1933, in an attempt to pull the US out of the Great Depression, President Roosevelt commanded all citizens to surrender their gold to the government. In the recent crisis, rather than imposing a wealth tax our governments have borrowed against the future and it has to be paid back.

We've heard much recent political talk of cost cuts here and there, but these will barely put a dent in the deficit and if they lead to cuts in public services they won't be tolerated for too long. The net result is that we're going to be paying back the bail out for a long time and it's going to be achieved through higher taxes and, perhaps more importantly, higher inflation.

Whilst I do not expect to see inflation rise too much in the short-term, I believe we won't have to wait too long. Although higher inflation may provide the key to eroding the deficit, it will also potentially erode the worth of those who rely upon the 'safe haven' of deposit accounts. Whatever the future has in store we will endeavour to ensure that our advice continues to help our clients maintain the value of their capital.

Ian H Lowes,
Managing Director

Elderly care costs become an election issue

The important issue of funding long term care is rising up the political agenda. Lowes' Senior Technician, Barry O'Sullivan, investigates ...

THE ISSUE OF THE COST of long term care (LTC) to elderly people is rising up the political agenda ahead of the next general election. However, irrespective of any announcements by the government or the opposition about their intentions, so significant is the potential impact of LTC costs on personal finances and other assets – notably your home – that the need for expert financial advice is critical.

In an announcement at the recent Labour Party Conference, PM Gordon Brown pledged to introduce a new National Care Service (NCS) where some 350,000 people with "the highest needs" would receive free LTC in their own homes regardless of personal wealth.

It appears that the aim is to implement this scheme in England by mid-2010, ahead of the general election which must take place by early June. While proposals for the overhaul of the LTC system were outlined in a government Green Paper published in July, Mr Brown's announcement in respect of people with the highest needs came as a surprise.

Currently, 'high need' is defined as requiring more than 16 hours of personal care (e.g. help with washing and dressing) a week and the proposal would not apply to those in residential care. Currently, a 'means test' prevents anyone with savings above £23,000 from receiving state assistance towards care delivered either at home or in a nursing home. Importantly, it appears the means test would remain for care delivered in a care home and for the care home accommodation costs.

Also, who will qualify for free care will be determined by local authorities and this has raised some concerns. Andrew Harrop, Head of Policy for Age Concern and Help the Aged, says: "It will be essential that councils are properly funded to provide this care so that there is not an incentive for them to push older people into care homes or claim that their needs are not critical enough to warrant free care at home."

The scale of the LTC issue

The Joseph Rowntree Foundation says that in 2008 some 394,000 older people were in residential care of whom 146,000 paid all their own care costs. The government estimates that people aged over 65 may require care and support costing an average £30,000 during their lifetimes, and that some 5 per cent of these will have needs costing £100,000 or more. According to Age Concern: "The costs can be huge with care home fees averaging more than £500 per week in England. Even care at home can often cost in excess of £200 per week. Older people pay the full cost of their care so long as they have assets over the means test threshold, with their home being included in the calculation if they are leaving the house empty to move into a care home."

The existence of the £23,000 limit means thousands of elderly people must sell their homes each year to fund residential care. Councils providing care services can defer payment until after someone's death, but according to the Daily Telegraph, a fifth of councils did not agree to any deferred payments at all in 2008 while many others arranged only a handful of deferrals.

The Green Paper proposals

While the cost of Mr Brown's limited proposals would in part be met by £400 million a year taken from 'low priority' areas of the NHS budget, details of a wider funding overhaul of the LTC system will be outlined in a White Paper in the New Year. This will draw on proposals contained in the Green Paper, which outlines three options for funding those LTC costs not met by the state:

- A partnership model: Individuals meet their care costs themselves. While average costs for people over 65 would be £20,000 to £22,000, those with the highest needs could face costs of £100,000 or more.
- An insurance model: Individuals enrol in a state-backed insurance scheme and get all of their care costs covered. People might need to pay £20,000 to £25,000 into the scheme and they could pay in several different ways, before or after retirement, or after their death if they preferred.

- A comprehensive model: Enrolment would be compulsory for people over 65 and this would reduce premiums to between £17,000 and £20,000, but payment would be regardless of whether they needed care or not.

None of these schemes would cover care home accommodation costs. Although those with the least means would, as now, be covered, for those with some or all of the means to pay, the government has put forward the idea of a deferred payment scheme. Homeowners would have their board and lodging costs met and then recovered on the sale of their properties, i.e. the cost would be clawed back from the estates they leave to their beneficiaries after they die. This would end the current situation where deferred payments are discretionary, with arrangements differing between councils.

Reactions

While Age Concern and Help the Aged support proposals to 'pool' the risk of paying for care, they want the costs to be shared fairly across the generations. They also prefer a system of lifelong contributions and want any proposals to embrace accommodation costs too.

In 1995, Germany added LTC to its social insurance system, funded by new payroll charges on employees and employers. In this comprehensive model, a single needs assessment unlocks a payment based on dependency level and what form of care is used: care home, domiciliary or family-based.

In 2000, Japan overhauled an ad hoc system with spiralling costs with a still expensive but more rational tax-funded system which pays a flat rate 90 per cent of costs of all care homes and home care.

In 2001 Scotland introduced 'free' personal care, (similar to Mr Brown's plan) removing charges for care at home and the giving of a flat-rate subsidy for personal care (as well as for nursing care) to people in care homes.

The importance of thorough planning

THE SOLUTIONS OFFERED BY THE Green Paper in respect of long term care (LTC) funding fall short in some key areas. The cost of care could still be one of the largest items of expenditure you will have the misfortune to make. This means that thorough financial planning for LTC remains as important as ever.

Some of the key LTC planning tools include:

- Investment Funds & ISAs: The investment option is still the default option for most. Having accumulated wealth over a lifetime, savings and investments are simply encashed to fund LTC.
- Pre-Funded LTC Insurance: This is a way of securing an income for life before any need for LTC. An insurance policy can be taken out in advance of any need. The monthly benefit is paid once the relevant claim criteria are met.
- Immediate & Deferred Needs Annuities: A capital amount is invested in exchange for a guaranteed income for life. The annuity pays income directly to the care provider. To qualify the person should be in or about to enter a care home or require home care. Age, health and level of required benefit will affect the capital amount needed to secure an appropriate level of income.
- The Probate Trust: Whilst the purpose of this arrangement is to simplify the process of passing assets to chosen beneficiaries on death, an additional benefit is that, should you have LTC provided by a local authority, you may not have to sell the house to cover the care costs. However, you must be in reasonable health when the Trust is established.
- Discretionary Will Trust: On one spouse's death, some of their assets – up to the value of the nil-rate Inheritance Tax band – are held inside a Trust created by their Will. These assets can include part of the family home, which the surviving spouse is able to access. The purpose of these arrangements is for second generation IHT planning. However, an additional benefit is that you may not have to sell the house to cover care costs.
- Equity Release & Lifetime Mortgages: Enable you to release funds, generally to cover LTC costs at home. Some plans allow you to sell a proportion of your home while reserving a proportion to be passed to your beneficiaries.

■ *There are numerous ways of planning for LTC. To discuss these in detail then please contact your usual Lowes' Consultant or call us on 0191 281 8811.*

5 YEARS AGO

How did it perform?

– The Woolwich Accelerated Growth Plan

PORTFOLIO

Limited offer – Prompt action required if you wish to invest.

FTSE rises 10 per cent = You get 70 per cent

"The Best Plan Of The Year To Date"
Iain Lowes Managing Director Lowes Financial Management, Investors Chronicle 17th September 2004

WOOLWICH ACCELERATED GROWTH PLAN – this investment may not be right for everyone but we believe it is certainly worth your consideration ...

The Upside

The Woolwich Accelerated Growth Plan is designed to provide you with seven times any rise in the FTSE 100 Index over the next six years, subject to a maximum return of 170 per cent of your original investment. So, if at the end of the investment term the Index is up by 10 per cent or more compared to the start, you will achieve a 70 per cent profit. If the Index is up only by, say, 6 per cent you will achieve a 42 per cent profit.

The Protection

This investment does not guarantee your capital will be returned at the end of the 6 year term, but offers a high degree of protection in case the market falls over the term. It is designed to return your original investment in full unless during the investment term the Index falls 50 per cent or more from its closing level on 15 November 2004 and fails to recover.

The Downside

If the FTSE 100 Index is lower at the end of the term and fell by more than 50 per cent during the term, your capital will be reduced by 1 per cent for each 1 per cent the Index is lower.

Under the terms of the contract, the index would have to fall 50 per cent from the starting position on 15 November 2004 and not recover before any reduction in capital would be applied. If losses of capital do occur they will be at the same level as falls in the market. However, as the market has, in our opinion, already undergone a correction and must suffer significant further losses before reduction to capital would start to take effect, we feel that the risk associated with this investment is a small price to pay for the potential reward.

As with all contracts of this type the benefits payable under the plan and, indeed, the ultimate return of capital, are dependent on the ability of the behind the scenes issuer to meet their obligations. Peace of mind can be gained from the fact that the assets within the Woolwich Accelerated Growth Plan will be issued by one or more major financial institutions which have been rated as having 'very strong financial security characteristics' (AA or above) by leading research agency Standard & Poor's. We therefore feel that there is little chance of the issuer(s) defaulting. Examples of 'AA' rated financial institutions include HSBC, Barclays Bank and Lloyds TSB.

Woolwich Accelerated Growth Plan vs FTSE 100

Returns

FTSE 100
Return where FTSE rises
Return where FTSE negative but did not fall more than 50% during the term
Return where FTSE negative having fallen by half during the term

The FTSE 100 Index movement over the six year investment term

How to Invest

Before investing, in order to satisfy yourself that the investment is right for you, you should read the investment's Key Features and Financial Services Authority Fact Sheet entitled 'Capital-at-risk products' enclosed within the product brochure. If you have any doubts about the suitability of this investment for you, you should contact your Lowes Consultant or our office on 0845 1 484848. Your application form, once completed, should be returned to this office in the envelope provided together with a cheque payable to 'Woolwich Plan Managers Limited' for the full amount of your investment. If your cheque is not a personal cheque but is drawn from a Bank or Building Society it should be made payable to 'Woolwich Plan Managers Limited – reference [Your Name]'. If you wish to invest jointly a supplementary application is required. Please call us to request one on 0845 1 484848 and we will despatch it to you by 1st Class Post.

Important Notice: Past performance is not necessarily a guide to future performance. If the Index rises by 10 per cent you will receive a 70 per cent profit but will not participate in any Index growth in excess of 10 per cent. This investment is intended to be held for the full six-year term. If you need to sell your investment early you may get back less than you invested, even if the FTSE 100 Index has risen. Your original capital is not guaranteed, you may get back less than you invested and, therefore, this investment is only suitable for those who are prepared to accept a degree of risk. The offer is limited and in the event of oversubscription it will close without notice. Those investing outside a PEP or ISA will be subject to Capital Gains Tax if their gains in the year of maturity after applying Taper Relief exceed the personal exemption, which is currently £8,200. Levels and basis of reliefs from taxation are based on our understanding of current tax legislation and are subject to change. Lowes may be required to approach a third party in order to verify the identity of a client, or any person providing funds on behalf of an investment made in the client's name. Where further information is required to verify identity, Lowes reserves the right to delay applications or withhold settlement until sufficient identification has been provided.

8 • LOWES Autumn 2004

IN OUR ONGOING SERIES examining progress of investment products we featured in Lowes Magazine five years ago, we report on the Woolwich Accelerated Growth Plan which we promoted in the Autumn 2004 issue.

This investment offered the possibility of a return equal to seven times the rise in the FTSE 100 Index over the six year period starting 15 November 2004, subject to a cap of 170 per cent of the original investment.

The investment was designed to return the original capital in full unless during the investment term the FTSE 100 fell by 50 per cent or more from its starting level on 15 November 2004.

The FTSE 100 level on this date was 4803.1 which means that investors' capital would be returned as a minimum unless the Index falls below 2401.55 or Barclays Bank, the owner of the Woolwich, defaults on its obligations.

On a more positive note, should the FTSE 100 on 15 November 2010 finish above 4803.1 then investors will receive a return equal to seven times the percentage rise in the FTSE 100 above that figure, subject to the 170 per cent cap.

So, if the FTSE on 15 November 2010 is 5283 or more, investors will receive a 70 per cent gain on their investment.

A structured evolution

Ian Lowes explains the evolution of structured products…

IN THE 1970s A NEW BREED OF retail investment came to the UK. Advocates of traditional investments did not take kindly to its arrival and were highly critical, and as it gained in popularity they cited any failure or problem, no matter how big or small, as evidence for their case.

By the early 1980s there had been a gradual acceptance that the new type of investment, known as 'unit-linked', may be better than traditional with-profits. Today, unit-linked investments are in widespread use and are commonly accepted as better than with-profits in many circumstances.

In the early 1990s another innovation, 'Stockmarket Bonds', made occasional appearances in the UK investment market. Back then, there were only one or two on offer at any one time and they went largely unnoticed. However, the market gradually developed and by 1999 the inevitable occurred when some marketeers' and product developers' greed replaced common sense. Whilst some of the investments on offer were reasonable, others, quite frankly, were diabolical.

The truth behind the bonds

In response Lowes produced ***'The Truth Behind Those High Income Stockmarket Bonds'***, a document warning of the pitfalls and risks of many of the offers being promoted to our clients by other advisers. It was sent to clients, journalists and the regulator. As a result, the first article warning about what ultimately became known as 'precipice bonds' appeared in the Sunday Telegraph in October 2000. It was another two years before the rest of the mainstream media wrote about the impending disaster and when many of these plans matured in 2003 some investors lost nearly all of their money. But that did not mean that all such investments were poor, and Lowes continued to review most of the plans brought to the market, publishing a review of each on our website and indicating those worth consideration.

Today, these investments are called 'Structured Products' and, whilst the limitations and pitfalls inherent in many of the 'precipice bonds' have been regulated out of the market, just like unit-linked investments, some structured products are good, others not so good and, as ever, an adviser's role is to sort the wheat from the chaff.

> *'In general, a Structured Product is an investment product (or plan) where the return is defined by reference to an underlying measurement (such as the FTSE 100 Index) and delivered at a defined date.'*

Unlike unit-linked investments, they do not rely on an investment manager getting things right and they generally include a degree of protection against falls in the stockmarket or whatever the underlying measure is.

Gathering momentum

Structured products will never replace unit-linked investments but they are gathering momentum and the UK is catching up with the rest of Europe. More advisers accept that if chosen wisely and used appropriately they can be a very beneficial element in many investment portfolios. However, just as precipice bonds clouded the market, the collapse of Lehman Brothers, Keydata and NDF has provided fuel for the critics.

Lowes recommended many Keydata and NDF plans over the years and they have been among the best investments our clients have enjoyed. For example, two Keydata plans we promoted in 2003 matured in September 2009, each

producing gains of 60 per cent against increases in the average cautious managed unit trust/OEIC sector of only 24.1 per cent and 26.5 per cent* over the same investment periods. What's more, despite a turbulent six years, the capital protection built into these plans remained intact throughout.

Unfortunately, Keydata got into trouble in June this year due to their involvement with investments that weren't Structured Products and which we had, thankfully, steered our clients away from. As a result, whilst all of Keydata's Structured Products were backed by substantial 'counterparty' institutions and remain intact and accounted for, Keydata is, in effect, no more.

All Structured Products depend on a counterparty meeting its obligations. An investment backed by a small, poorly rated bank is likely to offer better terms than a plan backed by a stronger institution and it carries more counterparty risk, so if the bank goes bust investors could lose their investment. Whilst Lehman Brothers was anything but small or poorly rated and its collapse was cited as a 'once in a century event' that no one could have predicted, it highlighted counterparty risk. A good

adviser must consider all the risks in the context of known and relevant factors.

The Lehman Brothers' collapse ultimately led to the downfall of NDF Administration, as some of its plans were backed by Lehmans but allegedly gave a misleading impression of the risk involved. One well quoted example was the inappropriately named 'Capital Secure Growth Plan'. Thankfully, as with Keydata, no Lowes' clients are exposed to any of the problem NDF plans and the others remain intact and accounted for.

With Structured Products and all other investments, bad apples shouldn't affect the rest of the barrel. There have always been and, hopefully, always will be good opportunities on offer and we expect them to continue to represent an important and beneficial element of our clients' portfolios as well as our own. Be wary of anyone who indiscriminately criticises the whole of a market sector as, in my opinion, they either have a vested interest or do not have the requisite knowledge.

* Source: Lipper Hindsight, IMA cautious managed sector average

■ *Lowes has now re-launched its* ***Structured Product Review*** *service, which can be found at* ***www.Lowes.co.uk****. There you can browse the many plans on offer and if you wish to be kept up to date whenever a plan that we like is launched, you can register for updates either on the website or by emailing:* ***updates@lowes.co.uk***

Cash back on Structured Products

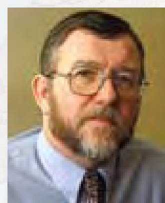
For a limited period, where there has been no advice or discussion as to the potential suitability of a proposed investment, we will rebate 1 per cent of the amount invested in structured products featured in Lowes' Structured Product Review and processed via ourselves.

The offer of a 1 per cent rebate should not, however, deter you from seeking advice in the event that you have any doubts about the suitability of a particular investment for you. For more details please visit ***www.Lowes.co.uk*** selecting ***Structured Product Review*** from the left hand menu.

MARKET COMMENT

A weaker pound

By Melvyn Bell, Lowes' Investment Manager



IF THE EUROPEAN Commission is to be believed the Eurozone could be in the vanguard of economies emerging from the global recession. So far as France and Germany are concerned the recession is already over. Both posted positive growth in the April to June quarter and were therefore technically no longer in recession, so joining China, India and Japan which were already recovering.

This can't be said for UK. Despite one of the strongest stockmarket recoveries for decades the economy is forecast to struggle. This is because Britain has been central to the crisis which led to the global downturn, unlike France, Germany, Japan and the emerging economies of China and India, where the financial sector plays a smaller role. Consequently, while France and Germany weren't immune to financial sector problems, intervention was on a smaller scale than the UK. France and Germany were also affected by the credit crunch – more severely than the UK in some instances. e.g. while Britain's economy shrank 4.9 per cent on an annualised basis in the first three months of 2009, Germany shrunk 6.7 per cent. This was because the German economy is reliant on the export of manufactured goods and global trade had contracted by 10 per cent in that period. However, rising demand as the global economy recovers is boosting the exports of German firms.

Unfortunately, the recovery in the financial sector has been more subdued. Compounding this is the fact that UK consumers are significantly more indebted than their continental neighbours. So, while French and German consumers are boosting domestic demand, UK consumers cannot spend their way out of recession.

Given this it would be easy to believe that investment in the UK is less attractive than in those economies recovering more rapidly, and at first glance this view is understandable, especially as the popular view is for enhanced returns from overseas markets as a result of a weak Pound. However, the picture may not be quite so clear. For instance, the investment bank Cazenove & Co says two thirds of the sales of FTSE 100 companies are overseas. As the FTSE accounts for 80 per cent of the capitalisation of the UK stock-market, a weaker Pound would actually benefit most large cap UK investment funds by enhancing overseas earnings.

My own view is that currency markets, like all open markets, invariably reflect the current view of future prospects, so the Pound's weakness may already be in its price. Consider this. For five years prior to 2008 the Pound had traded in a range 1.38 to 1.53 Euros to the Pound with the average over that period being 1.46. However, the credit crunch decisively broke this trading range and as I write this it was below 1.11 to the Pound. The latest Bank of England quarterly report suggests events of the last two years may have altered the long-term value of the Pound.

But has the pessimism been overdone and where to from here? Given the extent of the decline over the last two years it is conceivable that, just as the equity markets had priced in all the bad news in March, the currency markets have done the same and the Pound may well be near the bottom of a new, but lower trading range. Anecdotal evidence suggests that foreign tourists are taking advantage of this new exchange rate while UK exporters may also be benefiting.

My message, therefore, is don't ignore the potential of well managed UK equity funds, especially those focused on large UK companies with significant overseas earnings. While I'm not suggesting you ignore overseas markets, it might be worthwhile remembering currency markets are notoriously difficult to predict, so diversification remains the key to the risk reduction.

Legal & General FTSE Growth Plan

ALL INVESTMENT INVOLVES RISK AND AN ADVISER'S ROLE IS to identify investment solutions that provide attractive potential returns without undue levels of risk.

We believe we have identified one such proposition in the Legal & General FTSE Growth Plan and Lowes is one of only a handful of advisers in the UK with access to this investment.

This is a five and a half year investment that provides the potential for a gain of 62 per cent which will be payable in the event of little or no growth in the FTSE 100 Index, whilst offering a significant level of protection to your investment capital in the event of a falling stockmarket.

Full details accompany the magazine and we would very much welcome the opportunity to discuss this offer with you and make a recommendation if appropriate. Appointments will be allocated on a 'first come' basis.

In summary, this investment might work as follows:

Scenario 1 At the end of the five and a half year investment term the FTSE 100 is at or above the level recorded on 6 January 2010.

Result Your investment will be returned in full together with a bonus of 62%. e.g. FTSE 40% up = 162% of the original investment returned.

Scenario 2 At the end of the investment term the FTSE 100 index is below the level recorded on 6 January 2010 but by less than 50%.

Result Your investment will be returned in full. e.g. FTSE 40% down = 100% of the original investment returned.

Scenario 3 At the end of the investment term the FTSE 100 index is more than 50% below the level recorded on 6 January 2010.

Result Your investment will reflect this fall. e.g. FTSE 60% down - only 40% of the original investment returned.

In other words, this investment is designed to provide a gain of 62 per cent if the FTSE rises by any amount, but will only result in a loss if the FTSE falls by the equivalent of 11.84 per cent per year over the five and a half year term.

Whilst past performance is not necessarily a guide to the future and it's not impossible, the FTSE 100 has not fallen by 50 per cent or more over any five-and-a-half year period in its 25 year history. Whilst we will not know the starting level of the FTSE 100 Index until commencement of the investment, if it was 5100 for example, then the Index would need to close at levels last seen 17 years ago for capital to be lost under Scenario 3 on the left. Whilst there is bound to be more stockmarket volatility to come, our view is that such a fall is unlikely.

As with all investments of this nature the returns and security of capital are dependent on the ability of the counterparty to meet their obligations and if they default you could lose some or all of your money. The investment is backed by HSBC Bank Plc which is one of the world's largest banking and financial services providers and, having weathered the recent financial storm well, it still has an "AA" rating from Standard & Poor's indicating that it is very strong.

Of course, tax rates and reliefs are subject to change, but under current rules, gains achieved under the investment will be subject to Capital Gains Tax (CGT), although this will only be payable if your total taxable gains in the year of maturity exceed the annual CGT allowance. The current allowance is £10,100 per individual meaning that anyone investing up to £15,500 who has no other gains in the year of maturity would not have to pay any tax. What's more, any gains in excess the annual CGT allowance would, at current rates, be subject to a tax rate of only 18 per cent on the excess.

The full explanation of the investment opportunity including details of all of the risks is contained within the product literature.

How to invest

In order to participate in this investment, in every instance Lowes is obliged to assess the suitability of the investment for you. This is a requirement insisted on by Legal & General and HSBC, but which we believe to be a small inconvenience to those who wish to avail themselves of such an attractive investment. If you choose to proceed, it will therefore be on an 'advised basis' and, as such, you will retain all of the relevant protection afforded to you by the Financial Services Authority. You will not be charged for this service, as adviser remuneration is built into the investment contract, and we will only be paid by Legal & General if you decide to proceed.

Please either contact us on: 0191 2818811, or by email at: enquiry@lowes.co.uk and we'll do the rest. Consultations will be allocated on a first come basis. The offer will close on 18 December or earlier if over-subscribed.